

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE)
APPLICATION OF CHEYENNE)
LIGHT, FUEL AND POWER)
COMPANY FOR A GENERAL)
RATE INCREASE OF)
\$2,149,433 IN ITS RETAIL)
NATURAL GAS SALES AND)
TRANSPORTATION RATES)

Docket No. 30005-GR-05-103
Record No. 9798

IN THE MATTER OF THE)
APPLICATION OF CHEYENNE)
LIGHT, FUEL AND POWER)
COMPANY FOR APPROVAL OF)
\$3,032,773 INCREASE IN)
ELECTRIC SERVICE RATES IN)
ITS SERVICE AREAS IN THE)
STATE OF WYOMING)

Docket No. 20003-ER-05-81
Record No. 9797

DIRECT TESTIMONY
OF
DENISE KAY PARRISH
ON BEHALF OF
THE OFFICE OF CONSUMER ADVOCATE

TESTIMONY FILED: September 16, 2003
HEARING DATE: October 3, 2005

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Denise Kay Parrish. My business address is 2515 Warren Avenue,
3 Suite 304, Cheyenne, Wyoming 82002.

4
5 **Q. WHAT IS YOUR OCCUPATION?**

6 A. I am the Deputy Administrator of the Wyoming Office of Consumer Advocate
7 (OCA). In this position, I review and provide input into the recommendations
8 made by the OCA. I review utility applications filed with the Wyoming Public
9 Service Commission (Commission) and provide advice to the Administrator
10 regarding the involvement the OCA should have, if any, in various cases. I
11 review applications, perform analyses and provide recommendations to the
12 Commission relative to various utility matters, including revenue requirements,
13 tariff language, competitive issues, rules and regulations, rate design, performance
14 standards, and other related items. I also do other assignments and tasks, as
15 needed and as assigned by the OCA Administrator.

16
17 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL**
18 **BACKGROUND?**

19 A. In 1976, I graduated from Michigan State University with a Bachelor of Arts in
20 Accounting. I have spent more than twenty-eight years as a regulator of public
21 utilities, having been on the staff of four state utility regulatory commissions and
22 two consumer advocate entities. More than thirteen of those years have been
23 spent as a regulator in Wyoming.

24
25 I have taken classes related to various aspects of public utility regulation,
26 including income taxes, regulatory accounting, capital recovery, cost-of-service,
27 rate design, revenue requirements, separations and allocations, auditing, and other
28 specialized topics. I have taught classes on issues of accounting standards,
29 general ratemaking principles, affiliated transactions, regulatory accounting,
30 financial reporting, rate case auditing, cost allocations and other specialized topics
31 to regulatory professionals.

1 testimony before an en banc hearing of the Federal State Joint Board on Universal
2 Service about potential changes to the federal high cost fund.

3
4 **Q. WHO DO YOU REPRESENT IN THIS PROCEEDING?**

5 A. As a member of the Office of Consumer Advocate, I represent the interests of
6 Wyoming citizens and all classes of customers in this public utility matter, as
7 required by W.S. § 37-2-401. I do not represent the position of any individual
8 group, municipality, or corporation.

9
10 Individual customers or customer groups are welcome to – and encouraged to—
11 participate in the process at the Commission. This participation may range from
12 becoming in intervenor, separate and apart from the OCA’s intervention, or by the
13 submission of a written or oral public comment.

14
15 **Q. ARE YOU SPONSORING ANY SEPARATE EXHIBITS AS PART OF**
16 **YOUR DIRECT, PREFILED TESTIMONY IN THIS PROCEEDING?**

17 A. Yes, I am. Attached to my testimony are OCA Schedules DKP-1 through DKP –
18 10. I am sponsoring these schedules, and describe each in more detail throughout
19 the remainder of my prefiled testimony.

20
21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. The purpose of my testimony is to present the OCA’s position regarding
23 Cheyenne Light, Fuel and Power’s (Cheyenne Light’s) request to increase its
24 electric service rates. Specifically, I discuss the Stipulation and Agreement to
25 which the OCA and Cheyenne Light have agreed. I am also presenting
26 information on specific provisions contained in the Stipulation and Agreement,
27 the cost of capital, and other general issues to place the requested increase in
28 context. Several of these discussions are generally applicable to Cheyenne Light’s
29 requested increase in electric rates and its requested increase in natural gas rates.
30 OCA witness Amy Zamora is presenting the OCA’s ultimate recommendations
31 regarding Cheyenne Light’s requested increase in natural gas rates.

1 tariff in order to better protect existing customers from the cost of
2 the new growth in the area, Cheyenne Light agrees to file such
3 changes within six months of the issuance of an order approving
4 the Stipulation and Agreement in this proceeding.

- 5 ▪ At the request of the OCA, Cheyenne Light has agreed to submit
6 an application for an optional green tariff no later than April 1,
7 2006. This tariff is expected to offer a voluntary rate plan wherein
8 customers could pay an extra amount on their monthly bills with
9 the extra payment being used to specifically and exclusively fund
10 electric generation from renewable resources.
- 11 ▪ Cheyenne Light has agreed to increase its corporate annual
12 payment to Energy Share from its current commitment of \$10,000
13 annually to \$30,000 annually for the years of 2006 and 2007. This
14 funding would be from shareholder funds and would not appear as
15 an expense to be recovered from ratepayers.
- 16 ▪ Cheyenne Light has agreed to begin discussions with the OCA and
17 any other interested parties regarding ideas that might be
18 implemented to support and encourage customers' energy
19 conservation efforts. These discussions are to begin within 90
20 days of the issuance of an Order approving the Stipulation and
21 Agreement.
- 22 ▪ Cheyenne Light has also agreed, at the request of the OCA, to
23 explicitly discuss in its testimony submitted with its next rate case
24 its service quality and how its provision of services compares with
25 industry norms. This testimony will supplement some of the
26 information already being received by the Commission in response
27 to the recent customer service troubles experienced in Cheyenne
28 Light's area.

- 1 ▪ Finally, while not contained within the written Stipulation and
2 Agreement, Cheyenne Light has agreed to work toward modifying
3 the format of its data submission in its next rate case, in order to
4 increase the understandability of its supporting information, and to
5 be more responsive relative to the provision of information and the
6 processing of the case.

7
8 **Q. PLEASE PROVIDE SOME BACKGROUND ON CHEYENNE LIGHT'S**
9 **PROPOSED INCREASE IN ELECTRIC SERVICE RATES.**

10 A. On April 18, 2005, Cheyenne Light filed an application to increase its gas and
11 electric service rates. This was the first increase in rates that Cheyenne Light has
12 requested since it increased its base rates (that is, rates not specifically related to
13 changes in wholesale commodity rates) in 1999, based on a 1998 test year. Many
14 significant events have occurred since the earlier rates were set:

- 15 ▪ Northern States Power (now Xcel Energy) acquired Cheyenne
16 Light as part of a larger acquisition and then a few years later, sold
17 Cheyenne Light to Black Hills Power;
- 18 ▪ Cheyenne and its environs have continued to grow, adding to
19 Cheyenne Light's customer base but also requiring an expansion of
20 the electric distribution system and other aspects of the system;
- 21 ▪ A number of customer service, metering, and billing issues
22 occurred, were studied and reported upon, and resolved with an
23 eye toward the 'fix' to make sure that it is permanent and not a
24 temporary resolution;
- 25 ▪ Time passed which generally translates into increased wages and
26 some general inflationary increase in materials, supplies, and
27 administrative costs;
- 28 ▪ The energy market in the Western United States went haywire for
29 a period of time, causing a change in wholesale suppliers, a re-
30 examination of buy versus build decisions of utilities, and an

1 increased customer awareness of their energy costs and energy
2 suppliers.

- 3 ▪ Energy prices rose with the flood waters of New Orleans; and
- 4 ▪ The stock market did a free fall.

5

6 Each of these events is important to putting the current electric service rate
7 request, and particularly the individual provisions of the Stipulation and
8 Agreement, in context. The above events are important for understanding the
9 agreed-upon cost of capital, why it is important to restart discussions on
10 conservation initiatives, why it is important to increase expenses to recognize the
11 cost of new Cheyenne Light employees, and other important aspects of this case.

12

13 **Q. PLEASE DESCRIBE THE ANALYSIS THAT YOU PERFORMED PRIOR**
14 **TO MAKING YOUR RECOMMENDATIONS IN THIS PROCEEDING.**

15 A. A number of regulatory and analytical steps were taken prior to preparing and
16 presenting the OCA's recommendations contained in my testimony and exhibits.
17 While not a comprehensive list, the pre-recommendation activities include:

- 18 ▪ A detailed discussion with the Cheyenne Light consultant about
19 specific computations, formulas, and raw data sources underlying
20 the Cheyenne Light revenue requirement and cost of service
21 computations;
- 22 ▪ Analysis of test year data and some limited post test year data to
23 look for unusual costs, accounting entry oddities, or other potential
24 revenue requirement adjustments;
- 25 ▪ Several days of meetings with representative of Cheyenne Light,
26 Black Hills, and Xcel in Denver, where additional documents and
27 numbers were gathered, the activities that are represented by the
28 test year numbers were discussed, including planned changes to
29 Cheyenne Light compared to way services were provided during
30 the test year, and specific Cheyenne Light adjustments were
31 explained and debated;

- 1 ▪ Several days of meetings with representatives of Black Hills and
2 Cheyenne Light, in Rapid City, where additional discussions took
3 place regarding the perceived need for additional Cheyenne Light
4 employees, descriptions were provided of how employment
5 benefits were changed with the change in corporate ownership;
6 information on current plant investments were gathered, and other
7 information was offered and discussions were held; and
- 8 ▪ The stipulation and order in the prior case was reviewed.

9

10 **Q. WOULD YOU CONSIDER THIS RATE CASE TO BE TRADITIONAL OR**
11 **NON-TRADITIONAL IN NATURE?**

12 A. While I would characterize this rate case to be computed in a fairly traditional
13 manner, there are a couple of unique and noteworthy differences between this
14 rate case and many of the other traditional cases that have been filed before the
15 Commission.

16

17 The first of these unique items relates to the test year itself. In normal
18 circumstances, a test year that is nearly a year old at the time of its filing would
19 frequently be considered to be stale and questionably appropriate for use as a
20 starting point in setting rates for periods into the future. However, after some
21 discussion, the OCA agreed that the test year would be acceptable for use in this
22 case, as more recent periods were deemed to be unreliable. The unreliability of
23 the later periods (that is, 12 month periods ending after May 2004) was due to the
24 billing and metering problems that were recently reported upon before the
25 Commission.

26

27 The second of the unique aspects of this case relate to the decision to use a test
28 year ended May 2004 and the change in corporate ownership that occurred after
29 that period. Between the end of the test period and the filing of the case, the
30 ownership of Cheyenne Light changed from Xcel Corporation to Black Hills
31 Corporation. As a result, Cheyenne Light (and Black Hills) made arrangements

1 for Xcel to provide some technical assistance relative to providing supporting
2 documents to the numbers in the case and making an Xcel person available to
3 assist in answering questions about the basic test year numbers. However, the
4 fact that Xcel provided help to Cheyenne Light in explaining the base test year
5 numbers begged the question of whether those numbers would still be a
6 reasonable basis for rates starting in 2006. It also begged the question of what
7 changes in costs would occur with the change in ownership and whether those
8 cost changes were appropriately reflected in the proposed rates.
9

10 **Q. ARE YOU PREPARED TO REPORT TO THE COMMISSION THAT THE**
11 **RATES YOU ARE RECOMMENDING ARE REASONABLE, IN SPITE**
12 **OF THEIR DERIVATION FROM THIS UNIQUE TEST YEAR?**

13 A. Yes. I have looked at some of the test year costs, versus some of the costs for
14 more recent periods. In general, it appears that the selected test year is the more
15 conservative approach to use, as a number of one-time expenses were incurred
16 during the ownership transition and during the resolution of the recent service
17 problems. These would show up in the booked numbers for a newer test year.
18 Additionally, since there is not twelve months of actual data reflective of the new
19 owners, it would be difficult to strictly measure the cost impact of having new
20 owners. I offer these random examples of expenditures for three consecutive
21 years:
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	May 2003	May 2004	May 2005
Distribution Expense (Electric Only)	\$105,786	\$111,659	\$109,474
Customer Expenses (Gas and Electric)	\$117,033	\$158,478	\$165,703
Administrative and General (Gas and Electric)	\$550,321	\$413,531	\$858,855

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	June 2003	June 2004	June 2005
Electric Distribution Expense	\$92,855	\$139,630	\$138,392
Customer Expenses	\$136,472	\$160,240	\$199,408
Administrative Salaries (Gas and Electric)	\$142,036	\$172,036	\$232,147

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While I am not suggesting that a one or two month snapshot be used for determining overall expense reasonable, these examples do generally show that using a newer test period would likely not result in lower rates. This provided me a comfort level about the test year beyond simply looking at it in isolation.

1 **Q. PLEASE DESCRIBE THE MOST SIGNIFICANT ELEMENTS OF**
2 **TRADITIONAL RATE REGULATION.**

3 A. The concept of traditional rate regulation is relatively simple. A utility is
4 permitted to: earn a return on its used and useful investments, recover the cost of
5 its investments over the useful lives (either technological life or physical life) of
6 the assets, recover its reasonable and necessary operating costs, and recover
7 associated taxes related to the operations of its regulated business.

8
9 While the concept is relatively simple, it is the implementation that is often
10 difficult – determining the prudence of specific investments; deciding that an
11 expense is at a reasonable level; making adjustments to the historic test year in
12 order to make it more reflective of the rate effective period, while keeping in
13 mind the principle of matching revenues, expenses, investments, and loads; and
14 estimating what return investors expect on their equity investment.

15
16 In regulatory lingo, the investments upon which the utility is allowed to earn
17 comprise the *rate base*. The largest element of rate base is net plant in service.
18 Net plant in service represents the portion of the original cost of the plant that has
19 not yet been recovered through depreciation expense. In this case, net plant in
20 service is actually larger than rate base (see OCA Schedule DKP-1, page 2 of 3)
21 since the reductions to net plant used in computing rate base are actually more
22 than the other allowed additions to rate base.

23
24 Additions to rate base generally include:

- 25 ▪ Plant held for future use (but generally, only if there is a plan for
26 near-term use of the plant that is not currently used in the provision
27 of service);
- 28 ▪ Cash Working Capital – a calculated amount that is meant to
29 estimate the amount of funds necessary to carry on the business
30 prior to the receipt of revenue related to the provision of service;

31

- 1 ▪ Materials and supplies inventory levels – assets in which the utility
2 has invested (and foregone other investment opportunities) in order
3 to assure that parts are available for the normal conduct of business
4 operations and repairs; and
5 ▪ Prepayments -- another form of investment for which investors are
6 entitled to be compensated for the use of their funds.

7
8 Reductions to rate base are related to matters which have been funded with money
9 that came from other than debt or equity holders – most likely customers.

10 Common examples include:

- 11 ▪ Accumulated deferred income taxes, as this balance represents the
12 funds which have been collected from ratepayers for the payment
13 of income taxes but have not yet been remitted to the government
14 tax agencies; and
15 ▪ Customer Advances which are funds paid by customers, and are
16 potentially refundable in whole or in part, to help offset the cost of
17 long or expensive distribution projects required to serve new
18 customers. Since this is customer money, but the money is not
19 required to be segregated in a particular account, the funds are used
20 to build plant or otherwise invest in it the business. If this amount
21 were not used to reduce rate base, customers would put up the
22 money for additional capital projects, but the debt holders and
23 equity holders would be earning a return on the capital items that
24 were paid for with those capital funds.

25 Other items may also be included to increase or reduce rate base, as circumstances
26 warrant.

27
28 As shown on OCA Schedule DKP-1, rate base is then multiplied by the weighted
29 average cost of capital to derive the level of earnings to which the utility is
30 entitled. From this is subtracted the level of profit that is already in place, based
31 on an examination of the utility's operating and expenses. The remaining balance

1 after subtracting actual earnings from required earnings is the amount by which
2 earnings should be increased. However, this is not the level by which revenues
3 should be increased, as the earnings must be adjusted to reflect the associated
4 additional taxes.

5

6 Once the level of overall revenues to be authorized for recovery by a specific
7 utility is computed, the cost-of-service studies and rate design principles are used
8 to determine the actual prices to be charged customers. These regulatory steps are
9 further discussed later in my testimony.

10

11 **Q. PLEASE DESCRIBE OCA SCHEDULE DKP-1.**

12 A. This schedule consists of three pages. The first page is a summary of the OCA's
13 recommended revenue increase, which is also the agreed-upon recommended
14 revenue increase contained in the Stipulation and Agreement between Cheyenne
15 Light and the OCA, the only two formal parties to the proceeding. This shows
16 that we are recommending an increase in Cheyenne Light's electric service
17 revenues of approximately \$2.6 million per annum.

18

19 Pages two and three provide more detail on the derivation of our recommended
20 revenue increase. The far left column of numbers contains the actual numbers
21 recorded on Cheyenne Light's books during the twelve month period ended May
22 31, 2004. The next column of numbers is the total of the adjustments that
23 Cheyenne Light proposed in its application. One of the larger adjustments is to
24 update the plant balance included in the rate base. Updates to plant balances
25 reduce the level of lag that the utility experiences in earning a return on its
26 investment. However, elimination of all regulatory lag may reduce any incentive
27 that the utility may have to over-invest in plant.

28

29 Other large proposed adjustments include an adjustment to reflect wage
30 adjustments and increased costs related to additional employees. In this case, a
31 wage increase was granted during the midst of the test year, such that the booked

1 test year figures would not reflect an entire twelve months of that increase. An
2 *annualization adjustment* is offered by the utility to assure that the entire twelve
3 months of increased wage costs are reflected as part of the adjusted test year. An
4 additional wage adjustment occurred between the end of the test year and the
5 beginning of the rate effective period. In order to better reflect what the cost of
6 providing electric service will be during the period that the rates are in effect,
7 Cheyenne Light also proposed to include these *known and measurable* costs in its
8 required revenue computation.

9

10 Cheyenne Light is also proposing the addition of a number of new employees
11 with their costs to be incorporated into the overall required revenue computation.
12 These new employees include a Director of Customer Service (an existing
13 position that was vacant during the test year, but has now been filled), a customer
14 service supervisor, a gas operations engineer (which will not impact electric
15 costs), two customer service representatives, a meter reader, and two service
16 meter order employees. Cheyenne Light as explained that these employees are
17 needed to provide a reasonable level of customer service, as the existing
18 operations are too bare-boned to meet the needs of new and existing customers.
19 The OCA is not contesting the need or desire for these new employees and has
20 not disputed the inclusion of these costs in this case.

21

22 Totaling the two columns on the left, the middle column of numbers matches
23 Cheyenne Light's request in this case, as it is contained in its application. The two
24 columns on the right side represent the summary of the adjustments that the OCA
25 is suggesting – adjustments that are additive to those already proposed by the
26 Company. The far right column then represents the recommendation of the OCA,
27 and in this case, also represents the proposed revenue increase as it is contained in
28 the stipulation and agreement. Thus, we are recommending a rate base of about
29 \$47 million and show adjusted net earnings of just over \$2 million.

30

31

1 **Q. PLEASE DESCRIBE OCA SCHEDULE DKP-2.**

2 A. This schedule shows the inputs that make up the weighted cost of capital, as
3 recommended by the OCA in this proceeding. There is no controversy between
4 Cheyenne Light and the OCA regarding the proposed capital structure or the
5 weighted average cost of debt. As in most cases, the most subjective and most
6 controversial input to the cost of capital is the cost of equity. This schedule shows
7 the estimated equity cost to be 10.75%, rather than Cheyenne Light's requested
8 cost of 11.5%. The 10.75% is a compromise figure, rather than a pure
9 recommendation based on the OCA's technical computations of comparable
10 market risk and returns.

11

12 **Q. PLEASE CONTINUE YOUR EXPLANATION OF THE DERIVATION OF**
13 **THE COST OF EQUITY.**

14 A. As stated above, the cost of equity is a subjective number, where an analyst's
15 recommendation is supported by various formula and model results as well as
16 experience, and tempered by individual circumstances and market conditions.
17 Prior to reaching the usual level of 'the battle of the experts', we were able to
18 reach a middle ground compromise with Cheyenne Light regarding the
19 appropriate return on equity. And, the number of 10.75% truly is a middle
20 ground, as it falls between the Cheyenne Light request of 11.5% and the OCA's
21 recently recommended number of 10%.³ The 10.75% is also the most recently
22 authorized return for PacifiCorp, as ordered by the Commission in 2004.

23

24 The 10.75% is higher than the OCA would recommend in a contested proceeding.
25 If the Commission rejects the Stipulation and Agreement in this proceeding and
26 the case goes to hearing, the OCA will likely recommend a return less than the
27 compromise position it offers here. However, we are comfortable with the
28 number in the context of the settlement, since a settlement is a series of gives and
29 takes.

³ A return on equity of 10% was recommended by the OCA in the most recent PacifiCorp rate case, Docket No. 20000-ER-03-198.

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We are also comfortable with this return, in light of Cheyenne Light’s recent decision to move from being a utility who purchases all of its power from third parties, to a utility who will own a substantial amount of its own generation. With the generation construction being in its early stage, and with the associated financing needs that accompany a vertically integrated utility, in the long run, we find the 10.75% authorized return on equity to be reasonable.

One other factor plays into our decision to support this level of equity return. Cheyenne Light as indicated its intention of filing another rate case within the next two years. This would be a case to modify the rates to recognize its new owned generation in lieu of its current purchased power costs. There is a reasonable probability that the rates resulting from this case will be subject to further review and potential modification within the next two years. This provides an additional level of customer protection if there are significant changes in the financial markets or Cheyenne Light’s risk.

Q. DO YOU AGREE WITH THOSE WHO CHARACTERIZE UTILITIES AS HAVING GUARANTEED RETURNS?

A. No. When a utility is authorized a specific level of return in a rate case, the utility is given the *opportunity* to earn up to that level of return. However, this level of earnings is not guaranteed. If a utility’s expenses exceed the level allowed in rates, with all other things being equal, it will not earn its return. If new plant is added that is not recognized in rates, with no other changes, it will not earn its return.

Q. PLEASE EXPLAIN THE PROVISION OF THE STIPULATION THAT AGREES TO THE USE OF A HYPOTHETICAL CAPITAL STRUCTURE IN THIS CASE?

A. Cheyenne Light has proposed, without objection from the OCA, that a hypothetical capital structure be used in this proceeding. The actual capital

1 structure of Cheyenne Light is about 60% equity and 40% debt. The hypothetical
2 capital structure of 50% debt and 50% equity is more aligned with the industry
3 average capital structure, and ensures that rates are based on comparable
4 investments within the industry. A skewed capital structure can have the effect of
5 distorting the weighted average cost of capital, which can result in increased
6 customer rates.

7
8 In order to move the actual Cheyenne Light capital structure into the range of
9 industry norms, \$13.5 million of debt is added at the Black Hills 6.5% cost of
10 debt. This is a reasonable cost of debt and comparable to utility industry average
11 cost of debt for investment grade bonds. In fixing the cost of this additional debt
12 for this and future cases, the cost of debt is stabilized, given the current variable
13 rate nature of Cheyenne Light's actual debt.

14
15 In addition to accepting this adjustment for this case, the OCA and Cheyenne
16 Light have agreed to carry forward the \$13.5 million of debt at the average cost of
17 6.5% into future cases. This will continue until the debt is either called or retired.

18
19 **Q. PLEASE EXPLAIN THE CONTENTS OF OCA SCHEDULE DKP-3.**

20 A. This is a six-page exhibit that is best envisioned laid out with all pages in view.
21 The first three pages would be side-by-side across the top of the exhibit and the
22 last three pages would be across the bottom. The first three pages show the
23 impact of each of the adjustments (described at the top of each column) on the
24 rate base while the last three pages show the impact of the adjustments on the
25 income statement. The adjustment found in each column is an adjustment
26 proposed by the Cheyenne Light in its application. These adjustments are
27 described in the application and the accompanying testimony.

28
29 While this exhibit was prepared and is being sponsored by me, I offer it simply
30 for informational purposes. Since the format of the Company's filing is
31 somewhat confusing, I am offering the company information in a format that is

1 more understandable – at least to me – with the hope that it will also be useful to
2 the Commission.

3

4 **Q. PLEASE EXPLAIN OCA SCHEDULE DKP-4?**

5 A. This is a four-page exhibit that is in a similar format to that described above for
6 OCA Schedule DKP-3. For this schedule, the first two pages would go across the
7 top, describing the impact of each adjustment on rate base. The last two pages
8 would go across the bottom, describing the impact of each adjustment on the
9 operating revenues and operating expenses. Each of the columns on this exhibit
10 contains an adjustment that is offered and supported by the OCA.

11

12 **Q. WHY ARE YOU MAKING AN ADJUSTMENT TO CUSTOMER**
13 **DEPOSITS?**

14 A. To understand the OCA adjustment, I must first take you back to the adjustment
15 made by Cheyenne Light. In its filing, the Company made an adjustment to
16 reduce rate base by the amount of customer deposits. I agree that it would be
17 inappropriate for a utility to be able to earn on its customer deposits balance.
18 However, since the customer deposits were not in rate base, it was unnecessary to
19 make an adjustment to remove the customer service balance. In effect, Cheyenne
20 Light's adjustment had the effect of excluding the Customer Deposits balance
21 twice. Thus, the OCA adjustment removes the unnecessary rate base reduction of
22 Customer Deposits.

23

24 **Q. WHY ARE YOU RECOMMENDING THE REMOVAL OF PLANT HELD**
25 **FOR FUTURE USE?**

26 A. Plant held for future use is an item that is clearly discretionary for the regulator to
27 include or exclude from rate base. However, it is common for the plant to only be
28 allowed if there is a specific plan and timeframe for its use. In this case, this
29 investment is not expected to be used for another several years. Since it is not
30 used and useful, and there are not immediate plans for its use, it should be
31 removed from the rate base.

1 consistent in matching the revenues to investment, since customer volumes were
2 adjusted to be better reflective of the time that rates are expected to be in effect.
3 However, in making its plant update adjustment, Cheyenne Light used an estimate
4 of what it expected to be in service as of June 2005 – a number not yet known
5 when it made its filing in April, 2005. The OCA recommends that the estimate be
6 replaced with actual, known numbers that are now available. This is the basis for
7 my adjustment, which is further detailed on OCA Schedule DKP-6. While the
8 primary focus of the adjustment is to adjust the plant balances, it is consistent to
9 also replace the estimated accumulated depreciation with actual numbers, update
10 the associated depreciation expense and to update the accumulated deferred
11 income taxes, most of which is plant driven.
12

13 **Q. MS. PARRISH, IS THERE ANOTHER BENEFIT TO USING THE**
14 **ACTUAL JUNE 2005 PLANT BALANCES RATHER THAN THE**
15 **ESTIMATES?**

16 A. Yes. When Black Hills took over the ownership of Cheyenne Light, it did not
17 choose to use the billing system that Xcel had imposed upon it during the
18 corporate transition. The new owners made the decision to remove the cost of the
19 failed – but expensive – billing system from plant in service.
20

21 **Q. WHY ARE YOU SUGGESTING AN ADJUSTMENT TO CUSTOMER**
22 **ADVANCES?**

23 A. In its filing, Customer Advances were included in Rate Base at their year end
24 level. The OCA prefers to use an average test year balance for this, and other
25 related items such as Prepayments and Materials and Supplies, since the balances
26 can vary widely from month-to-month. The use of the average balance provides a
27 more representative balance throughout the year than does a single month amount.
28

29 While discussing this topic of averages versus year end balances, I wish to
30 mention that one of the adjustments on page 4 of OCA Schedule DKP-4, page 2 is

1 to compute the customer deposit interest on the average balance rather than the
2 year end balance.

3

4 **Q. DID YOU ALSO INCLUDE AN AVERAGE BALANCE OF**
5 **PREPAYMENTS IN RATE BASE?**

6 A. Yes, I did, as this is the OCA's practice. The prepayments represent a lost
7 opportunity to use the required funds for other purposes, and is generally required
8 for certain types of expense (e.g., Insurance).

9

10 **Q. WHY ARE YOU RECOMMENDING THE REMOVAL OF THE PREPAID**
11 **PENSION ASSET FROM RATE BASE?**

12 A. The prepaid pension asset reflected in the Company's rate base was a legitimate
13 item carried on Cheyenne Light's books prior to the completion of the sale by
14 Xcel to Black Hills. This essentially represented a pension plan that was
15 overfunded. However, when the sale from Xcel to Black Hills was completed,
16 this overfunding remained with Xcel, and there is no need for Cheyenne Light to
17 earn a return upon it. Pensioners who had a stake in the Xcel pension plan, will
18 remain vested and upon retirement, those employees will receive a pension from
19 Xcel. However, with the Black Hills ownership, it was decided that a new
20 pension plan would be created for Cheyenne Light employees, starting with zero
21 dollars. Thus, an employee who was vested with Xcel and remained with
22 Cheyenne Light, upon retirement, would get a pension from Xcel and a pension
23 from Cheyenne Light.

24

25 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO RECOGNIZE THE**
26 **LIGHTING PLANT CONTRIBUTION.**

27 A. This adjustment recognizes that the City of Cheyenne recently made a
28 contribution-in-aid of construction toward the cost of some of the plant that is
29 used to provide Pedestrian Street Lighting. Thus, I have reduced the plant
30 balance by the amount of the contribution. This is also specifically taken into
31 account in the development of the Pedestrian Street Lighting Rates.

1 with another \$50,000 to be contributed by shareholders. The OCA proposed
2 adjustment removes the ratepayer portion of each of these items from the revenue
3 requirement computation.

4
5 It is inappropriate to include in rates costs that are not necessary to the provision
6 of electric service, even if the motivation behind the incurrence of the cost is
7 philanthropic. Electric rates should recover the cost of providing that service, but
8 beyond that, customers should make their own choices regarding charities and
9 where and how to spend their money. If this were not the case, Cheyenne Light
10 could simply use the rates as a funding mechanism for its pet projects. But, what
11 if I think that unfettered growth is bad, and don't want to fund tax breaks for new
12 corporations in the name of economic development? What if I would rather give
13 my money to a church to assist people I know with their financial needs, rather
14 than running the funding through a formal program such as Energy Share? What
15 recourse would I have once the Commission approved the Energy Share funding
16 in rates? This is generally a bad idea that should not be further pursued, and we
17 recommend to the Commission the adjustment that removes these proposed
18 charges from rates.

19
20 However, during the course of our settlement negotiations, Cheyenne Light freely
21 offered to continue and expand its shareholder funding of Energy Share,
22 increasing its annual commitment for 2006 and 2007 from \$10,000 to \$30,000.
23 We applaud this support of the community that it serves and express our gratitude
24 for this generous donation.

25
26 **Q. PLEASE EXPLAIN YOUR ADJUSTMENT TO INCOME TAXES.**

27 A. This adjustment, which is detailed on OCA Schedule DKP-7 is similar to the cash
28 working capital adjustment in that it is made for the sole reason of coordinating
29 the level of income taxes with the other adjustments that impact taxable income.

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Q. WHY ARE THERE NO PURCHASED POWER COSTS OR REVENUES SHOWN ON THE INCOME STATEMENTS ON YOUR EXHIBITS?

A. Consistent with the Commission’s recent practices, and consistent with its decision in Docket No. 20003-ER-99-54, purchased power expenses and revenues have been completely removed from consideration in this case, since they are recovered through a rate mechanism entirely separate from the base rates being addressed in this proceeding. By removing them from the expenses and revenues, they have no impact on the earned returns or the level at which base rates are set.

Q. DID THE COMMISSION FIND IN CHEYENNE LIGHT’S MOST RECENT RATE CASE THAT THIS TREATMENT WAS CONSISTENT WITH THE COMMISSION’S RULES?

A. Yes. In that rate case, this concept was termed the *Zero-Based ECA*. The idea was to remove all wheeling and energy costs from electric service base rates and recover them through the electric cost adjustment. In paragraph 59 of the Commission’s February 28, 2000 order, it was found that the Commission has “the necessary discretion under Rule 249 to approve the *Zero-Based ECA* concept.”

Q. WHEN PERFORMING YOUR AUDIT OF THIS FILING, DID YOU INCLUDE IN YOUR REVIEW COSTS INCLUDED IN THE ELECTRIC COST ADJUSTMENT?

A. No. Since the Commission has approved the *Zero-Based ECA*, I saw no reason to incorporate any of those costs into my analysis since I was focused on the proposed base rates. However, that does not mean that I am unsupportive of an *ECA* audit being performed – it only means that I did not do such a review in this case.

I encourage a periodic in-depth review of the *ECA*, as these costs are substantial and have a significant impact on the bills paid by customers.

1 **Q. MS. PARRISH, DOES THAT COMPLETE YOUR DISCUSSION ABOUT**
2 **THE REVENUE REQUIREMENT THAT YOU RECOMMEND IN THIS**
3 **PROCEEDING?**

4 A. Yes, it does, with two heads-up relative to expectations for future cases. First,
5 with Cheyenne Light and Black Hills having some of their work done by the same
6 people who provide services to various entities within the corporate structure, it is
7 important to get a clear understanding of the methods used to assign costs to the
8 various entities within the corporate family. There was little or no information on
9 this topic contained within the current filing, even though Cheyenne was part of a
10 larger corporate family both during the test year and beyond.

11
12 The second heads-up also relates to cost allocations. A number of Cheyenne
13 Light's employees provide services to both the electric department and the natural
14 gas department. It will be important to understand how the costs that are incurred
15 jointly are separated and assigned to the two departments. This is particularly of
16 interest on a going-forward basis since Black Hills has previously had no
17 experience with the provision of retail natural gas service, and thus, thought will
18 need to be given as to how to appropriately track the two sets of costs.

19
20 With that discussion concluded, I would now like to move to the discussion of
21 class cost of service allocations and rate design.

22
23 **Q. PLEASE EXPLAIN THE PURPOSE AND NATURE OF A CLASS COST**
24 **OF SERVICE STUDY.**

25 A. A class cost of service study is a tool used to assist in designing rates and to
26 assure that no class of customers is unintentionally subsidizing another. Each
27 element of the revenue requirement (rate base, revenues, operating expenses) is
28 proportionally divided. This divvying up of the investment and costs is done using
29 an allocator that best relates to the cost being addressed. So, for instance, billing
30 and collection expenses might be best divided up based on the number of
31 customers or number of bills in each class, while the cost of maintenance would

1 be based on a plant-based allocator. Plant is primarily based on either demand or
2 energy allocators. Once these allocations are completed for each class, the result
3 provides an opportunity to see the level of return being provided by each class.
4 Assume that a utility is earning a return on rate base of 5%, but one class is
5 providing a return of 8% and another is providing a return of less than zero. This
6 is information that would be useful when designing rates, particularly if the
7 regulators are interested in basing their rates on the underlying costs. And, even if
8 regulators are not sticklers for assuring that each rate class is paying precisely the
9 same percentage return, the information from a class cost of service can be useful.
10 This type of rate setting recently came before the Commission, where one class of
11 customers for one of the Wyoming electric distribution cooperatives was not
12 contributing any return to the overall operation, as its rates were set so that the
13 class in question was provided service at a loss. The Commission did not
14 immediately demand that the rates be set to provide the overall rate of return, but
15 did take note and required movement to the point where a loss was not being
16 incurred by that class.

17
18 **Q. HOW DOES YOUR EXAMPLE RELATE TO THE SPECIFICS OF THIS**
19 **CASE?**

20 A. A class cost of service was prepared by Cheyenne Light, such that the information
21 is available to review the profit margin for each rate class. And, generally, the
22 rate design works toward equalizing the percentage of profit from each rate class.
23 However, the results are measured by whether they are in the ballpark and moving
24 the correct direction, and not whether the bottom line number for each class is
25 precisely equal.

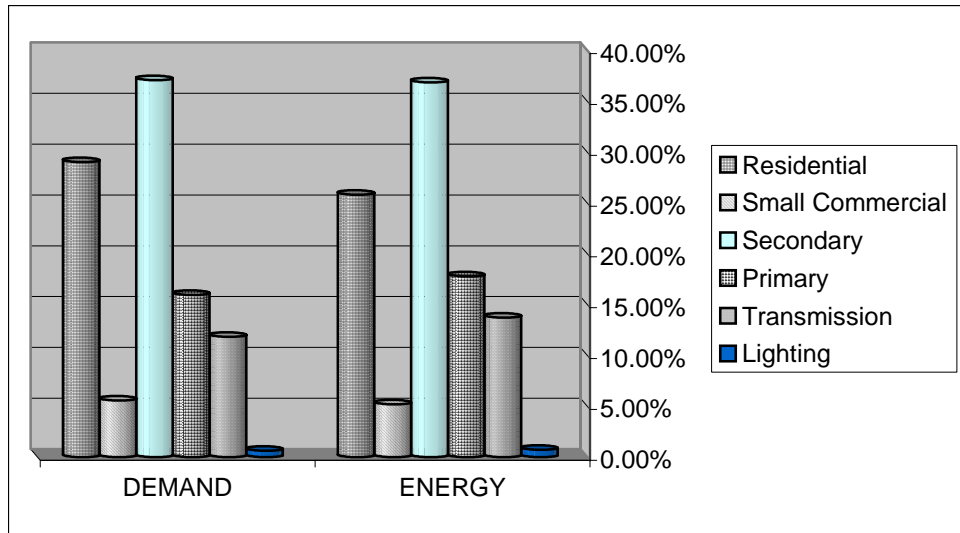
26
27 **Q. BEFORE MOVING INTO SPECIFIC COST OF SERVICE RESULTS,**
28 **PLEASE PROVIDE A BIT MORE INFORMATION ON THE**
29 **ALLOCATION FACTORS USED TO DERIVE THE CLASS COST OF**
30 **SERVICE.**

1 A. Cheyenne Light Witness McFadden has extensive testimony on each of the
2 allocators used in this case. However, I would like to focus on just two of those
3 allocators: the 12-month average coincident peak demand and the annual energy
4 allocator. These two items are shown on OCA Schedule DKP-8.

5

6 The coincident peak demand allocator is one of the major allocators of plant in
7 service and other costs, particularly costs that must be in place when the peak
8 usage on the system occurs. On the other hand, the energy factor is used to
9 allocate less fixed, more variable costs (such as purchased power costs). These
10 allocators are visually shown below:

11



12

13

14 As this shows, which allocator is used can make a difference. In the above chart,
15 one can see that if costs were allocated to the transmission class using the demand
16 allocator – particularly the amount of the peak demand driven by the transmission
17 class – the amount of the allocation would be less than if the energy allocator
18 were used. Yet, the opposite is true for the residential class since it uses less
19 energy during the year (on a percentage basis) than its percent of the peak demand
20 during the year.

21

22

1 **Q. DID YOU PERFORM YOUR OWN CLASS COST OF SERVICE STUDY?**

2 A. No. I reviewed the study submitted by Cheyenne Light (and found in Mr.
3 McFadden's exhibits) and found it to be acceptable. I did not feel the need to do a
4 study using different factors to allocate costs and investment to each class.

5

6 However, once the proposed rates were agreed upon as part of the Stipulation and
7 Agreement, I did do a quick check of the rates based on an approximation of costs
8 by rate class. This study, found on OCA Schedule DKP-10, begins with the
9 Cheyenne Light class cost of service, and attempts to drop in the OCA
10 adjustments. It is not meant to be a precise study, but instead, is meant to be a
11 broad-brush check of the level of revenue to be brought in by each rate class
12 compared to a broad-brush look at the costs for that class. With this, I was able to
13 identify costs that might need to be revised in either this or future cases.

14

15 **Q. WHAT CONCLUSION DID YOU REACH FROM THIS QUICK**
16 **COMPARISON OF THE COSTS AND REVENUES BY CLASS?**

17 A. In general, the rate design is consistent with the indicators of the class cost of
18 service. Residential, small commercial, transmission, and the lighting classes all
19 appear to be covering their own costs. The secondary general class should be
20 watched in future cases, to see what changes occur, as it is nearly covering its
21 cost, but not to the same level as the earlier mentioned classes. The transmission
22 class was overpaying and the proposed rate decrease is justified. The primary
23 general class should be reexamined in the next case to assure that it will pay its
24 own way and /or to see why its costs and revenue relationship is changing over
25 time.

26

27 **Q. WHY NOT SIMPLY CHANGE ALL OF THE RATES IN THIS CASE TO**
28 **EXACTLY EQUALIZE THE RETURNS BEING PAID BY EACH CLASS?**

29 A. While the class cost of service study is an important tool in setting rates, it is not
30 the only tool. When done properly, rate setting is an art and not a science.
31 Subjectivity can be important in order to account for items such as: rate shock

1 (raising rates to individual customers too quickly rather than with a phase-in); the
2 intraclass subsidies (that is, when a dramatic increase in the fixed cost may cause
3 a materially larger rate impact on smaller users than larger users within the class,
4 or vice versa); the body politic (for example, the pace at which one wishes to
5 decrease industrial rates while increasing residential rates), and more.

6

7 The proposed rates in this case generally stay within sight of the results of the
8 class cost of service. However, some of the classes are issuing some warning
9 signs that they could readily get out of whack if not more carefully examined in
10 the next rate case. This is particularly true for the primary general class.

11

12 **Q. WHERE DO YOU SHOW THE RATES THAT YOU ARE JOINTLY**
13 **RECOMMENDING WITH CHEYENNE LIGHT AS PART OF YOUR**
14 **STIPULATION AND AGREEMENT?**

15 A. These are shown on OCA Schedule DKP-9. This exhibit shows the present and
16 proposed rates as well as the present and proposed revenues. The percentage
17 increase measured by looking at all of the revenues, and not just the base
18 revenues. That is, an individual rate may be increasing by more than the percent
19 shown, but since there are multiple rate elements for each type of customer,
20 including elements related to the electric cost adjustment, the overall percentage
21 shown will be taken into account all of the elements.

22

23 **Q. DO YOU FIND IT ODD THAT THERE ARE SO MANY DIFFERENT**
24 **RATE OPTIONS FOR LIGHTING SERVICES COMPARED TO THE**
25 **OPTIONS AVAILABLE TO THE OTHER CLASSES?**

26 A. Yes. There is only one residential class but there are three different rate options
27 for the residential outdoor lighting class. There is one small commercial rate
28 option, but nine different rate options (three variations each of three rate
29 schedules) for Commercial Outdoor Area Lighting Service. And, even more
30 options are available for street lighting.

31

1 When this matter was discussed the Cheyenne Light, it was explained to me that
2 there was data available to differentiate all of these different options – options by
3 type of pole, strength of light, density of area, etc. The same type of
4 differentiating data is not so readily available for the other classes. But, does the
5 availability of the data mean that all of these lighting classes must continue? If
6 the same type of data were available to segregate the residential or commercial
7 classes, would we use it for that purpose? Or, would there be a hesitancy to have
8 different rates for customers that are similar in nature but with different ages of
9 distribution poles in their alleys? I simply raise the issue and ask Cheyenne Light
10 to ponder the question prior to filing its next rate case.

11

12 **Q. ARE THERE OTHER RATE OR TARIFF CHANGES THAT YOU**
13 **WOULD LIKE TO DISCUSS AT THIS JUNCTURE?**

14 A. Yes. Sheet 41 of the tariff contains the Standard Rate for Purchasing Power from
15 Qualifying Small Power Production or Cogeneration Facilities. It appears that the
16 energy portion of this rate needs to be updated to more appropriately reflect the
17 avoided cost that Cheyenne Light would experience if were to purchase power
18 from a qualifying facility. In speaking with Cheyenne Light representatives, I
19 have been informed that the most recent wholesale energy rate paid was \$0.03377
20 per kWh as compared to the current avoided cost rate contained on this tariff of
21 \$0.03323. It would be appropriate to update this rate although doing so is not
22 urgent, as there are currently no customers using this particular service.

23

24 **Q. DO YOU HAVE SOME CONCERNS ABOUT THE CONTINUING**
25 **APPLICABILITY OF THE EXISTING LANGUAGE THAT IS FOUND**
26 **THROUGHOUT THE CHEYENNE LIGHT TARIFF?**

27 A. Yes. There is language attached to most, if not all, of the rate schedules that
28 discusses the *Service Period*. Using the language in the residential tariff as an
29 example, it states:

30

31

1 All service under this schedule shall be for a minimum period of
2 twelve consecutive months and thereafter until terminated.
3 Customer will not be served under another applicable rate schedule
4 prior to the end of the minimum service period. If service is no
5 longer required by customer, service may be terminated on three
6 days' notice.
7

8 This language seems to be very out of place, given that Cheyenne Light does not
9 hold customers to a twelve-month contract. If I live in Cheyenne for six months
10 but then get another job and move, I am not required to pay the charges for the
11 remaining six months, even though that is what the language implies. In speaking
12 to Cheyenne Light about this matter, it was brought to my attention that this
13 language is often applicable to seasonal customers who want to use their service
14 for only a short period of the year. However, Cheyenne Light does not have a
15 seasonal rate or a large group of seasonal customers (if any) so that would not be
16 a reason to keep this language. Therefore, I recommend that Cheyenne Light
17 consider dropping this language to make the tariff clearer than it is now.
18

19 I am also concerned about the presence of a *Monthly Minimum* in the tariff. For
20 each of the non-lighting rate schedules, there is a monthly minimum rate listed
21 that is the same as the Monthly Service and Facility Charge. The presence of this
22 monthly minimum would imply that if I was added to the system anytime during a
23 month – or exited from the system anytime during the month – I would be
24 charged this rate. But, not so. When asked, Cheyenne Light indicated that it
25 prorates its bills for customers who take service for less than a whole month.
26 Thus, this language is a contradiction to practice, and should be removed to avoid
27 confusion.
28

29 **Q. DO YOU HAVE CONCERNS ABOUT ANY OF THE PROPOSED TARIFF**
30 **LANGUAGE THAT IS BEING REQUESTED IN THIS CASE?**

31 A. Yes. Language has been added to several of the rate schedules that discusses
32 delinquent accounts. Again, using the residential language as an example, it
33 states:

1 Net monthly bills are due and payable twenty days from the date of
2 the bill, and after that date the account becomes delinquent. A late
3 payment charge of 1.5% on the current unpaid balance shall apply
4 to delinquent accounts. If a bill is not paid, the Company shall have
5 the right to suspend service, providing a ten day written notice of
6 such suspension has been given. When service is suspended for
7 nonpayment of a bill, a reconnection service charge will apply.
8

9 I have no objection to the concept contained within this language. That is, people
10 should pay their bills timely or be charged a late fee, and if bills linger without
11 payment, the customer should be disconnected. However, I am concerned that
12 there is no mention of the special disconnection exceptions that are contained
13 within the Commission's Rules, particularly those in Section 242 of the rules.
14 More than 10 days notice is required in some circumstances, and the language of
15 the tariff should not negate those requirements.
16

17 **Q. THE STIPULATION AND AGREEMENT CONTAINS A PROVISION**
18 **THAT CHEYENNE LIGHT REVIEW ITS LINE EXTENSION TARIFF**
19 **AND FILE ANY MODIFICATIONS WITHIN SIX MONTHS OF THE**
20 **ORDER ACCEPTING THE STIPULATION. WHY IS THIS PROVISION**
21 **IMPORTANT?**

22 A. It is important that the line extension be reviewed and potentially updated in the
23 near future because of the steady growth that is occurring in the area. Cheyenne
24 Light focuses in its testimony on the fact that plant additions are one of the major
25 causes of the need for an increase in the present case. The OCA is concerned that
26 much of that plant increase may be driven by the construction of distribution
27 facilities to new homes and subdivisions in the area. New customers should be
28 entitled to a reasonable amount of new distribution plant without having to pay a
29 line extension charge, but the amount of the "free" extension should not be
30 limitless. When it is limitless, these costs get shifted on to the existing customers.
31 Therefore, it is important to periodically review the line extension to make sure
32 that these cost shifts between new and old customers are not occurring.
33

34 Cheyenne Light has had the same line extension in place since at least 1993.

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Q. WHY IS THE PROVISION IN THE STIPULATION THAT CHEYENNE LIGHT DEVELOP AND OFFER A “GREEN” TARIFF IMPORTANT?

A. Cheyenne Light is transitioning from being a buyer of energy from a sole source to being a self-provider. As it moves to building resources and self supplying its generation, having some diversity of resources may be important in order to mitigate the risk of putting one’s eggs in a single supply option basket. Additionally, studies have shown that when customers have the option of paying more for renewable energy, three or four percent of customers will choose to environmentally “put their money where their mouth is.”

Q. WHY IS IT IMPORTANT THAT CHEYENNE LIGHT BEGIN DISCUSSIONS WITH INTERESTED PARTIES, INCLUDING THE OCA, ABOUT COST EFFECTIVE CONSERVATION MEASURES THAT COULD BE OFFERED?

A. The cost of energy has been steadily, and sometimes abruptly, rising. In spite of the increasing cost, studies show that the average use per customer is also steadily increasing. As individuals and as a nation, we would be wise to begin finding ways to limit the growth in our energy usage. We are simply asking that conversations begin to see if there are cost effective ways to assist customers in using energy more wisely, effectively, and efficiently.

Q. ARE YOU PREPARED AT THIS TIME TO SUPPORT THE REVISED LEVELIZED BILLING PLAN THAT CHEYENNE LIGHT PLANS TO FILE IN THE VERY NEAR FUTURE?

A. The OCA is supportive of the plan in concept, as the current plan has a true-up in month twelve that is often onerous as well as a surprise to some of the customers who have not be tracking their payments versus the cost of their consumption. As the plan has been described to us, it will resolve that problem by making small corrections to the levelized plan throughout the year. However, we have not yet

1 seen the specific language, and would like to do so prior to offering our support
2 without reservation.

3
4 **Q. WHY IS IT IMPORTANT THAT CHEYENNE LIGHT REPORT ON**
5 **THEIR LEVEL OF SERVICE COMPARED TO THE INDUSTRY**
6 **STANDARDS IN THE NEXT RATE CASE?**

7 A. Cheyenne Light has had its share of service problems this year, and we all hope
8 that they are now on the right track to full resolution. However, there was a
9 substantial backlog built up regarding new installations and other customer
10 service matters. With this case, we are recommending that Cheyenne Light be
11 allowed to recover the cost of several new employees to assist in resolving this
12 situation. Given the recent history of this issue, we are simply asking for some
13 additional follow-up to see that appropriate actions have been taken and the new
14 resources are used appropriately.

15
16 **Q. WHAT IS THE RECOMMENDED EFFECTIVE DATES FOR THE**
17 **RATES THAT YOU ARE PROPOSING IN THIS CASE?**

18 A. As explained earlier, Cheyenne Light had earlier agreed not to implement new
19 base rates prior to January 1, 2006. Hence, that is the OCA's recommended new
20 effective date for these rates.

21
22 **Q. DO YOU RECOMMEND THAT THE COMMISSION APPROVE THE**
23 **STIPULATION AND AGREEMENT AND FIND THAT IT IS IN THE**
24 **PUBLIC INTEREST?**

25 A. Yes, I do.

26
27 **Q. DOES THAT COMPLETE YOUR DIRECT, PREFILED TESTIMONY?**

28 A. Yes, it does.