

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF)
BLACK HILLS POWER, INC., FOR GENERAL) Docket No. 20002-75-ER-09
RATE INCREASE TOTALING \$3,819,393 PER) Record No. 12336
ANNUM)

SUPPLEMENTAL TESTIMONY OF

Denise Kay Parrish

On Behalf of the Office of Consumer Advocate

In Support of Stipulation and Agreement

Testimony Filed: May 4, 2010

Hearing Begins: May 10, 2010

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
2 A. My name is Denise Kay Parrish and my business address is 2515 Warren Avenue,
3 Suite 304, Cheyenne, Wyoming 82002.
4
5 **Q. ARE YOU THE SAME WITNESS WHO FILED DIRECT TESTIMONY IN**
6 **THIS PROCEEDING ON APRIL 9, 2010?**
7 A. Yes. I have previously filed testimony in this proceeding on behalf of the
8 Wyoming Office of Consumer Advocate (OCA), an independent division of the
9 Wyoming Public Service Commission.
10
11 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN**
12 **THIS PROCEEDING?**
13 A. The purpose of my supplemental testimony is to present the OCA's view as to
14 why the Stipulation and Agreement that it has entered into with Black Hills
15 Power, Inc. (Black Hills) is in the public interest and why its terms and provisions
16 should be adopted by the Wyoming Public Service Commission (Commission) as
17 an appropriate resolution of this proceeding.
18
19 **Q. MS. PARRISH, ARE YOU NOW RECOMMENDING THAT THE**
20 **COMMISSION APPROVE THE TERMS AND PROVISIONS OF THE**
21 **STIPULATION AND AGREEMENT IN THIS PROCEEDING RATHER**
22 **THAN THE RECOMMENDATIONS CONTAINED WITHIN YOUR**
23 **ORIGINALLY FILED DIRECT TESTIMONY?**
24 A. Yes, I am.
25
26 **Q. WHY?**
27 A. The answer to that question has two parts. The first addresses the revenue
28 requirement portion of the proceeding while the second addresses the cost of
29 service and rate design.
30

1 As to the revenue requirement portion of the case, there were only a few
2 differences between Black Hills and the OCA at the time that I filed my original
3 direct testimony. These differences have been resolved to the satisfaction of both
4 the OCA and Black Hills in a way that is consistent with the normal ratemaking
5 practices of this Commission. There is no benefit to be had in continuing to argue
6 about these matters, when the resolution that has been reached is so very close to
7 the originally recommended position of the OCA in this proceeding. I will explain
8 below how those few original disagreements have been resolved.

9
10 The second aspect of my original direct testimony relates to cost of service and
11 rate design issues. In these areas, there was much more disagreement between
12 Black Hills' filed position and the OCA's original response to the application.
13 However, since the filing of my original recommended rate design, Black Hills
14 has explained to me why some of my originally recommended rates might not
15 make the most sense to implement. The OCA has also discussed with Black Hills
16 that the rate design contained in the application may not make the most sense in
17 today's regulatory and operational environment. Based on these conversations,
18 the OCA and Black Hills were able to discuss how to implement, in a practical
19 way, a balance between the need to move to cost-causation based rates and a
20 transitional path that does not place too much of the rate increase on any one
21 group of customers as a change in rate design philosophy is implemented. The
22 rate design contained within the stipulation and agreement reflects that balance
23 and is a better informed choice than either Black Hills' or the OCA's original
24 proposals.

25
26 **Q. IS IT UNUSUAL THAT YOU WERE ABLE TO REACH A**
27 **COMPROMISE POSITION AS PART OF A STIPULATION AND**
28 **AGREEMENT IN THIS PROCEEDING?**

29 A. No. Once the parties' litigation positions have been made public through the
30 filing of testimony, it is common for the parties to be able to work through the
31 issues to reach a settlement and agreement. Once the initial positions have been

1 filed, there is an opportunity to clear up any misconceptions or inaccuracies that
2 underlie the initial positions. But, more importantly, settlement discussions
3 provide an opportunity to loosen one's guard in a non-adversarial setting and seek
4 the best common solution. Often the filed position of one party will prompt some
5 more creative thinking that hadn't previously come to mind. It may also prompt
6 one party to reevaluate the risk of going forward with its initial position in light of
7 the responsive testimony of other parties.

8
9 Settlement discussions may not always lead to an agreement of how to resolve
10 identified contested matters, but they often do, for the reasons expressed above.
11 Such was the case in this proceeding, where the OCA believes that adoption of
12 the recommendations within the Stipulation and Agreement would be better for
13 the general body of ratepayers than would adoption of our initial
14 recommendations.

15
16 **Q. PLEASE DESCRIBE HOW THE STIPULATION PROPOSES TO**
17 **RESOLVE THE DISAGREEMENTS INVOLVING THE REVENUE**
18 **REQUIREMENT IN THIS PROCEEDING.**

19 A. To begin the answer to that question, let me first remind the Commission of the
20 initial differences between Black Hills' and the OCA's initially filed positions:

- 21 ▪ Should updated costs associated with the Wygen III power plant be used
22 including updates for the plant's capital costs, the cost of fuel, and other
23 related costs?
- 24 ▪ Should the materials and supplies balance for Wygen III be adjusted to
25 recognize that Black Hills is only a partial owner of Wygen III?
- 26 ▪ Should certain uncompleted construction work in progress be allowed in
27 the rate base in this proceeding?
- 28 ▪ Are certain elements of rate base, such as materials and supplies better
29 reflected in rate base using an average balance rather than a year-end
30 balance?
- 31 ▪ Should customer deposits be treated as a deduction from rate base?

- 1 ▪ What is the appropriate period for the amortization of the Wyodak
2 acquisition adjustment?
- 3 ▪ What level of expense should be included in rates relative to new
4 employees who were not employed by Black Hills during the test year?
- 5 ▪ What is the appropriate level of post test year wage and salary increases to
6 be included in rates?
- 7 ▪ What amount of injuries and damages expense should be included in rates
8 given the year-to-year variability that occurs for this expense item?
- 9 ▪ What is the appropriate depreciable life for the Wygen III power plant?
- 10 ▪ Should any accumulated depreciation associated with Wygen III plant be
11 reflected in the rates resulting from this proceeding?
- 12 ▪ How should proceeds from the sale of SO₂ allowances be treated for
13 ratemaking purposes?
- 14 ▪ What is the appropriate amount of rate case expense to include, over what
15 period should this expense be amortized, and what ratemaking treatment
16 should be given to the unamortized balance?
- 17 ▪ What cost of capital should be utilized in establishing rates?

18
19 In addition to this list of differences, there were a few other adjustments included
20 in my initial testimony in this case. However, I don't consider those items to be
21 in disagreement since they were provided by the Company during my review of
22 this case. These items include: miscategorization of transmission costs;
23 advertising costs inadvertently left in the included expenses; and the write-off of
24 the accumulated depreciation for the Kirk power plant.

25
26 Several of the above listed adjustments were non-controversial as they were
27 merely updates of numbers and /or adjustments already in the case, such as coal
28 prices or plant construction costs. These items were readily agreed to as part of
29 the negotiations. With only a few exceptions, Black Hills did not challenge the
30 position of the OCA and thus, the recommended revenue requirement submitted
31 with my originally filed direct testimony became the starting point for the

1 negotiations. The few items that were controversial during the negotiations were
2 related to the treatment of rate case expense, the regulatory treatment of the
3 proceeds from the sale of the SO₂ allowances, the appropriate depreciable life of
4 Wygen III, and the reasonable cost of capital to be included in establishing rates.
5 These four items became the focal point of the revenue requirement negotiations
6 but, to be frank, there was far less discussion on these items than on the rate
7 design.

8
9 **Q. HOW WERE THESE FOUR SPECIFIC AREAS OF INITIAL**
10 **DISAGREEMENT RESOLVED?**

11 A. The matter of the cost of capital was resolved with the acceptance of the OCA
12 recommendation as delineated in Mr. Freeman's prefiled direct testimony. As
13 found in the stipulation at paragraph 12, the utilized debt/equity ratio is to be 48%
14 debt and 52% equity. The utilized cost of debt is 6.48% while the agreed upon
15 return on equity is 10.5%.

16
17 The disagreement of the rate case expense was multifaceted ranging from the
18 amount to be included to the amortization period to the treatment of the
19 unamortized balance. The amount of rate case expense included in the stipulation
20 is taken based on my updated estimate of rate case expense as presented in my
21 earlier filed direct testimony. This amount, while not specifically known, is a
22 reasonable estimate of: (1) the costs associated with the studies of the outside
23 consultants included in the application, (2) the consultant's costs of preparing
24 testimony and responding to inquiries during the course of the proceeding, (3) the
25 legal costs to date, and (4) the costs estimated for presentation of the stipulation to
26 the Commission.

27
28 As to the amortization period of the rate case costs, the compromise found in the
29 stipulation is that the amortization period should be reduced from the OCA
30 recommended period of seven years to the now recommended five years.
31 However, in exchange for this reduced period, the unamortized amount of the

1 estimated expense will not be included in rate base and thus, the shareholders,
2 rather than the ratepayers, will pay the carrying charge on this expenditure. The
3 OCA agreed to this change in the amortization period, as there is a great deal of
4 uncertainty as to when the Company will be back in for another rate increase, but
5 it is likely to be sooner than in the past due to the many uncertainties currently
6 facing the energy industry.

7
8 Agreement was reached to use a depreciable life of 50 years for the Wygen III
9 plant beginning with this case. However, given the uncertainties that are facing
10 the energy industry, it is reasonable to expect periodic review of appropriate
11 depreciation rates, not only for Wygen III but for all types of plant and
12 equipment. Thus, the stipulation calls for Black Hills to perform a depreciation
13 study every ten years or so, and to make any necessary adjustments to
14 depreciation rates as warranted from the review of the depreciation study. In
15 agreeing to a new depreciation study every ten years or so, I note that there is no
16 Commission standard as to how often a depreciation study should be done. Some
17 utilities perform them every 5 years and some have gone decades without a new
18 study.

19
20 The last of the revenue requirement disagreements related to the proceeds of the
21 SO₂ allowances. These allowances had been sold over a number of years and
22 were sitting on Black Hills' books. The OCA had originally recommended
23 amortizing these proceeds in a manner that would reduce base rates. However,
24 we were convinced to allow Black Hills' shareholders to keep these proceeds in
25 recognition of some of the prior period stay agreements and the fact that these
26 proceeds had been obtained during a long period of stable rates. We also noted
27 that the overall annual annualized amount was quite small such that there would
28 be little impact on rates.

29
30 In exchange for disposing of the prior sales proceeds in the shareholders' favor,
31 there was agreement that future proceeds from sales of SO₂ emission allowances

1 would accrue primarily to ratepayers. As described within the recommended
2 ECA provisions, there would be a sharing of the SO₂ emission allowance
3 proceeds between ratepayers and shareholders on a 90% / 10% basis, respectively.
4 This small sharing with shareholders is recommended on a trial basis with the
5 explanation that the small portion that accrues to shareholders may be enough to
6 motivate the Black Hills management to try to market a bit more of the SO₂
7 emission allowances than they would otherwise be inclined to sell. I suggest that
8 this provision is *experimental* in that the entirety of the electric cost adjustment is
9 subject to review and modification and after the third year of its operations.
10

11 **Q. HOW DOES THE ESTABLISHMENT OF THE MAJOR MAINTENANCE**
12 **ACCOUNT, DESCRIBED IN PARAGRAPH 10 OF THE STIPULATION**
13 **AND AGREEMENT, IMPACT THE REVENUE REQUIREMENT?**

14 A. It actually reduces the revenue requirement slightly from the originally submitted
15 OCA recommendation. Black Hills requested this as part of its original
16 application, but the OCA failed to provide a position on it in our originally filed
17 testimony. Frankly, we wondered why it was necessary to actually set up a
18 formal regulatory liability for this matter, since we had not objected to
19 recognizing that the cost of major plant maintenance will vary from year to year,
20 and included the maintenance cost in the revenue requirement using an average
21 expense level. But, apparently the outside auditors have indicated they are more
22 comfortable with an explicit provision and thus, the provision in the stipulation.
23 However, the parties agreed that since there will be funds collected through rates
24 prior to the time they will need to be expended for maintenance and repairs, they
25 should be accumulated and deducted from rate base, in a similar manner to
26 accumulated deferred income taxes.
27

28 **Q. MS. PARRISH, ARE YOU COMFORTABLE THAT THE REVENUE**
29 **INCREASE RESULTING FROM THE STIPULATION IN THE AMOUNT**
30 **OF ABOUT \$3.14 MILLION IS APPROPRIATE AND IN THE PUBLIC**
31 **INTEREST?**

1 A. Yes. This recommended amount is quite close to the revenue requirement that the
2 OCA originally recommended and is explainable through the couple adjustments
3 described above. The stipulation recommendation of \$3.14 million is quite close
4 to the \$3.12 million originally recommended by the OCA and no fundamental
5 principles have been changed.

6
7 **Q. DOES THE CLASS COST OF SERVICE STUDY PROVIDED AS**
8 **STIPULATION EXHIBIT 6 CORRECT SOME SLIGHT ERRORS**
9 **CONTAINED WITHIN YOUR ORIGINALLY PROVIDED COST OF**
10 **SERVICE STUDY?**

11 A. First and foremost, the class cost of service study has been updated to reflect the
12 few adjustments to the revenue requirement discussed above. In addition, there
13 were a couple of mistakes that Black Hills identified upon its review that were
14 also corrected. The most obvious of the items that needed correction were the
15 class allocation factors applied to the cost categories of *Customer Accounting*
16 *Expense* and *Customer Service Expense*. While the total Wyoming expense was
17 correct, I had applied incorrect class allocators to each of these categories.

18
19 The results of the corrected as well as updated class cost of service study is shown
20 on Stipulation Exhibit 5, page 6. It shows that there is an overall required
21 increase in Wyoming revenues of about 32% (which is consistent with the
22 calculation on Stipulation Exhibit 2). It also shows that each of the classes
23 warrants an increase in revenue of approximately 30% or slightly more, based on
24 the benefits and flaws associated with the average and excess allocation method
25 as described in my originally filed direct testimony.

26
27 **Q. DOES THE STIPULATION AND AGREEMENT ADDRESS ANY ITEMS**
28 **RELATED TO THE COST OF SERVICE STUDY IN FUTURE CASES?**

29 A. Yes. Specifically, it recognizes that new metering is being installed in Black
30 Hills' Wyoming territory and these meters will provide much more information
31 on individual customer usage and class usage than is currently available. So,

1 while there is no requirement that any particular rate design be utilized in the next
2 case, our discussions with Black Hills lead the OCA to believe that much more
3 information and analysis will be provided underlying the next rate proposal than
4 was associated with the rate design in the current proceeding. Furthermore, the
5 stipulation requires more information in the next proceeding regarding the
6 specific functional component costs associated with each of the rate classes.

7
8 **Q. GIVEN THE STATE OF LIMITED INFORMATION AVAILABLE**
9 **REGARDING THE COST OF SERVING INDIVIDUAL RATE CLASSES**
10 **AND THE COST OF INDIVIDUAL RATE ELEMENTS (e.g., CUSTOMER**
11 **SERVICE CHARGES), WHAT AGREEMENT WAS REACHED**
12 **BETWEEN THE OCA AND BLACK HILLS REGARDING CUSTOMER**
13 **RATES?**

14 A. The customer rates that are recommended as a result of the stipulation are found
15 in the proposed tariff sheets contained in Stipulation Exhibit 1. These rates make
16 an attempt to move toward more current rate principles (such as eliminating
17 declining block rates) that also move rates toward an arrangement where each
18 customer class pays its own cost of serving it. Yet, we were concerned about
19 causing any class or subclass of customers to have an inordinate burden relative to
20 the overall rate increase. So, we made a number of steps in what we believe to be
21 the correct direction. For instance, customer charges were increased by a
22 percentage greater than the 32% overall class percentage, but there was a
23 conscious effort made to not increase the overall revenue to any class more than
24 the average increase. Moreover, for rates where it seemed appropriate to keep
25 some declining block pricing, the number of blocks was reduced to make
26 movement toward a flat usage rate design.

27
28 **Q. WHY HAVE YOU CHANGED YOUR POSITION FROM YOUR**
29 **ORIGINAL TESTIMONY ON THE CONTINUATION OF DECLINING**
30 **BLOCK RATES?**

1 A. I have a better understanding of some of the operational aspects of Black Hills
2 than I did before filing the original testimony. First, I had assumed that all
3 demand customers had demand meters. But, it has been explained to me that
4 many of the smaller general service customers do not have demand meters and
5 thus those customers who are assumed to place less than five kW of demand
6 neither have that demand measured currently or are billed for those first kW. This
7 means that the demand related costs not being recovered through the demand
8 charge (the one that is waived for small customers) must be recovered from some
9 other charge, generally the energy charge. The higher first block of the energy
10 charge is meant to reflect not only the actual energy costs but also this demand
11 related cost that is not reflected in any of the other rate elements.

12
13 It makes sense to the OCA to have two energy rate blocks in the situation
14 described above rather than one flat energy rate where each kWh used will have a
15 rate associated with it that includes both demand and energy. Under such a flat
16 rate proposal, the higher use customers would be hit with a higher percentage
17 increase in their bills.

18
19 We anticipate being in a different position at the time of the next case relative to
20 the ability to measure demand. Since all customers are expected to have, by the
21 end of 2011, meters that will measure both demand and energy, the availability of
22 data should be much more extensive than it is today. This should also provide for
23 rates that are much less reliant on older, borrowed data than in this case and
24 should allow for the setting of more precise demand and energy rate elements for
25 each customer class.

26
27 **Q. WHY ARE YOU RECOMMENDING DIFFERENT CUSTOMER**
28 **CHARGES FOR DIFFERENT CUSTOMER CLASSES?**

29 A. Again, the OCA and Black Hills have jointly tried to balance the rate impact on
30 customers with the cost causation principles often applied in rate setting
31 proceedings. Thus, we wanted to raise the monthly customer charges to

1 recognize that they are not likely recovering the fixed costs associated with meter
2 reading, billing, service drops, and other customer related activities. However, we
3 also wished to recognize that some classes will impose more costs on the system,
4 such as customers with a demand meter compared to those whose meter only
5 registers energy usage. All the while we were struggling with how far to move
6 this particular rate element, as higher customer charges tend to reflect a higher
7 percentage increase in the bills for low use customers than for higher use
8 customers. So, the customer charge proposal is a balance of all of these items and
9 frankly, is a product of our collective judgment.

10
11 **Q.** HAVE YOU PREPARED A BILL COMPARISON TO SHOW THE IMPACT
12 OF THE STIPULATED RATE DESIGN ON VARIOUS CUSTOMER
13 CLASSES?

14 **A.** Yes. I have prepared a fairly simple chart that compares the current and proposed
15 rate at different usage levels for different classes. As was the case for a similar
16 comparison found within my originally filed direct testimony, this bill comparison
17 is meant to be illustrative and not comprehensive of what the impact on any
18 particular customer may be.

	Current	Proposed	Increase
Residential			
250 kWh	\$25.45	\$34.75	37%
650 kWh	\$53.37	\$67.95	27%
1,250 kWh	\$95.25	\$117.75	24%
Residential All Electric			
800 kWh	\$57.86	\$80.90	40%
2,000 kWh	\$128.90	\$177.50	38%
4,000 kWh	\$247.30	\$338.50	37%
Residential Demand			
750 kWh with 5 kW	\$59.03	\$84.00	42%
1,500 kWh with 15 kW	\$132.05	\$185.25	40%
4,000 kWh with 20 kW	\$233.80	\$331.50	42%
General Service			
800 kWh with 4 kW	\$63.90	\$87.60	37%
12,000 kWh with 25 kW	\$851.50	\$1,075.50	26%
40,000 kWh with 150 kW	\$2,999.45	\$3933.00	31%
General Service All Electric			
800 kWh with 4 kW	\$56.12	\$81.00	44%
12,000 kWh with 50 kW	\$781.05	\$996.25	28%
40,000 kWh with 150 kW	\$1947.25	\$2991.25	54%

1
2 In spite of the fact that individual customers will have different bill impacts,
3 based on the data that is available to me today, including the bill distribution data
4 found in my original direct testimony, the proposed rate design appears to be
5 reasonable. While percentage increases for individual customers in the 25% to
6 45% range is high, it is important to remember that these customers have had
7 stable rates for nearly 15 years and the overall required increase in revenues is in
8 excess of 30% based on the new investment and increased expenses that have
9 occurred since the time of the last rate increase.

10
11 **Q. MS. PARRISH, THE REMAINING ISSUE FOUND IN THE**
12 **STIPULATION THAT YOU HAVE NOT YET DISCUSSED IS THE**
13 **ENERGY COST ADJUSTMENT. PLEASE EXPLAIN HOW YOUR**

1 **ORIGINAL SUGGESTIONS ARE INCORPORATED INTO THE ECA**
2 **RECOMMENDED AS PART OF THE STIPULATION.**

3 A. In my original testimony, I suggested that there may be other ways to provide
4 incentives to Black Hills to assure that it has an incentive to control fuel and
5 purchased power costs other than through the use of a deadband. Specifically, I
6 suggested that a cost sharing mechanism based on percentage sharing might be a
7 reasonable alternative to the proposal contained in the application. I suggested
8 that it would certainly be simpler to administer. I also suggested that additional
9 safeguards for customers are appropriate to incorporate into the ECA.

10
11 The Stipulation and Agreement contains a compromise that does not change the
12 basic structure of the ECA from that proposed by Black Hills but does build in
13 additional customer safeguards. The fundamental structure is centered around a
14 pass-on mechanism with a symmetrical deadband that has some additional
15 provisions for revenue sharing. The recommended ECA also contains a more
16 descriptive explanation of the calculation to be made, the timing of the annual
17 process, and a more specific listing of the items to be included in the costs.

18
19 **Q. WHAT ARE SOME OF THE SAFEGUARDS THAT PROVIDE YOU**
20 **ADDITIONAL COMFORT COMPARED TO THE EARLIER PROPOSED**
21 **VERSION OF THE ECA?**

22 A. One of the key safeguards relates to the fact that Black Hills has agreed to a
23 review of this mechanism after three years of operation to see if it is working in a
24 way that is balanced in its costs and benefits to both customers and shareholders.
25 Since this structure is different than the ECA that has been in place for either
26 Cheyenne Light, Fuel, and Power or Rocky Mountain Power, it is difficult to say
27 whether there are some unintended consequences that will need to be reexamined
28 in the near future. The OCA currently does not see any significant imbalances
29 between shareholders and customers with the proposed structure, but wants to
30 provide an assurance that if some arise, there will be a reasonable opportunity to
31 fix the problems. Thus, the language at paragraph 13 indicates that a filing to

1 modify the ECA will be made after the three year review if either the OCA or
2 Black Hills so desires. This is important to the OCA as it does not currently have
3 the authority to file a complaint with the Commission, so without this provision
4 and the Company's agreement to make a filing at our request, it may be difficult
5 to raise the need for changes to the ECA. Of course, the Commission has the
6 ability to call the Company in at any time to explain why the current tariff
7 provisions should continue to be in effect. This provision of the Agreement
8 would not change or limit that ability of the Commission in any way.

9
10 Another safeguard is the guaranteed amount of \$2 million of total company power
11 marketing net income that is included in the tariff language. So, while there is
12 still a sharing of the Power Marketing net income, there is a guaranteed minimum
13 amount of revenue that will be included as a benefit to ratepayers. This provision
14 is found on Stipulation Exhibit 6, Original Sheet 57.

15
16 Yet another safeguard is found in the language for Steam Plant Fuel Costs found
17 on Stipulation Exhibit 6, Original Sheet 56. Language has been added that
18 indicates before any costs related to carbon taxes or similar government
19 impositions are passed through the ECA, Black Hills will make a filing showing
20 its plan of how it intends to comply with the government mandates. This gives
21 the Commission, the OCA, and other interested parties the opportunity to weigh
22 in on the reasonableness of why and how these costs are being incurred before
23 they are incorporated into customer rates through the ECA.

24
25 Another provision relates to how the ECA would impact contract customers. The
26 retail sales used in the calculation to determine the ECA rate are intended to
27 include all retail sales, including sales from contractual customers. This means if
28 Black Hills decided to enter into a contract that did not call for the contractual
29 customer to pay the ECA it could do so without any harm to the remaining retail
30 customers. The shareholders would then be responsible for that portion of the cost
31 that had not been passed on to the contract customers.

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A final safeguard is found in Stipulation Exhibit 6, page 59, in the section titled *Information to be Filed with the Commission*. Pursuant to the language in this section, Black Hills intends to file with each of its ECA applications information that demonstrates the Company’s financial condition. Thus, if it appears that the earnings of the Company are unreasonably high at the same time that a large increase is being requested pursuant to the ECA, it will make it easier to discuss the appropriate action to be taken, if any. This provision does not obligate Black Hills, the OCA, or the Commission relative to any actions that might be suggested as a result of the financial showing, but the provision of the information will make it easier to determine whether some further action is warranted.

Q. HAS YOUR CONCERN ABOUT THE COMPLEXITY OF THE ECA BEEN RESOLVED?

A. Mostly. Black Hills has a rate mechanism very similar to the proposed ECA in place and operating in South Dakota. Therefore, even without approval of the proposed mechanism in Wyoming, it would have to perform the calculations in the filing that I worry may be complex and confusing. Additionally, Black Hills indicates that it has worked well in South Dakota without complications. So, the OCA determined that we would agree to try the proposed mechanism for a few years. If it becomes too complicated or unwieldy, the OCA can always ask for changes to the ECA after its initial three year operational period.

Q. WHAT EFFECTIVE DATE ARE YOU RECOMMENDING FOR THE RATES RESULTING FROM THIS PROCEEDING?

A. We are recommending rates effective June 1, 2010. Once the Commission is comfortable that the Stipulation and Agreement is in the public interest, there should be no reason to delay the effective date, as the proposed tariff sheets have been provided with the stipulation.

1 **Q. DOES THAT CONCLUDE YOUR SUPPLEMENTAL PREFILED**
2 **TESTIMONY IN SUPPORT OF THE STIPULATION?**

3 **A.** Yes, it does.

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RATE INCREASE TOTALING \$3,819,393 PER) Record No. 12336
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AFFIDAVIT, OATH AND VERIFICATION

Denise Kay Parrish (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

Affiant is the Deputy Administrator of the Wyoming Office of Consumer Advocate which is a party intervener in this matter pursuant to its Notice of Intervention filed on October 20, 2009.

Affiant prepared and caused to be filed the foregoing testimony. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant’s knowledge, all statements and information contained within the testimony are true and complete and constitute the recommendations of the Affiant in her official capacity as Deputy Administrator of the Wyoming Office of Consumer Advocate.

Further Affiant Sayth Not.

Dated this 4th day of May, 2010.

Denise Kay Parrish, Deputy Administrator
Wyoming Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
(307) 777-5743

STATE OF WYOMING)
) SS:
COUNTY OF LARAMIE)

The foregoing was acknowledged before me by Denise Kay Parrish on this 4th day of May, 2010. Witness my hand and official seal.

Notary Public

My Commission Expires: