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BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING Public Service Commission
Wyoming

In the Matter of the General Rate)
Application of High Plains Power,)
Inc., for Authority to Increase its)
Retail Rates by \$1,715,905 per)
Annum in Fremont, Hot Springs,)
Washakie, Big Horn, Johnson,)
Natrona, Carbon and Park Counties)
and Revise Certain Tariffs)

Docket No. 10020-32-CR-06
Record No. 10931

PRE-FILED DIRECT TESTIMONY OF

Denise Kay Parrish

On Behalf of the Office of Consumer Advocate

Filed August 1, 2007
Hearing August 14, 2007

OCA #1

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. WHAT IS YOUR OCCUPATION?**

6 A. I am currently the Deputy Administrator of the Wyoming Office of Consumer
7 Advocate (OCA). In this position, I review and provide input into the
8 recommendations made by the OCA. I review utility applications filed with the
9 Wyoming Public Service Commission (Commission) and provide advice to the
10 Administrator regarding the involvement the OCA should have, if any, in the
11 various cases. I review applications, perform analyses and provide
12 recommendations to the Commission relative to various utility matters, including
13 revenue requirements, tariff language, competitive issues, rules and regulations,
14 and other items. I write and issue press releases, perform special studies, as well
15 as provide information and research to customers, the legislature, the OCA
16 Administrator, and others. I do other assignments and tasks, as needed and as
17 assigned by the OCA Administrator.

18
19 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL**
20 **BACKGROUND?**

21 A. In 1976, I graduated from Michigan State University with a Bachelor's degree in
22 Accounting. I have spent thirty years as a regulator of public utilities, having
23 been on the staff of four state utility regulatory commissions and two consumer
24 advocate entities. More than fifteen of these years have been spent at the
25 Wyoming Public Service Commission. I have taken classes related to various
26 aspects of public utility regulation, including income taxes, regulatory accounting,
27 capital recovery, cost-of-service, rate design, revenue requirements, separations
28 and allocations, and other specialized topics. I have taught classes on issues of
29 accounting standards, general ratemaking principles, affiliate transactions,
30 regulatory accounting, financial reporting, and other specialized topics to
31 regulatory professionals.

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Since 2002, I have been an instructor at the Michigan State University Institute of Public Utilities (CAMP NARUC). I have also worked with the Nigerian Communications Commission on regulatory accounting and reporting matters and have done work for the International Telecommunications Union as a seminar leader. Furthermore, I have participated as a presenter at several meetings of the Tariff and Pricing Committee of the Energy Regulators Regional Association (ERRA). Finally, I was a presenter at, and participant in a workshop sponsored by the Energy Group of the Institute of International Education (IIE) regarding the development of an Electricity Distribution Indicator Toolkit.

I am the past chair and a current member of the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Accounting and Finance. I am a member of the NARUC Staff Subcommittee on International Relations. I am listed in the current edition of Who's Who of American Women. I am currently a member of the National Association of State Utility Consumer Advocates' (NASUCA) Tax and Accounting Committee. Finally, I am a member of the staff of the Federal-State Joint Board on Universal Service.

Q. DO YOU HAVE EXPERIENCE AS AN EXPERT WITNESS?

A. Yes. I have testified more than one hundred twenty-five times as an expert witness. I have testified before the Michigan Public Service Commission, the Colorado Public Utilities Commission, the Colorado District Court, the Arizona Corporations Commission, the Wyoming Public Service Commission, the Wyoming Legislature Joint Corporations Committee, the Federal Energy Regulatory Commission, and the Federal-State Joint Board on Universal Service. I have testified in telecommunications, water, wastewater, electric, and natural gas cases. The subjects upon which I have testified include revenue requirements, rate design, cost-of-capital, nuclear decommissioning, accounting deferrals, adjustment mechanisms, income taxes, capital recovery, universal service funding, and other specialized topics.

1

2 **Q. WHO DO YOU REPRESENT IN THIS PROCEEDING?**

3 A. As a member of the Office of Consumer Advocate, I represent the interests of
4 Wyoming citizens and all classes of utility customers in this public utility matter,
5 as required by W.S. § 37-2-401. It is neither my intent nor my charge to represent
6 the position of any individual, group, municipality, or corporation.

7

8 **Q. WHAT COURSE OF ACTION IS AVAILABLE TO INDIVIDUAL**
9 **CONSUMERS OR OTHER INTERESTED PARTIES IF THEY WISH TO**
10 **PURSUE ISSUES NOT ADDRESSED BY THE OFFICE OF CONSUMER**
11 **ADVOCATE, OR TAKE A DIFFERENT POSITION FROM THE OFFICE**
12 **OF CONSUMER ADVOCATE?**

13 A. Consumers and other parties may intervene in the proceedings and raise
14 additional issues not addressed by the Office of Consumer Advocate, and may
15 take different positions than those presented by the OCA. Consumers may also
16 present written or oral comments at the hearing, which then become part of the
17 record in the case and are available to the Commission as it makes its decision on
18 any particular proposal or suggested change. The OCA encourages the
19 participation of the public and all interested parties in cases before the
20 Commission.

21

22 **Q. ARE YOU SPONSORING ANY EXHIBITS OR SCHEDULES AS PART**
23 **OF YOUR DIRECT PREFILED TESTIMONY IN THIS PROCEEDING?**

24 A. Yes. I am sponsoring OCA Schedule DKP-1 and DKP-2. These schedules
25 have been prepared by me. I will explain each of these schedules below
26 within the context of the testimony in which they are referenced.

27

28 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

29 A. The purpose of my testimony is to present the OCA's concerns and
30 recommendations regarding High Plains Power, Inc's (High Plains) Rate Case.
31 Our primary concerns relate to:

- 1 ▫ What is the appropriate level of earnings to build into High Plains' rates?
- 2 ▫ How much of the overall cost of service should be paid by each customer
- 3 class, and how closely should the computation of rates follow the class
- 4 cost of service study?
- 5 ▫ What portion of the fixed cost of serving customers should be paid
- 6 through a fixed (that is, non-usage based) rate, such as the customer
- 7 facilities charge, rather than being recovered through a per kilowatt hour
- 8 based rate?

9

10 **Q. PLEASE PROVIDE A BRIEF PROCEDURAL HISTORY OF THIS CASE.**

11 A. On November 29, 2006, High Plains filed an application requesting authority to

12 increase its retail electric service rates by \$1,715,905 per annum to flow through

13 its increased power costs. The Company stated that its requested overall increase

14 was sufficient only to recover the increase in wholesale power costs. It further

15 indicated that the allocation of the proposed power cost increase to each rate class

16 was based on the results of the cost of service study, and that the proposal resulted

17 in a reduction of existing subsidies between rate classes. Furthermore, it proposed

18 to consolidate the rates for certain customer classes in the Riverton and Hot

19 Springs service areas; to revise the residential time of use rate; and to restructure

20 certain large power rates. Under High Plains' proposal, the average residential

21 customer would have received an increase of about 10.6%, or about \$9.10 per

22 month.

23

24 On December 14, 2006, the OCA filed its *Initial Expression of Concern, Notice of*

25 *Intervention, and Request for Hearing*. In this pleading, the OCA argued that

26 High Plains' application had all the characteristics of a rate case, and should be

27 treated accordingly. We argued that the full amount of the increase should not be

28 permitted without the benefit of a hearing or additional information. We further

29 argued that "Given the long history of interclass subsidies by High Plains and its

30 predecessor entities, the Commission should take this opportunity to determine an

31 appropriate level of revenues, cost, and investment for each rate class..." We

1 concluded that High Plains had not justified its proposed rates and asked the
2 Commission to set the matter for hearing.

3
4 At the Commission's Open Meeting of December 15, 2006, High Plains'
5 application to increase rates was presented and discussed. A debate ensued as to
6 whether the application was more appropriately treated as a pass-on application or
7 a general rate proceeding. As a result of the discussion, the matter was tabled but
8 brought back before the Commission at its December 19, 2006, Open Meeting.
9 At the December 19th meeting, the Commission determined that the application
10 should be re-docketed as a general rate increase and the rates should be approved
11 on an interim basis, subject to comment, protest, intervention and possible refund,
12 specifically noting that "in the event it is determined refunds are due to any class
13 or classes of customer, interest calculated at the rate established pursuant to
14 Section 241 of the Rules be included in any refunds."¹ Additionally, the
15 Commission directed High Plains to work with OCA to develop a report on
16 demand-side management and conservation issues to be submitted by April 2,
17 2007. The direction of the Commission is memorialized in its February 27, 2007,
18 *Notice and Order Granting General Rate Increase on an Interim Basis*.

19
20 Lastly, on July 20, 2007, the Commission issued a *Procedural Notice and Order*
21 *Setting Public Hearing* in this matter. This procedural order established dates for
22 the filing of written testimony, the taking of public comments in the service area,
23 and dates for the evidentiary hearing in this case.

24
25 **Q. DO YOUR RECOMMENDATIONS IN THIS CASE ACTUALLY HAVE**
26 **SOME HISTORY THAT IS FOUNDED IN SOME PRIOR HIGH PLAINS**
27 **RATE CASES?**

¹ Language taken from the Official Minutes of the December 29, 2006, Open Meeting of the Wyoming Public Service Commission. See <http://psc.state.wy.us/htdocs/minutes/Dec2006Minutes.pdf>.

1 A. Yes. The rate spread controversy that I discuss later in my testimony actually has
2 its genesis back to High Plains' 1999 rate case (Docket No. 10020-CR-99-5.) As
3 described in paragraph 2 of the August 7, 2000, order in that case:

4 High Plains filed its general rate application in this docketed matter
5 on October 8, 1999, in which it proposed to revise its rate levels
6 for its customer classes to increase the company's operating
7 margins, move rates towards their respective costs of service,
8 design rates to reflect the appropriate costs of providing service,
9 and move towards the consolidation of rates for the customers
10 previously served by Hot Springs Electric Association and
11 Riverton Valley Electric Association, prior to the merger of these
12 two cooperatives into High Plains.

13
14 The order goes on to explain that High Plains' proposal would increase revenues
15 in three phases: Phase 1 changes were proposed to be effective May 2001, and
16 Phase 2 to be effective May 2003. Prior to Phase 3, High Plains was to file a cost
17 of service study analyzing the rate impacts and revenue impacts resulting from
18 Phases 1 and 2, "to determine whether the proposed Phase 3 rate changes should
19 be implemented or revised." No specific date was established for the filing of the
20 Phase 3 application nor was a date that the rates were to be effective determined.

21
22 As shown in the 1999 rate case application, High Plains' three phase rate case
23 proposal would have had residential (single phase) rates at a level of \$14.50 per
24 month and \$0.0610 per kwh. The total rate impact (after all 3 phases) would
25 have resulted in an operating TIER of 1.35, a net TIER of 3.05, a debt service
26 coverage ratio of 2.25 and a rate of return on rate base of 4.57%.

27
28 Docket No. 10020-CR-02-16 addressed Phase 2 of the 1999 rate case. The order
29 in this matter, issued April 8, 2003, provides several references back to the 1999
30 rate case order, indicating that the rate case was "ordered to be implemented in
31 three phases." As stated in paragraph 8 of the April 8, 2003, order,

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For the test year ending October 31, 2002, High Plains' net margin was \$1,981,226, its Operating Times Interest Earned Ratio (TIER) was 1.38, and the rate of return on rate base was 5.24%. The projected economic parameters with High Plains absorbing the Tri-State wholesale power cost increase until May 1, 2003 are net margins of \$1,639,966, a TIER of 1.11, and a return on rate base of 4.31%.

The absorption of part of a Tri-State increase referenced above was voluntary on the part of High Plains. Paragraph 2 of the April 8, 2003, order indicates the voluntary nature, "The Company states that it can absorb the Tri-State wholesale power cost increase without passing it on to its customers until May 1, 2003." Thus, High Plains itself indicated that it could accept the TIER level of 1.11 and a return on rate base of 4.31%.

The next rate change was a wholesale power cost increase in Docket No. 10020-CP-04-25. Although the Phase 3 portion of the 1999 rate case is discussed in the Commission Technical Staff's memorandum to the Commission, no discussion of the 1999 phased rate proceeding appears in the February 1, 2005, order approving the application. This 2004 pass-on application shows that after the rate increase, the Operating TIER will be 1.41, the net TIER 3.30 and the rate of return on rate base 5.10%.

Lastly, Docket No. 10020-20-CP-05 was filed by High Plains wherein it requested to increase its rates to reflect yet another Tri-State Generation and Transmission wholesale power increase. This application was approved pursuant to a January 6, 2006, *Notice and Order* that contained no discussion of Phase 3 from the 1999 rate case. The Commission Technical Staff memorandum did discuss the earlier rate case and the fact that Phase 3 had not yet been filed. The Commission Technical Staff memorandum also stated that granting the requested pass-on of increased power costs would result in a rate of return on rate base of 4.99%, an operating TIER of 1.42 and debt service coverage of 2.14.

1 I have recounted this history since this case is, in many aspects, a continuation of
2 these earlier proceedings. In the remainder of my testimony I will periodically
3 refer back to these earlier cases and the direction found in them.
4

5 **Q. WHAT IS THE MAKE-UP OF THE INFORMATION FOUND IN THE**
6 **APPLICATION FILED BY HIGH PLAINS?**

7 A. As part of its application, in addition to explanatory testimony, High Plains filed
8 an income statement, rate base, cost allocations, a class cost of service analysis, a
9 proof of revenue / rate design summary, and proposed tariff sheets. On its face,
10 this is all one would expect to see with a traditional rate case filing. Thus, the
11 OCA advanced, and continues to support, its position that this application is
12 properly treated as a rate case.
13

14 Yet, there is one noticeable difference between most general rate case applications
15 and this particular filing: the lack of many adjustments to the historic financial
16 information. In looking at Schedule A-1.0 of High Plains' application, there are
17 few expense adjustments outside of the adjustments related to the increases in
18 wholesale power costs. Normally, I would expect to see adjustments for wages
19 and benefits, increases in insurance and property taxes, and other similar
20 reflections of cost changes. These are noticeably missing primarily because High
21 Plains filed this application primarily for the purpose of passing on the wholesale
22 power costs, and not for the purpose of generally adjusting rates and earnings
23 levels. However, whether it was High Plains intention or not, earnings are at
24 issue as are both the level and design of the rates.
25

26 Additionally, as an aside, High Plains had both an obligation and an opportunity
27 to make any reasonable and supportable adjustments to its income statement and
28 investment reported data, even as part of a pass-on. The Commission's
29 *Procedural Rules and Special Regulations* (Commission rules) require, at
30 subsection 249(b)(i), a public utility filing a pass-on to "include documentation
31 showing the public utility's normalized annual earnings and rate of return on rate

1 base...” [Emphasis added] Additionally, Section 249(b)(ii) states “The public
2 utility shall be responsible for providing sufficiently detailed, reliable, and
3 supportable documentation that accurately portrays its earnings.” If additional
4 adjustments to expenses or other financial items were necessary to “accurately
5 portray its earnings” then they should have been included by High Plains.
6

7 **Q. DOES THE LACK OF ADJUSTMENTS TO THE FILED DATA MAKE IT**
8 **UNUSABLE FOR THIS PROCEEDING?**

9 A. Not at all. As a result of the limited adjustments that were made to the case, and
10 due to the staleness of the test year which ended December 2005, I spent some
11 time satisfying myself that the test year data, as presented, was a good starting
12 point for my analysis in this case. I concluded that the test year data was
13 satisfactory to use as a guide for the issues that the OCA is raising in this case.
14

15 **Q. WHAT MEANS DID YOU USE TO SATISFY YOURSELF THAT THE**
16 **FILED DATA WAS ADEQUATELY REPRESENTATIVE OF THE**
17 **COMPANY’S OPERATIONS ON A GOING FORWARD BASIS?**

18 A. I looked at several things to determine whether the limited adjustments, in
19 conjunction with the historical data, were likely to skew the rate analysis in this
20 case. The examined factors include the expense trend, revenue and usage growth,
21 and plant investment levels.
22

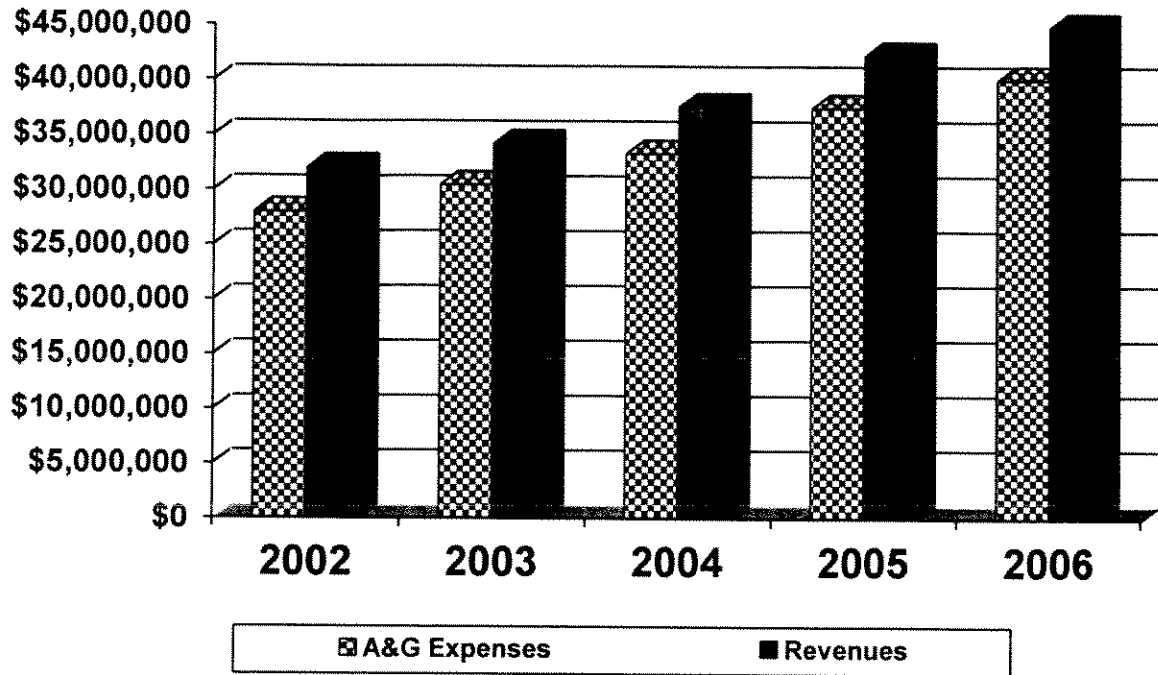
23 Starting with plant investment, one need only look at the growth in the net plant
24 balances to see that nothing extraordinary is occurring on the system. A good
25 summary of the historic and projected plant balances is found in Mr. Hedrick’s
26 Second Supplemental Testimony, filed July 20, 2007. Attached to this testimony
27 is Schedule DWH-SS-1, *Growth Rate in Net Plant*. This shows that for the period
28 of 2003-2006 the compound growth rate in plant was six-tenths of one percent.
29 As was further explained by High Plains’ personnel, most of the work currently
30 being done on the system is reconstruction and repair, rather than original
31 construction and additions.

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Furthermore, Schedule B-1.0, attached to the application shows more than \$500,000 of construction work in progress (CWIP) included in rate base. The OCA is not disputing this element of rate base since there were no extended construction period projects included in that CWIP and the projects that were included in that number are completed and in service. The inclusion of CWIP in this case provides an update to the plant in service and rate base that helps keep the test year fresh enough for it to remain a useful tool for discussing the issues in this case.

Q. DID YOU ALSO ANALYZE THE OPERATING EXPENSES FOR THEIR APPROPRIATENESS IN THIS PROCEEDING?

A. Yes, and I concluded that overall the expenses have grown at only a modest pace over the past several years and the growth in general tracks with the growth in revenue. However, to the extent that the growth in revenue over this period has exceeded the growth in expenses, this case is the ideal forum for addressing that issue. We are able to look at this data and see that the total growth over this period for revenue was about forty percent (40%) whereas administrative and general expenses grew by about thirty-four percent (34%). Instead of throwing out the data because of those differences, we embrace the opportunity to discuss whether the earnings level should be reestablished, and rates readjusted, as a result of the availability of that information. The expense-revenue relationship is shown pictorially below:



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4 Furthermore, to the extent that revenue growth exceeds expense growth, there is
5 less reason to be concerned about the expense adjustments that might have been
6 made but for the differing views on the nature of the application. There could be a
7 natural inclination to increase expenses to reflect known wage increases. But then
8 growth in revenues would also have to be increased – and it would outpace the
9 growth in expenses – to the customers’ advantage. But another way to handle the
10 same issue, as we have in this case, is to look the current earnings level versus the
11 last case, and possibly other benchmarks, and, if it is deemed to be too high,
12 reduce it and the rates that are associated with it.

13

14 **Q. MS. PARRISH, ONCE YOU SATISFIED YOURSELF THAT THE**
15 **PRESENTED TEST YEAR WAS A REASONABLE STARTING POINT,**
16 **HOW DID YOU PROCEED?**

17 **A.** The next step in my review was to determine if there were any inappropriate
18 expenses included in the test year that should be removed before continuing with
19 the computation of revised rates. I found only three expenses that I recommend

1 be removed (or disallowed) from the presented data. The three items are: \$13,563
2 for Touchstone Energy advertising expenses, \$5,656 for charitable donations, and
3 \$5,250 for scholarships.

4
5 I removed the Touchstone Energy advertising expenses in compliance with
6 Commission rule 248, *Advertising by Electric and Gas Utilities*. This rule
7 prohibits an electric utility from recovering the cost of promotional, political, or
8 institutional advertising from anyone except shareholders or other owners. The
9 advertising removed is institutional or promotional advertising. Expenses related
10 to safety ads were left in the test year expenses.

11
12 Charitable donations and scholarships were also removed from the expenses that I
13 recommend be included for recovery through retail rates. While I found no
14 Commission rule prohibiting the inclusion of these expenses, the logic for
15 removing these is similar to the logic for not allowing advertising expenses – they
16 simply are not an expense that is necessary to the reasonable provision of service
17 by a monopoly provider. While many customers would be disappointed if a large
18 corporate citizen, such as High Plains, did not make some corporate donations to
19 accentuate their community presence, those customers are unlikely to all agree on
20 the specific causes to which the donations should be made. I may prefer
21 charitable organization X while my neighbor prefers Y. Other customers are
22 economically challenged, and prefer to keep rates as low as reasonably possible,
23 so that they can make their own choice of charities – if they are not already
24 deciding between food and medicine for the month. Thus, it is better to keep
25 charitable donations out of the ratemaking process, as I recommend here.

26
27 The disallowance of the three expenses just described is a very minor amount in
28 the overall context of the total operating expenses, totaling less than \$25,000.
29 However, the disallowance is reflected on my schedules, as is the associated
30 reduction in cash working capital. Since cash working capital is a percentage of

1 operating expenses, it has been reduced to reflect the disallowed operating
2 expenses.

3
4 **Q. ARE THESE ADJUSTMENTS SHOWN SPECIFICALLY ON OCA**
5 **SCHEDULE DKP-1?**

6 A. Yes. Page 1 of 2 shows the adjusted rate base in this case as presented by both
7 High Plains and the OCA. This is the only adjustment that we are showing to rate
8 base, given my explanation of the appropriateness of leaving CWIP in the rate
9 base in this proceeding.

10
11 Page 2 of 2 shows the adjusted income statement, along with the expense
12 adjustments just described.

13
14 **Q. THE LARGER ADJUSTMENT TO THE INCOME STATEMENT WAS**
15 **MADE BY HIGH PLAINS TO REFLECT THE INCREASED**
16 **WHOLESALE PURCHASED POWER COSTS THAT WILL BE**
17 **INCURRED STARTING IN 2007. WHY IS THIS NOT SHOWN ON OCA**
18 **SCHEDULE DKP-1?**

19 A. The adjustment to the Tri State Generation and Transmission Association (Tri-
20 State) purchased power costs is reflected in the purchased power numbers shown
21 in the column labeled *Company Adjusted Prior to Proposed Revenue Increase*.
22 The numbers in this column are restated from Schedule A-1.0 of the application.
23 Since the OCA is not challenging the incorporation of this significant cost
24 increase in rates, there was no need to separately reflect any adjustment related to
25 it. We are simply accepting High Plains' incorporation of the Tri-State increase
26 into the overall revenue requirement increase.

27
28 **Q. ARE THERE ANY OTHER ISSUES THAT YOU WISH TO BRING TO**
29 **THE COMMISSION'S ATTENTION IN REGARD TO THE OVERALL**
30 **REQUESTED REVENUE REQUIREMENT BY HIGH PLAINS?**

1 A. Yes. The OCA is concerned that High Plains has not adequately supported its
2 requested increase in its margins compared to the margins presented in prior
3 proceedings. At page 3 of his second supplemental testimony, Mr. Hedrick
4 acknowledges that the margins have improved since 1999, the time of the last
5 general rate case. He then provides a table that details the increases. In summary,
6 the 1999 rate case anticipated a rate of return on rate base of 4.57% compared to
7 the 6.31% that would be reflected in rates if High Plains' proposed increase is
8 approved without revision. Yet, there is no clear explanation of why the 6.31% is
9 an appropriate earnings level to continue into the future.

10

11 Mr. Hedrick goes on, at page 4 of his second supplemental testimony, to explain
12 some of the benefits that have inured as a result of the higher margin. He notes
13 first that as "margins have increased over the past several years, the equity has
14 improved." This is absolutely true as shown on his supplemental schedule 2.
15 But, there is no apparent reason given with this schedule as to why continued
16 growth in equity would be in the public interest. Regulators often use as a rule of
17 thumb that equity levels in the capital structure should be between 40% and 60%.
18 High Plains' current equity percentage is approximately 60%. Any additional
19 growth might be worrisome, and might be detrimental for customers, as it could
20 increase the cost of service. It is healthy to have a mix of debt and equity in the
21 capital structure, but having too much of either may increase the risk to either
22 equity holders or debt holders, raising the price of that portion of the capital
23 beyond the cost associated with a more balanced capital structure.

24

25 Continuing to look at the explanation in Mr. Hedrick's second supplemental
26 testimony, at page 4, he next advocates that the additional margins have allowed
27 the cooperative to increase "the level of capital credit requirements paid to
28 members." I don't doubt the veracity of this statement but I do wonder whether
29 additional capital credits have the same benefit to customers that lower rates
30 upfront have. Please allow me to explain.

31

1 Capital credits involve returning to member/owners funds that were collected
2 through rates that were not needed to pay expenses. They are a form of a
3 dividend that comes from “margins” (otherwise known as profit in the arena of
4 investor owned utilities). Of course, it is important that cooperatives return any
5 unneeded funds to their members as soon as reasonably possible. Unfortunately,
6 the return of these funds is commonly ten to twenty years after they were
7 collected from the ratepayer/owners. The bottom line: a dollar in capital credits
8 ten years from now is not the same as a dollar in reduced rates today.

9
10 Lastly, Mr. Hedrick references his schedule on plant growth as part of the
11 discussion on appropriate margins. As stated earlier, net plant growth has been
12 very minimal. Furthermore, it was explained to me during my review that little
13 new plant is going in currently, and that High Plains had not yet completed its last
14 RUS work plan, and thus certain loan funds were as yet unexpended.

15
16 **Q. WHAT IS THE OCA RECOMMENDING AS AN APPROPRIATE**
17 **MARGIN FOR HIGH PLAINS IN THIS PROCEEDING?**

18 A. As an alternative to the Operating TIER of about 1.7 and the rate of return on rate
19 base of about 6.31% shown on Schedule A-1.0 of the application, the OCA
20 recommends an operating TIER of about 1.45 and a return on rate base of about
21 5.44%. This number was mathematically derived by averaging the four operating
22 TIER’s shown on the chart on page 3 of Mr. Hedrick’s second supplemental
23 testimony. These four numbers represent the operating TIER from three recent
24 dockets of High Plains plus the operating TIER represented by the rates in the
25 immediate case. They represent some historical perspective on what both High
26 Plains and the Commission have found reasonable in recent past proceedings.

27
28 **Q. IS THE PROCESS FOR ESTABLISHING THE MARGIN FOR**
29 **COOPERATIVES AS FORMULAIC AS FOR INVESTOR OWNED**
30 **UTILITIES?**

1 A. No. While both the determination of profit margins for investor owned utilities
2 and cooperatives is a mix of art and science, it appears to be more art than science
3 for the cooperatives. There are generally more different types of factors that
4 historically have been considered when establishing a profit level for cooperatives
5 than for investor owned utilities. These factors include: operating TIER, net
6 TIER, operating and net debt service coverage (DSC), internal cash needs, rates
7 of return, and more. However, a primary factor that the Commission and its staff
8 have focused on over the years has been the TIER numbers. TIER and DSC are
9 both ratios that are reported to the cooperatives' lenders and have specified
10 minimum numbers established by the RUS. Yet, in spite of this, I have found no
11 guidelines from the Commission in regard to a desired TIER range -- nor any
12 other explicit direction from the Commission on a preferred method for
13 determining reasonable margins. It appears to be something that is established on
14 a case-by-case basis, driven by individual circumstances.

15
16 I did attempt to study recent Wyoming rate orders to see if any pattern emerged
17 relative to approved TIER levels. I found none. Recent orders reflected rates
18 approved with an operating TIER as low as 1.02 for Powder River Energy to a
19 high of 2.55 for Big Horn County. There were also several recent cooperative
20 rate cases where there was no discussion of TIER or any other financial parameter
21 in the order. Again, no pattern or trend emerged.

22
23 Therefore, my recommendation of an operating TIER of about 1.45 is based on
24 my judgment and experiences as well as its mathematical derivation described
25 above. It is also consistent with the margins that the Commission has approved
26 for High Plains in the recent past. It is more than the margin level that High
27 Plains was willing to accept in Docket No. 10020-CR-02-16 when it voluntarily

1 absorbed part of a Tri-State cost increase. Finally, it is greater than the RUS
2 minimum operating TIER of 1.1.²

3

4 **Q. MS. PARRISH, DOES THIS COMPLETE YOUR DISCUSSION OF THE**
5 **REVENUE REQUIREMENT PORTION OF THE CASE?**

6 A. Yes, it does.

7

8 **Q. WHAT WAS THE NEXT STEP IN YOUR REVIEW OF THE HIGH**
9 **PLAINS FILING?**

10 A. Upon completion of my analysis of the revenue requirement, I turned to the cost
11 allocations and the class cost of service study. I do not take issue with either. The
12 cost allocations appear to be reasonable and the documentation supporting them
13 very thorough. Similarly, the class cost of service study presented by Mr. Hedrick
14 is very well thought-out, traceable, and logical. I have essentially used the cost
15 allocations presented by High Plains when developing OCA Schedule 2.

16

17 The one problem I have with the class cost of service study is not in its
18 development, but rather in its application. The allocation of costs to each
19 customer class was used less in the development of the actual proposed rates in
20 this case than I would have preferred.

21

22 **Q. IS IT THE COMMISSION'S GENERAL PRACTICE TO SET RATES IN**
23 **STRICT COMPLIANCE WITH THE RESULTS OF CLASS COST OF**
24 **SERVICE STUDIES?**

25 A. No. It has been the Commission's practice to use the results of the class cost of
26 service study as a primary tool in determining the level of costs to be recovered
27 from each of the customer classes and in the development of specific rate
28 elements. However, these results are commonly tempered by other factors, such

² RUS requires that the average Coverage Ratios achieved by the Borrower in the 2 best out of the 3 most recent calendar years must be not less than the specified amounts of 1.25 for TIER; 1.25 for DSC; 1.1 for Operating TIER, and 1.1 for Operating DSC.

1 as economic conditions in the service area, the level of increase that can be
2 reasonably tolerated by customers, and other rate mitigating factors.

3
4 In this proceeding, it appears that the results of the class cost of service study have
5 been tempered considerably by High Plains in its rate development and often
6 without any quantifiable explanation. The OCA is offering several alternatives to
7 the High Plains proposal of the amount of costs to be recovered from each class.
8 The OCA alternatives are detailed on OCA Schedule DKP-2.

9
10 **Q. PLEASE EXPLAIN THE CONTENT AND FORMAT OF OCA**
11 **SCHEDULE DKP-2.**

12 A. The top section of this schedule sets forth the summary of the results of the class
13 cost of service study based on the revenues from authorized rates prior to any
14 increases resulting from action in this docket. The total expenses and rate base
15 shown match the expenses and investment reflected in the financial statements as
16 presented on OCA Schedule DKP-1. The Tri-State wholesale power cost increase
17 is included, but no revenue increase associated with that cost is reflected in the
18 top numbers. If no increase were to be granted, High Plains would be in a position
19 of incurring an operating loss.

20
21 Additionally, this top section shows a disproportionate level of margins for the
22 different customer classes. For example, the large power classes would be able to
23 cover their portion of the Tri-State cost increase at current rate levels and still
24 contribute significant margins to the overall system. This is in contrast to the
25 single phase customer class, who would impose a more than \$1.3 million loss on
26 the High Plains system if the Tri-State cost increase were to be imposed without
27 an associated rate change.

28
29 The second section is a summary of High Plains' rate proposal. It shows, for each
30 class, the proposed dollar revenue increase, the proposed percentage increase, the
31 resulting operating TIER and the return on rate base. The disproportionate results

1 continue under the Company's proposal. The Single Phase customers – even after
2 the rate increase – would provide an operating TIER and rate of return of 1.5 and
3 1.70 respectively, while one of the large power classes would provide an
4 operating TIER and rate of return of 32 and 132% respectively. This was
5 troubling to the OCA particularly in light of prior orders and applications of High
6 Plains that discussed moving rates toward their respective costs of service. At the
7 same time that High Plains claims to be making small movements toward cost of
8 service in this case, it is proposing to raise rates for one customer class who
9 already has an operating TIER approaching 5.0 prior to the rate increases being
10 discussed in this proceeding.

11
12 **Q. PLEASE CONTINUE WITH YOUR EXPLANATION OF OCA**
13 **SCHEDULE DKP-2.**

14 A. The lower portion of the schedule sets forth the three revenue spread alternatives
15 that the OCA developed for this proceeding. The first scenario recommends
16 nearly the same overall revenue as proposed by High Plains, but simply has the
17 overall revenue being paid by different classes in different proportions than does
18 High Plains' proposal. For instance, High Plains would have the transmission
19 level customers paying an additional four percent (4%) even though they are
20 already contributing significantly to the overall margins of the utility.

21
22 The other two OCA scenarios reflect our recommendation of a reduced margin by
23 using an operating TIER of 1.45 in computing the overall revenues and rates,
24 rather than the 1.70 operating TIER used in the first alternative. While we prefer
25 either Alternative #2 or Alternative #3 be implemented as opposed to Alternative
26 #1, we prefer any of the three OCA alternatives to the High Plains proposal.

27
28 **Q. WHAT GENERAL OBJECTIVE UNDERLIES OCA ALTERNATIVE #1?**

29 A. Alternative #1 is premised on the concept of using the class cost of service study
30 results as a primary driver of the revenue increase allocation to each class. Upon
31 examination, you will notice that the operating TIER for each class is in the 1.2

1 range except for the contract class. Similarly, the rate of return for each class is in
2 the 4% to 5% range except, again, for the contract class.

3
4 Normally, when creating a scenario such as Alternative #1, I would have strived
5 to have all of the classes with TIERs and returns in the same range, without a
6 prominent exception. But, the contract customers do pose a unique situation in
7 this proceeding. It is not the OCA's intent to challenge the terms or prices found
8 in the contracts, and thus, there is no need to get into the question of the
9 Commission's jurisdiction over those contracts. Instead, the OCA wants to reflect
10 the actual terms and conditions of those contracts in the computation of rates for
11 other classes, even if those prices are at such a level as to provide subsidies to
12 other classes on the system. That is what is happening here.

13
14 I made a calculation during my analysis that, on a strict class cost of service basis,
15 the contract customers should be receiving an increase of around 1.87%. So, if
16 the contract customers had been assigned an increase of about 1.87%, it and all
17 other customer classes would have had similar resulting TIERs and returns.
18 However, this could have resulted in a windfall for High Plains since the cost
19 assignment to the contract customers and the actually billing under the contract
20 terms may not have matched. So, instead of using the class cost of service based
21 revenue increase for the contract customers, I used the Company's computation of
22 the amount of revenue increase that would go to the contract customers pursuant
23 to the specific terms of the contracts. This resulted in a number almost twice as
24 high as the cost based number such that 3.9% of the cost increase is spread to the
25 contract class. Leaving this difference between the contract terms amount and the
26 cost based amount makes no sense, since, if the lower amount were assumed for
27 rates, the Company could still bill the higher amounts under the contract. This
28 differential is a subsidy that was used to reduce the amount of revenue increase
29 assigned to the other customer classes. This issue of the contract terms and
30 conditions is the same for all three of the OCA's Alternatives.

31

1 **Q. WHY DOES THE CONTRACT CLASS HAVE SUCH A LARGE IMPACT**
2 **ON THE ANALYSIS?**

3 A. The contract class contains a very large portion of the usage on High Plains'
4 system. Citing High Plains' Independent Auditor's Report and Financial
5 Statements for June 1, 2005, to May 31, 2006, performed by Schmidt & Company
6 LLC, Note #12 to the Financial Statement reports:

7 The Cooperative provides power to eight customers whose billings
8 for the year ended May 31, 2006 accounted for approximately 57%
9 of total operating revenues. One of these customers accounted for
10 approximately 23% of total operating revenues.
11

12 **Q. WHAT OBJECTIVE UNDERLIES OCA'S SCENARIO #2?**

13 A. Scenario #2 is very similar to Scenario #1 except that it aims for an overall
14 corporate Operating TIER of 1.45 rather than the overall operating TIER of 1.7.
15

16 **Q. SINCE BOTH ALTERNATIVES #2 AND #3 INCLUDE AN OBJECTIVE**
17 **OF A 1.45 OPERATING TIER, HOW DO THEY DIFFER?**

18 A. The results of Alternative #2 are primarily driven by the class cost of service
19 results and the goal of equalized rates of return for all classes. This means that
20 some classes get increases while others' rates would decrease. There is no
21 subjective mitigation to reflect social concerns or other external factors.
22

23 Alternative #3 is far less objective and includes more subjective factors. Instead
24 of being driven solely by the analytical class cost of service study, a secondary
25 factor enters the picture. Any class that would have been assigned a revenue
26 reduction is instead held constant at its current revenue level. This means that a
27 lesser amount of revenue has to be collected from the remaining classes, and thus,
28 rate increases for these remaining credits are less than under Alternative #2.
29

30
31

1 Q. SINCE ALTERNATIVE #3 CONTAINS A LOWER REVENUE
2 ALLOCATION FOR SMALLER USE CUSTOMERS, SUCH AS THE
3 SINGLE PHASE CUSTOMERS, IS IT THE OCA'S PREFERRED
4 ALTERNATIVE?

5 A. No. I present this alternative as one that could be adopted by the Commission if it
6 decided that smaller customers could not tolerate an increase much larger than
7 that proposed by High Plains. Alternative #3 shows an increase of 10.93% for the
8 Single Phase customers, while the High Plains' proposal indicates an increase of
9 10.47% for these same customers. But, in many ways, it is no more cost based
10 than is the Company's proposal because of the mitigating decision to not grant
11 any revenue decreases.

12
13 Instead, we prefer Alternative #2. It moves all classes, except the contract
14 customers, closer to cost. It also allows for a lower, more reasonable operating
15 margin. And, it achieves these two results with only a modest increase for the
16 smaller customers when compared to the Company's proposal.

17
18 Q. MR. HEDRICK INDICATES, AT PAGE 6 OF HIS SECOND
19 SUPPLEMENTAL TESTIMONY, THAT DIFFERENT RISKS BETWEEN
20 THE SMALLER USERS AND LARGER USERS SHOULD ALSO BE
21 CONSIDERED WHEN ASSIGNING THE REVENUE INCREASE TO
22 CUSTOMER CLASSES. DO YOU AGREE?

23 A. Yes and no. I agree that if there are different risks of the stability of load or other
24 factors impacting the permanency of load, it is reasonable to take that into account
25 as part of the rate-setting process. However, I disagree with the degree of risk
26 that is inferred in Mr. Hedrick's testimony. In fact, I am not very concerned about
27 the lack of permanency of the oil and gas loads going in, as these loads tend to be
28 more traditional wells, with generally longer lives, than the Coal Bed Methane
29 drilling in other parts of the state. Instead, I worry that we will see a repeat of the
30 situation that occurred in the 1980's. During this period, prices and costs were so
31 out of alignment, that some large customers found it was more economical to drop

1 off the system and obtain service from their own power supply, than it was to
2 subsidize other classes.

3
4 **Q. IN HIS DIRECT TESTIMONY, MR. HOHN INDICATES THAT THE**
5 **ECONOMIC CONDITIONS ON THE WIND RIVER RESERVATION**
6 **WERE A FACTOR IN DEVELOPING THE RATE PROPOSAL IN THIS**
7 **CASE. DO YOU WISH TO COMMENT ON HIS STATEMENT?**

8 A. Yes. I am not prepared to discuss the economic conditions of the Wind River
9 Reservation compared to the rest of the economy in High Plains' service area.
10 However, it has been a general policy of this Commission to move away from the
11 principle of "ability to pay" as a ratemaking principle and instead move toward
12 cost based rates.

13
14 Furthermore, I agree with those in the regulatory community who believe that
15 social policy should be developed primarily by legislators and not regulators. The
16 Commission has historically taken the position that any Lifeline rate (or a similar
17 rate that is established for the purpose of having a limited, lower-priced rate for
18 low income customers), should first be approved as a concept by the Legislature
19 before being implemented by the regulators. This would be similar to the process
20 used to develop a universal service fund to assist in keeping rates affordable. This
21 process would also be preferred, as it would target the lower rate to those with a
22 specific economic challenge (as LIEAP does), rather than to all customers,
23 regardless of their economic status.

24
25 Finally, I wish to comment that even without the mitigation that Mr. Hohn
26 indicates occurred specifically to recognize the situation on the Wind River
27 Reservation, the Tribes are receiving a benefit from the fact that some Native
28 Americans are High Plains' customers. Specifically, these customers are entitled
29 to an allotment of lower cost power from the Western Area Power Authority
30 (WAPA). Mr. Hohn indicated to me, informally, that a check for \$8,000 to
31 \$9,000 is sent to the Tribe(s) each month. I do not know what becomes of that

1 money or specifically how individual customers benefit. My point: there is
2 already some distinction between the Tribal customers and the non-Tribal
3 customers.
4

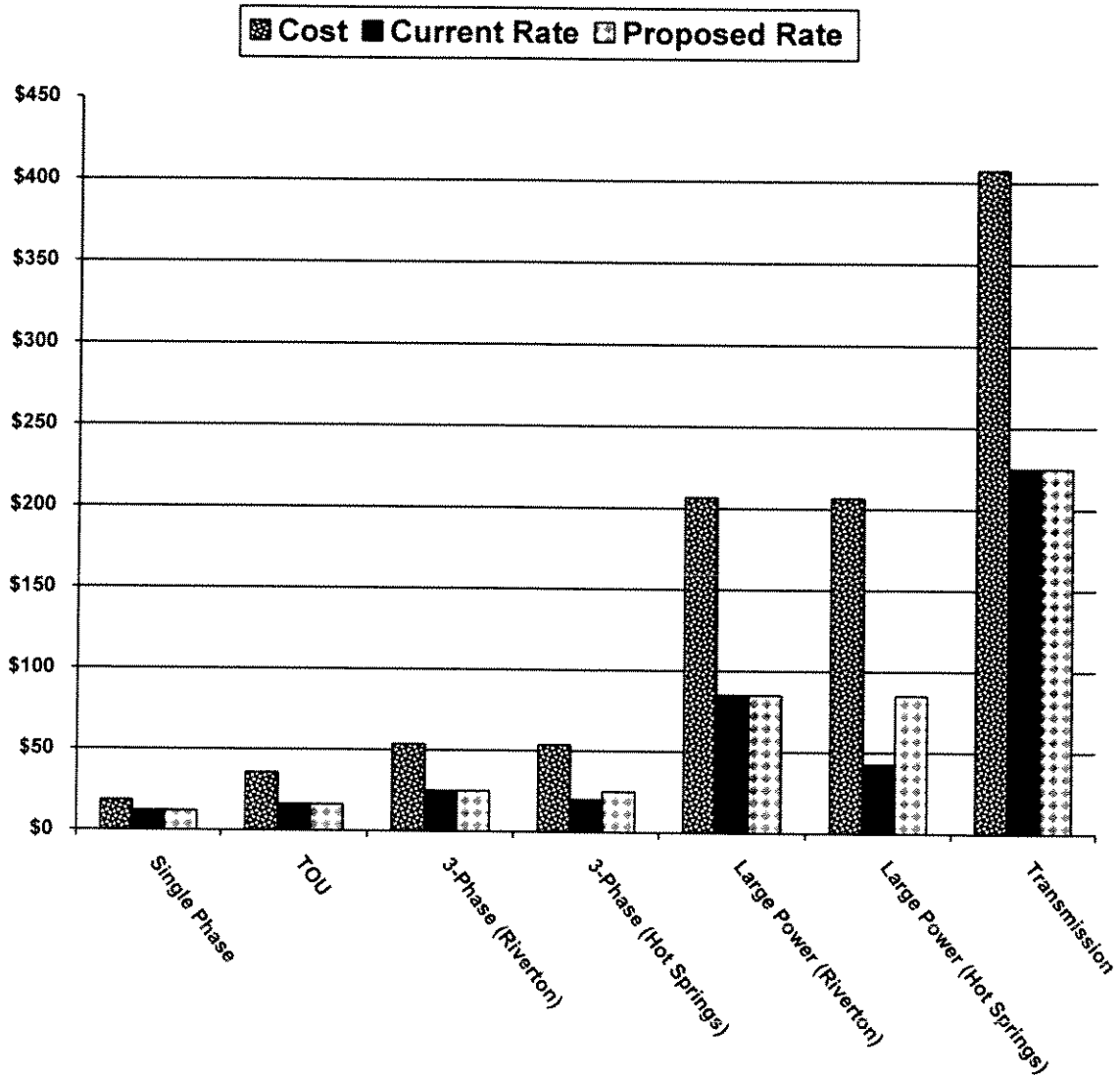
5 **Q. ONCE THE COMMISSION HAS CHOSEN A METHOD FOR**
6 **ALLOCATING THE REVENUE INCREASE, IS THERE ANOTHER SET**
7 **OF DECISIONS THAT MUST BE MADE AS TO HOW TO COLLECT**
8 **THE REVENUES FROM THE CUSTOMERS IN THE CHOSEN CLASS?**

9 A. Yes. The decision must be made as to what portion of the costs are to be
10 collected through fixed rates and what portion is to be collected from usage based
11 rates (e.g., kWh based rates). This is important to send the right market signals to
12 customers, and to begin to address intra-class subsidies.
13

14 **Q. IS THERE DATA AVAILABLE TO ASSIST IN MAKING THESE**
15 **DECISIONS?**

16 A. Yes. In the study submitted with the application, Schedule M-1.0 contains a
17 *Summary of Component Parts*. This schedule divides the cost of providing
18 electric service into a number of cost categories, including system demand,
19 customer costs, and purchased power. These broad categories are then further
20 divided into monthly costs, energy costs, and demand costs. The customer costs --
21 monthly cost per consumer -- summary³ is a good starting point for determining
22 an appropriate customer facilities charge rate:
23

³ Chart does not include all of the rate categories further described in the Application's schedules, but provide illustrative examples.



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11

As shown on the chart and in High Plains’ application, across all rate groups, customer costs are higher than either the current or proposed facility rate (i.e., monthly customer charge). The OCA recommends that the fixed rate be moved toward its fixed cost in this case. So, how much movement is appropriate?

In the 1999 rate case, Mr. Hedrick filed testimony, and at pages 10 and 11, he discusses this same issue:

- 1 Q. How does the proposed customer charge compare to the
2 customer cost?
3
4 A. Schedule M-1.0, page 7 of 8, shows the total customer
5 component of providing service to the Single Phase class is
6 \$21.59 per consumer per month. The proposed charge of
7 \$14.50 moves the case close to the actual cost of providing
8 service. The impact on consumers would be too traumatic
9 to increase to a higher level during this time frame.

10
11 Based on Mr. Hedrick's work in both the 1999 case and his analysis in this case,
12 the OCA recommends that the customer charge of single phase customers be
13 moved to at least \$15 per month from the current level of \$12 per month. We also
14 recommend similar movement for the other classes, although we have no specific
15 recommendation on the specific rates for those other classes.

16
17 **Q. DO YOU HAVE A POSITION ON HIGH PLAINS' PROPOSAL TO**
18 **CONSOLIDATE ITS RATES FOR ITS RIVERTON DIVISION AND HOT**
19 **SPRINGS DIVISION CUSTOMERS?**

20 A. Yes. I support High Plains' concept of establishing one common set of rates for
21 its two Divisions. The two sets of rates were a transitional matter related to the
22 combining of Hot Springs REA and Riverton Valley REA. It has been a number
23 of years since that merger occurred, and it is time to treat all customers equally
24 with the same cost of service and one set of rates.

25
26 **Q. DO YOU HAVE ANY RECOMMENDATIONS IN REGARD TO HIGH**
27 **PLAINS' RULES AND REGULATIONS, OR OTHER PROVISIONS OF**
28 **ITS TARIFF?**

29 A. Yes. Second Revised Sheets 6R and 7R of High Plains' tariff contains its rules
30 and regulations regarding customer deposits. These tariff sheets have not been
31 revised since the Commission updated its own customer deposit rules found at
32 section 241 of the Commission rules. As the revisions to the Commission rule
33 were quite comprehensive, I suggest that High Plains review its tariff to assure
34 that it meets the most recent requirements of the Commission. This would also

1 provide High Plains an opportunity to determine if there are any other rules that
2 need to be modified or updated, such as its line extension tariff and its list of
3 service charges for after hours work.
4

5 **Q. ONE OF THE OCA'S EARLY RECOMMENDATIONS IN THIS**
6 **PROCEEDING WAS THAT HIGH PLAINS BE REQUIRED TO REPORT**
7 **ON ANY DEMAND SIDE MANAGEMENT EFFORTS AND**
8 **OPPORTUNITIES THAT ARE AVAILABLE TO CUSTOMERS. HAVE**
9 **THEY DONE SO?**

10 A. Yes. The Commission directed that High Plains submit a report on opportunities
11 that customers may have to conserve or otherwise impact their demand on High
12 Plains' system. The report was to be filed no later than April 2, 2007. High
13 Plains submitted the report to the Commission on March 21, 2007. We are
14 satisfied that the Company has made reasonable efforts to help their customers
15 help themselves to use energy as efficiently as possible.
16

17 **Q. AS RECOUNTED EARLY IN YOUR TESTIMONY, THE RATES IN THIS**
18 **PROCEEDING HAVE BEEN IN EFFECT, ON AN INTERIM BASIS,**
19 **SINCE JANUARY 2007. WHAT IMPACT SHOULD THAT HAVE ON**
20 **THE COMMISSION'S DECISION IN THIS CASE?**

21 A. The fact that the Commission acted quickly to implement the rates in this case --
22 on an interim basis -- should have absolutely no bearing on the Commission's
23 permanent decision that is made after the presentation of additional facts and
24 recommendations. At the time that it entered its interim decision, the
25 Commission made a point of not only reiterating that the interim rates are subject
26 to protest and possible refund, but also indicating that the potential refund would
27 be subject to interest. Therefore, High Plains and other interested parties were put
28 on notice that a refund was a real possibility in this case.
29

30 If the Commission finds that the on-going rates that result from this case are less
31 than the rates requested and put into effect in January, then it should order a

1 refund. Under a system where the Notice and Order process is prevalent, rates are
2 frequently put into effect prior to complete review and certainly prior to a
3 contested hearing. Customers and interested parties should not be disadvantaged
4 by the fact that the contested process takes time. The impact on customers that
5 result from a Notice and Order process with interim rates and a later final decision
6 should be no different than the impact that would occur from a process wherein
7 no rates take effect until a full examination of the issues have taken place. The
8 only way to make sure of customer equality between the two processes is to use
9 the authority to provide refunds of interim rates when and if it is warranted and
10 necessary.

11

12 **Q. ARE YOU RECOMMENDING REFUNDS IN THIS CASE?**

13 A. Yes, if the Commission adopts either OCA Alternative #2 or Alternative #3. Both
14 of these scenarios have lower revenue requirements than does the Company's
15 proposal that was put into effect on an interim basis.

16

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

18 A. Yes, it does.

	Company Adjusted	OCA Adjustments	OCA Adjusted	OCA Alternative #1	OCA Alternative #2	OCA Alternative #3
Plant in Service	\$71,157,898	\$0	\$71,157,898	\$71,157,898	\$71,157,898	\$71,157,898
Construction Work in Progress	<u>579,883</u>	<u>0</u>	<u>579,883</u>	<u>579,883</u>	<u>579,883</u>	<u>579,883</u>
Total Utility Plant	\$71,737,781	\$0	\$71,737,781	\$71,737,781	\$71,737,781	\$71,737,781
Accumulated Depreciation	35,318,149	0	35,318,149	35,318,149	35,318,149	35,318,149
NET UTILITY PLANT	36,419,632	0	36,419,632	36,419,632	36,419,632	36,419,632
Materials and Supplies	1,232,232	0	1,232,232	1,232,232	1,232,232	1,232,232
Prepayments	95,813	0	95,813	95,813	95,813	95,813
Cash Working Capital	566,706	(3,056)	563,650	563,650	563,650	563,650
Consumer Deposits	<u>(233,178)</u>	<u>0</u>	<u>(233,178)</u>	<u>(233,178)</u>	<u>(233,178)</u>	<u>(233,178)</u>
TOTAL RATE BASE	\$38,081,205	(\$3,056)	\$38,078,149	\$38,078,149	\$38,078,149	\$38,078,149

	Company Adjusted Prior to Proposed Revenue Increase	OCA Adjustments Prior to Proposed Revenue Increase	OCA Adjusted Prior to Proposed Revenue Increase	OCA Alternative #1	OCA Alternative #2	OCA Alternative #3
<u>Operating Revenues</u>						
Base Revenues	\$43,923,808	\$0	\$43,923,808	\$46,512,078	\$46,155,528	\$46,154,378
Other	132,454	0	132,454	132,454	132,454	132,454
TOTAL	\$44,056,262	\$0	\$44,056,262	\$46,644,532	\$46,287,982	\$46,286,832
<u>Operating Expenses</u>						
Purchased Power (Includes Tri State Increases)	37,532,952	0	37,532,952	37,532,952	37,532,952	37,532,952
Transmission	112,086	0	112,086	112,086	112,086	112,086
Distribution -- Operations	1,395,010	0	1,395,010	1,395,010	1,395,010	1,395,010
Distribution -- Maintenance	1,196,519	0	1,196,519	1,196,519	1,196,519	1,196,519
Consumer Accounting	630,367	0	630,367	630,367	630,367	630,367
Consumer Service	203,263	0	203,263	203,263	203,263	203,263
Sales	450	0	450	450	450	450
Administrative and General	995,955	(24,449)	971,506	971,506	971,506	971,506
Depreciation	2,073,746	0	2,073,746	2,073,746	2,073,746	2,073,746
Tax	100,481	0	100,481	100,481	100,481	100,481
TOTAL	\$44,240,829	(\$24,449)	\$44,216,380	\$44,216,380	\$44,216,380	\$44,216,380
RETURN	(\$184,567)	\$24,449	(\$160,118)	\$2,428,152	\$2,071,602	\$2,070,452
<u>Interest and Other Deductions</u>						
Interest on Long Term Debt	1,340,363	0	1,340,363	1,340,363	1,340,363	1,340,363
Interest -- Other	14,020	0	14,020	14,020	14,020	14,020
Other Deductions	72,961	0	72,961	72,961	72,961	72,961
TOTAL	\$1,427,344	\$0	\$1,427,344	1,427,344	1,427,344	1,427,344
OPERATING MARGIN	(\$1,611,911)	\$24,449	(\$1,587,462)	\$1,000,808	\$644,258	\$643,108
<u>Non-Operating Margins</u>						
Interest Income	336,685	0	336,685	336,685	336,685	336,685
Income from Equity Investments	0	0	0	0	0	0
Other Margins	27,112	0	27,112	27,112	27,112	27,112
G&T Capital Credits	3,332,002	0	3,332,002	3,332,002	3,332,002	3,332,002
Capital Credits	49,773	0	49,773	49,773	49,773	49,773
Extraordinary Items	0	0	0	0	0	0
TOTAL	\$3,745,572	\$0	\$3,745,572	\$3,745,572	\$3,745,572	\$3,745,572
NET MARGINS	\$2,133,661	\$24,449	\$2,158,110	\$4,746,380	\$4,389,830	\$4,388,680
OPERATING TIER	(0.13)		(0.11)	1.7012	1.4514	1.4506
OPERATING DEBT SERVICE COVERAGE	0.70		0.70	1.55	1.44	1.43
RATE OF RETURN	-0.48%		-0.42%	6.38%	5.44%	5.44%

	EXISTING RATES with ADJUSTED EXPENSES		Single Phase	1 Phase Time of Use	Three Phase	Irrigation	Large Power	Sub < 500	Sub > 500	Transmission	Lighting	Contracts
	Total	Phase										
Rate Base	\$38,078,149	\$19,264,159	\$1,187,535	\$1,350,145	\$1,602,232	\$4,670,033	\$155,267	\$83,172	\$155,623	\$441,970	\$9,168,593	
Operating Revenues (Before Increase)	\$44,056,262	\$9,956,958	\$907,256	\$783,975	\$917,283	\$5,927,473	\$769,863	\$422,772	\$1,726,707	\$271,155	\$22,372,820	
Operating Expense (Adjusted for Power Increase)	\$44,216,380	\$10,672,642	\$856,420	\$835,601	\$903,385	\$6,002,155	\$688,654	\$312,591	\$1,683,266	\$219,467	\$22,042,198	
Operating Margin	(\$160,118)	(\$715,684)	\$50,836	(\$51,626)	\$13,898	(\$74,682)	\$81,209	\$110,181	\$43,441	\$51,698	\$330,622	
Rate of Return on Rate Base	-0.42%	-3.72%	4.28%	-3.82%	0.87%	-1.60%	52.30%	132.47%	27.91%	11.69%	3.61%	
Interest	1,427,344	\$641,164	\$41,241	\$45,821	\$53,649	\$170,632	\$6,379	\$3,445	\$8,817	\$14,809	\$441,388	
Operating Margin Minus Interest	(\$1,587,462)	(\$1,356,848)	\$9,595	(\$97,448)	(\$39,732)	(\$245,314)	\$74,830	\$106,736	\$34,624	\$36,879	(\$110,766)	
Operating TIER	(0.1122)	(1.1162)	1.2327	(1.1267)	0.2590	(0.4377)	12.7308	31.9828	4.9271	3.4903	0.7491	
HIGH PLAINS PROPOSED REVENUE INCREASE												
High Plains Proposed Revenue Increase	\$2,588,477	\$1,042,330	\$23,903	\$82,753	\$95,765	\$396,266	\$0	\$9	\$74,881	\$0	\$872,570	
Class % Increase	5.88%	10.47%	2.63%	10.56%	10.44%	6.69%	0.00%	0.00%	4.34%	0.00%	3.90%	
High Plains Operating TIER	1.7013	1.5095	2.8123	1.6793	3.0441	2.8847	13.7308	32.9854	14.4202	4.4903	3.7259	
High Plains Return on Rate Base	6.38%	1.70%	6.29%	2.31%	6.84%	6.89%	52.30%	132.49%	76.03%	11.69%	13.12%	
OCA ALTERNATIVE INCREASE #1												
Proposed Rate Increase by Class	\$2,588,270	\$1,512,000	\$1,000	\$108,500	\$52,500	\$286,000	(\$73,400)	(\$105,900)	(\$32,500)	(\$32,500)	\$872,570	
Class % Increase	5.87%	15.19%	0.11%	13.84%	5.72%	4.82%	-9.53%	-25.05%	-1.88%	-11.99%	3.90%	
Operating TIER	1.7012	1.2420	1.2569	1.2412	1.2376	1.2384	1.2241	1.2428	1.2409	1.2957	2.7259	
Rate of Return on Rate Base	6.38%	4.13%	4.36%	4.21%	4.14%	4.52%	5.03%	5.15%	7.03%	4.34%	13.12%	
OCA ALTERNATIVE INCREASE #2												
Proposed Rate Increase by Class	\$2,231,720	\$1,280,000	(\$14,500)	\$92,000	\$33,500	\$225,000	(\$75,550)	(\$107,150)	(\$35,600)	(\$38,550)	\$872,570	
Class % Increase	5.07%	12.86%	-1.60%	11.74%	3.65%	3.80%	-9.81%	-25.34%	-2.06%	-14.22%	3.90%	
Operating TIER	1.4514	0.8801	0.8811	0.8611	0.8835	0.8809	0.8871	0.8800	0.8893	0.8871	2.7259	
Rate of Return on Rate Base	5.44%	2.93%	3.06%	2.99%	2.96%	3.22%	3.64%	3.64%	5.04%	2.97%	13.12%	
OCA ALTERNATIVE INCREASE #3												
Proposed Rate Increase by Class	\$2,230,570	\$1,088,000	\$0	\$78,500	\$17,500	\$174,000	\$0	\$0	\$0	\$0	\$872,570	
Class % Increase	5.06%	10.93%	0.00%	10.01%	1.91%	2.94%	0.00%	0.00%	0.00%	0.00%	3.90%	
Operating TIER	1.4506	0.5807	1.2327	0.5865	0.5852	0.5821	12.7308	31.9828	4.9271	3.4903	2.7259	
Rate of Return on Rate Base	5.44%	1.93%	4.28%	1.99%	1.96%	2.13%	52.30%	132.47%	27.91%	11.69%	13.12%	

CERTIFICATE OF SERVICE

I hereby certify that on August 1, 2007, I served the foregoing Pre-Filed Direct Testimony and Schedules of Denise Kay Parrish on the individuals/entities below, by the methods indicated.

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