

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF)
ROCKY MOUNTAIN POWER FOR)
AUTHORITY TO INCREASE ITS RETAIL)
ELECTRIC UTILITY SERVICE RATES IN) Docket No. 20000-277-ER-07
WYOMING, CONSISTING OF A GENERAL) Record No. 11249
RATE INCREASE OF APPROXIMATELY \$36.1)
MILLION PER YEAR, AND FOR APPROVAL)
OF A NEW RENEWABLE RESOURCE)
MECHANISM AND MARGINAL COST)
PRICING TARIFF)

Pre-filed Testimony of

Denise Kay Parrish

in Support of the Stipulation and Agreement

On Behalf of the Office of Consumer Advocate

Testimony Filed: February 25, 2008

Evidentiary Hearings Begin: March 3, 2008

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, Suite
3 304, Cheyenne, Wyoming 82002.

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

6 A. I am currently the Deputy Administrator of the Wyoming Office of Consumer Advocate
7 (OCA).

8
9 **Q. ARE YOU THE SAME DENISE KAY PARRISH WHO PREFILED DIRECT
10 TESTIMONY IN THIS PROCEEDING ON JANUARY 7, 2008 ON BEHALF OF
11 THE OCA?**

12 A. Yes, I am. My qualifications and experience as an expert witness remain essentially the
13 same as at the time that I filed my initial pre-filed direct testimony in this proceeding.
14 Additionally, I continue to represent the public interest through my role as Deputy
15 Administrator of the OCA.

16
17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. The purpose of my testimony is to offer the OCA's perspectives on, and support for, the
19 Stipulation and Agreement that has been submitted to the Commission in this proceeding.
20 The underlying message of my testimony is that the OCA supports the Stipulation and
21 Agreement. We ask the Commission to approve the Stipulation and Agreement.

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

25 A. No. However, my testimony directly relates to the Stipulation and Agreement that was
26 filed by the Parties in this case. In order not to burden the record, I have not resubmitted
27 that document with my testimony. Additionally, I will attempt not to burden the record by
28 repeating in this testimony the specific language and provisions of the Stipulation and
29 Agreement. Instead, my testimony attempts to explain why the settlement provisions are
30 in the public interest and why they should be approved by the Commission.

1 Q. PLEASE PROVIDE A SUMMARY OF THE KEY PROVISIONS OF THE
 2 STIPULATION AND AGREEMENT.

3 A. The key provisions of the stipulation, from the perspective of the OCA, are as follows:
 4

	<u>Rocky Mountain Power Application</u>	<u>Settlement and Agreement</u>
Overall Revenue Requirement	Revenue increase of \$36.06 million per annum, effective May 1, 2008 (includes changes in net power costs)	Revenue increase of \$23 million per annum, effective May 1, 2008 (includes changes in net power costs)
Net Power Costs	Requested \$927.6 million on a total company basis; \$147 million on a Wyoming allocated basis	Agreed to an annual total company amount of \$910 million; about \$144 million on a Wyoming allocated basis
Authorized Return on Equity	10.75%	10.25%
Cost of Service and Rate Design	Rates proposed at 99% to 101% of cost of service (cost of service reflects filed revenue requirement)	Rates proposed at 99% to 101% of cost of service (cost of service reflects agreed upon revenue requirement)
Changes to Rules and Tariff Language	Requested changes to Rules 4 (types and uses of service) and 8 (billing) and other housekeeping changes to the tariff language	Support for proposed changes to Rocky Mountain Power's rules and tariff language as requested in application
Marginal Pricing	Request to implement significantly different pricing as result of this proceeding for increases in load of 5 MW or more	Agreement to a collaborative discussion of the Parties to discuss various aspects of load growth, including potential changes to pricing
New Renewable Resources Mechanism (NRRM)	Requested new pricing mechanism to place in rates the cost associated with new renewable generation between general rate cases	The NRRM will not be implemented as a result of this case; no prohibition against Rocky Mountain Power filing an application to implement a NRRM in the future
Power Cost Adjustment Mechanism (PCAM)	No structural changes requested	Agreed to structural changes where future PCAM calculations will be based on future rather than historical costs; sunsets the existing PCAM in 2011 unless a request to renew or modify the PCAM is filed and approved

5

1 **Q. PLEASE EXPLAIN THE AGREEMENT ON THE OVERALL REVENUE**
2 **REQUIREMENT.**

3 **A.** Rocky Mountain Power filed a request to increase its rates by about \$36.06 million per
4 annum. This amount was supported by Rocky Mountain Power's myriad of exhibits and
5 multitude of witnesses' testimony as provided with its application. In response to both
6 the requested revenue increase and its proposal to implement marginal pricing, a number
7 of intervenors chose to become active in the case. In the responsive testimony of the
8 intervenors, a number of challenges to certain aspects of Rocky Mountain Power's
9 revenue requirement calculation and current earnings results were brought forward. There
10 were a number of common challenges by the Parties (e.g., WIEC and the OCA
11 recommended some of the same adjustments) and some adjustments were recommended
12 by only a single party (e.g., the OCA adjustment to SO₂ allowance sales.) Additionally,
13 some of the adjustments overlapped (e.g., WIEC made a broader adjustment to severance
14 costs while the OCA made a narrower adjustment to severance costs.)

15
16 Based on an examination of the various adjustments and the positions of the various
17 Parties, agreement was reached fairly quickly in the negotiations that the reasonable
18 revenue increase to recommend as part of an settlement package was \$23 million. Each
19 party made their own assessment of what a reasonable level of increase would be relative
20 to their own recommendations, and relative to what the potential outcome might be if the
21 matter were litigated. Also weighting into these decisions were (1) the relative certainty
22 of a settlement outcome versus a litigated outcome, and (2) the cost and resource savings
23 that result from settling rather than litigating the case.

24
25 It was impressive to me that the Parties -- particularly given their diverse clients and
26 varied positions -- were able to reach a decision on the revenue requirement issue with so
27 little animosity and with relative speed (a one-day, ten-hour meeting.) I view this as a
28 strong basis upon which the Commission can rely that supports the reasonableness and
29 public interest of the revenue requirement portion of the Stipulation and Agreement.
30

1 Unfortunately, there was only limited agreement reached on the specifics of the
2 components and details of the revenue requirement calculation. To explain the difference
3 between the requested \$36.06 million requested in the application and the agreed-upon
4 \$23 million, the Parties were able to agree on four adjustments that represent major
5 categories of costs. These high-level adjustments total a \$13.06 million decrease to the
6 Company requested increase and are as follows:

7	Corrections and Company Identified Adjustments	\$0.94 million
8	Difference between 10.75% and 10.25% Return on Equity	\$5.10 million
9	Adjustment to Wyoming Allocated Net Power Costs	\$3.00 million
10	Adjustment to Other Aspects of the Revenue Requirement	\$4.02 million

11
12 However, we were not able to further detail the adjustments to specific accounts or
13 categories of costs. When the attempt was made to further identify the specifics of the
14 Net Power Cost adjustment and the Other Revenue Requirement adjustment, parties were
15 unable to reach agreement. Parties had different views of which of the intervenors
16 proposed adjustments should be reflected in the agreement and which should not be
17 incorporated into the settlement numbers.

18
19 **Q. DO YOU BELIEVE THAT THIS FAILURE TO FURTHER DETAIL THE**
20 **ADJUSTMENTS IS A FATAL FLAW TO THE STIPULATION AND**
21 **AGREEMENT?**

22 A. Absolutely not. While this settlement does not permit the Commission to see the final
23 agreed-upon costs at the level of each account or each expense category line item, it does
24 provide sufficient detail to make the findings that the agreement is reasonable and that the
25 public interest has been met with this settlement package. This is not the typical *black*
26 *box* settlement where the Commission is only told the bottom line without being able to
27 examine any of the specific piece-parts. While there may not be as many piece-parts as
28 the Commission desires, there is enough information in the record – looking at the
29 settlement as well as the prefiled testimony – to support approval of the Stipulation and
30 Agreement.

31

1 **Q. PLEASE EXPLAIN WHAT IS INCLUDED IN THE CATEGORY OF**
2 **ADJUSTMENTS AND COMPANY IDENTIFIED CORRECTIONS.**

3 A. As noted in my initial prefiled testimony, and as shown in my earlier filed OCA
4 Schedules DKP-2 and DKP-3, there were six adjustments that I incorporated into my
5 recommended revenue requirement that were provided by Rocky Mountain Power during
6 the course of my investigation and analysis of the case. These adjustments relate to: (1)
7 mining employee benefit costs, (2) the Oregon renewable tax credit, (3) the Blundell
8 production tax credit, (4) irrigation load credits, (5) the write-off of the risk management
9 system, (6) the write-off of Powerdale hydro costs, and (6) correction to fuel stock
10 balances. These adjustments are now captured in the recommendations contained in the
11 Stipulation and Agreement.
12

13 **Q. WHAT IS BEING PROPOSED IN THE SETTLEMENT RELATIVE TO THE**
14 **OVERALL COST OF CAPITAL AND THE AUTHORIZED RATE OF RETURN?**

15 A. As with any cost of capital arrangement, there are three important parts to look at when
16 examining what has been agreed to relative to the overall return in the settlement. First,
17 there is the capital structure. The OCA did not propose any changes to the capital
18 structure (the proportion of debt, preferred stock, and common equity) in its prefiled
19 direct testimony and none is proposed in the settlement. Thus the capital structure of
20 48.8% debt; 0.4% preferred stock, and 50.8% common equity, as proposed by Rocky
21 Mountain Power in its application, is agreed to by the Parties in the stipulation and
22 agreement.
23

24 Second, there is the cost of debt and preferred stock. In his prefiled direct testimony, Mr.
25 Freeman suggested a very modest reduction in the cost of debt when compared to that
26 contained in Rocky Mountain Power's application (a reduction from 6.28% to 6.25%) but
27 no change in the cost of preferred stock. The Stipulation and Agreement adopts the filed
28 position of Rocky Mountain Power relative to the cost of debt. The OCA finds this
29 acceptable as part of the overall settlement package in this case as it keeps some
30 reasonable symmetry between the cost of debt and the cost of equity. That is, as the cost
31 of equity reflects higher risks, so should the cost of debt. The impact of this adjustment

1 is in the neighborhood of a couple hundred thousand dollars on the overall revenue
2 requirement.

3
4 Third, there is the cost of equity. Mr. Hadaway computed the cost of equity using a
5 number of different approaches with the results of these approaches ranging from about
6 10.5% to 11.4%. Mr. Freeman, on behalf of the OCA, also computed the cost of equity
7 using different techniques, with his results ranging from 9.14% to 10.32%. Mr. Gorman,
8 on behalf of WIEC, computed a range of returns ranging from 9.4 to 10.2%. While these
9 ranges do not overlap, they do provide the bookends for the returns on equity found by
10 the witnesses in the proceeding. As the computation of the return on equity is a mixture
11 of art and science, as well as a mixture of technical analysis and judgment, there was no
12 one correct answer for the parties to select during the settlement process. However, the
13 10.25% that was ultimately agreed upon is in the midst of the range of the analyses
14 results. It also happens to be the agreed upon return in the most recent Idaho Rocky
15 Mountain Power rate case. This provides some comfort that other regulators of Rocky
16 Mountain Power found this return of 10.25% to be reasonable.

17
18 **Q. PLEASE EXPLAIN THE AGREED UPON ADJUSTMENT TO THE NET**
19 **POWER COSTS IN THE STIPULATION AND AGREEMENT.**

20 A. The parties agreed to adjust the Wyoming allocated net power cost expense in the case by
21 \$3 million. Mr. Falkenberg proposed a series of adjustments to the net power costs
22 totaling about \$53 million on a total company basis or about \$8.4 million on a Wyoming
23 allocated basis. Mr. Freeman supported and agreed with this proposed series of
24 adjustments in his prefiled direct testimony. While our contested case would have
25 continued to advocate the more than \$8 million in adjustments to net power costs, we are
26 comfortable with the total settlement package which provides for an adjustment of only
27 \$3 million – particularly given the offsetting power cost provision in the settlement
28 described below.

29
30 Unfortunately, this is one of the areas where the parties were not able to agree beyond the
31 total adjustment of \$3 million. The parties were unable to agree on which of the

1 adjustments of Mr. Falkenberg and Mr. Freeman should be accepted for the calculation of
2 the settlement and which adjustments should be left for discussion at a later time or
3 ultimately rejected. Thus, we have our first *grey box* aspect of the settlement. We are
4 unable to provide the roadmap that the Commission likely desires to better understand the
5 development of the numbers. I reiterate, however, that this should not be a fatal flaw. If
6 one looks at past cases, it is common for certain adjustments to be accepted and others to
7 be rejected. It is common for only a portion of an overall series of adjustments to make
8 their way into the final rates. That is the end result here – without actually identifying
9 how that winnowing down was derived. Yet, all of the parties – including parties very
10 familiar with power cost GRID model -- find this to be a reasonable result for this case.

11
12 It should also be comforting (perhaps in a perverse sort of way) that this area of less than
13 full transparency will only be relatively short lived, since Rocky Mountain Power has
14 indicated its intention of filing another rate case in the very near future. Additionally, the
15 Commission has an opportunity to look at the net power costs on a fairly regular basis
16 through the power cost adjustment mechanism (PCAM) filings. As the power costs in
17 the PCAM have generally been increasing, it does not seem unreasonable to reflect
18 perhaps a bit more in the power costs in this case than what might have resulted from a
19 contested case. It might have been different if power costs were varying up and down in
20 fairly equal amounts but in reality, power costs are trending up and are predicted to do so
21 for the near term.

22
23 **Q. WHAT IS THE OTHER POWER COST PROVISION IN THE STIPULATION**
24 **AND AGREEMENT THAT HELPS PROVIDE SOME COMFORT FOR THE**
25 **LACK OF DETAIL ON THE NET POWER COST ADJUSTMENT?**

26 **A.** The parties have stipulated to utilize the agreed upon net power cost as the base for
27 computing the next PCAM adjustment and true-up. This means that the expense in this
28 case might be a bit higher than if the case had been fully litigated, but this is offset by the
29 fact that actual power costs will be compared to this higher number making any necessary
30 future adjustments smaller due to the higher base.

31

1 **Q. IN ADDITION, HAVE THE PARTIES STIPULATED TO STRUCTURAL**
2 **CHANGES TO THE PCAM?**

3 A. Yes. Several changes to the structure of the PCAM are contained within the settlement.
4 The first change moves the PCAM rate calculation from one using historic data to a
5 calculation based on forecast information. Beginning with the PCAM filing in February,
6 2009, the net power cost rate will incorporate a forecast of net power costs along with a
7 true-up of net power costs from the past period. This is another step toward the
8 elimination of regulatory lag for one of Rocky Mountain Power's larger expense
9 categories. Assuming the increasing trend of power costs continues, this shifts some
10 additional burden to customers, as they would pay more sooner than later. However, all
11 of the other customer benefits of the current PCAM structure remain in place, including
12 the deadband and sharing provisions. In addition, future reviews of the PCAM should be
13 easier for the intervenors, as the Company has agreed to try to better coordinate and
14 synchronize the net power cost data found in the upcoming rate case and the February
15 2009 PCAM filing.

16
17 The safety net for moving to a forecast period was the agreement to sunset the PCAM no
18 later than April, 2011, unless an application is filed by Rocky Mountain Power to either
19 extend its existence or modify it. This means that the PCAM will be in place for the next
20 few years – years when Rocky Mountain Power is expected to struggle for enough power
21 resources to meet its growing needs. But, more importantly to the OCA, it means that the
22 PCAM will not continue into perpetuity without a public forum provided wherein
23 interested parties can raise concerns about its existence or propose modifications for its
24 improvement. This certainty about having it in place for the next few tough resource
25 years is good for all parties, as is the certainty of an opportunity to review how well it is
26 working.

27
28 The Stipulation and Agreement sets forth at paragraphs 20 through 23 the specifics of the
29 PCAM agreements and the mechanics of how the calculation will be made in each year
30 between now and 2011. Additionally, revised PCAM tariff language has been provided
31 in Exhibit C attached to the Stipulation and Agreement.

1 **Q. WHY IS THE EMBEDDED COST DIFFERENTIAL SPECIFICALLY**
2 **DISCUSSED IN PARAGRAPH 20 AND ON STIPULATION EXHIBIT B?**

3 A. Paragraph 20 specifies the base embedded cost differential to allow for simplification of
4 the PCAM tariff. Currently, the PCAM computation incorporates a *revenue variation*
5 *adjustment*. This revenue variation adjustment was necessary at the time of the
6 establishment of the PCAM, because the PCAM rates were not yet unbundled from the
7 base rates and there was need to differentiate the revenue growth in the PCAM revenues
8 versus the growth in the base revenues. Since their original establishment, the PCAM
9 rates were separated from the base rates, but there was a piece of the overall power cost
10 computation that had not been fully incorporated into the PCAM or net power cost rates:
11 the embedded cost differential. By separately identifying the embedded cost differential
12 in this case, the PCAM can be simplified by eliminating the need for the revenue
13 variation adjustment. It also allows for the totality of the net power costs to be identified
14 within a distinct section of the rates separate and apart from the base (non net power cost)
15 rates.

16
17 The monthly embedded cost differential, identified on Stipulation Exhibit B, is a
18 necessary element of calculating the PCAM deferral, or true-up, as are the other baseline
19 and deadband figures on that same exhibit.

20
21 **Q. MS. PARRISH, ARE YOU AT ALL CONCERNED ABOUT THE FACT THAT**
22 **THE CHANGES TO THE STRUCTURE OF THE POWER COST ADJUSTMENT**
23 **MECHANISM WERE NOT ORIGINALLY PROPOSED IN THE INITIAL**
24 **APPLICATION IN THIS CASE?**

25 A. No. It is a general proposition in rate cases that all rates, including tariff rules and tariff
26 rate language¹, are subject to review regardless of whether or not they are explicitly
27 mentioned in the application. To do otherwise would allow the Applicant to pick and
28 choose the tariffs that it wished to change without allowing others, including the
29 Commission, to see if other tariffs should be modified to keep the entire outcome just and
30 reasonable. It is the Commission's duty to assure that rates overall are just and

¹ See W.S. § 37-1-102 for the definition of rate.

1 reasonable.² It is unclear to me how the Commission could do that if it, or the parties to
2 the case, were only allowed to look at a portion of the rate, and not the totality of the rate.

3
4 Rocky Mountain Power did propose changes to the PCAM tariff, although they were
5 changes to the rates and not the structure of the PCAM tariff itself. In looking at the
6 proposed tariffs provided by Mr. Griffith in his testimony with the application, found at
7 Exhibit WRG-1, Original Sheet 94-6, there is a proposal to change the PCAM's base
8 rates to be consistent with other aspects of the rate case. So, it seems that the PCAM
9 became fair game for parties to incorporate into their recommendations, since it was part
10 of the overall rates in this case. This is particularly true given that the overall customer
11 rate that the Commission must find to be reasonable consists of multiple parts: the
12 customer charge, the energy rate, the demand charge, the base net power cost, the
13 deferred net power cost, and possibly more (such as late payment charges). If a Party had
14 chosen to raise issues about the structure of the PCAM outside of the stipulation, the
15 OCA believes it would have been a fair issue to bring to the hearing in this proceeding.

16
17 It is notable, though, in this case that the issue is being raised by a group of customers
18 and public interest representatives who represent all types and classes and are the usual
19 participants in Commission hearings involving Rocky Mountain Power. It is difficult to
20 imagine someone who was not at the negotiating table (or was at least on the e-mail list
21 keeping track of regular settlement updates) who would care about structural changes to
22 the PCAM. However, that does not mean that proper procedural protections should be
23 ignored.

24
25 Thus, we turn to the public notice of this case. The July 13, 2007, Notice of Application
26 cautions, at paragraph 8:

27 ...All of the figures stated in the table above and the overall requested
28 increase in revenue requirement are approximate and subject to increases
29 or decreases as a result of any settlement negotiations and the result of
30 public hearings before the Commission. Therefore, they may not
31 accurately describe the final outcome of this case...

² See W.S. § 37-2-122(b).

1 Finally, if the Commission truly believes that there is a problem raising issues involving
2 structural changes to the PCAM in this case, we ask that you consider providing
3 additional opportunities for public notice in this case, rather than simply rejecting that
4 portion of the overall package. We believe that such notice is unnecessary. It could also
5 put a damper on creative settlement discussions that could otherwise be beneficial to
6 customers. However, we would prefer that outcome rather than the nixing of the deal
7 over a procedural concern of the Commission.
8

9 **Q. RETURNING TO THE REVENUE REQUIREMENT PROVISIONS OF THE**
10 **AGREEMENT, ARE THERE ADDITIONAL ADJUSTMENTS TO WHICH THE**
11 **PARTIES HAVE AGREED?**

12 A. Yes. As reflected in paragraph 6 of the Stipulation and Agreement, an agreement was
13 reached to reduce the proposed revenue increase by yet another \$4.02 million in addition
14 to the amounts described above. Unfortunately, this is the second area where there is a
15 lack of transparency as to how the adjustment of \$4.02 million was derived. As was the
16 case with the net power cost adjustment, the parties agreed to the total amount of the
17 other revenue requirement adjustment but were unable to arrive at the precise means as to
18 the calculation of the overall \$4.02 million. However, the Commission has a complete
19 record of the initially recommended adjustments of the Parties. By examining the
20 prefiled information on the adjustments, the common nature of many of those
21 recommended adjustments, and the overall size of those adjustments, the Commission
22 can reach its own conclusion about the reasonableness of the overall \$4.02 million.
23

24 **Q. WERE THERE CERTAIN ADJUSTMENTS SINGLED OUT IN THE**
25 **STIPULATION?**

26 A. Yes. In particular, the various deferrals proposed in the case were singled out for
27 discussion in paragraphs 7 and 8. These deferrals were singled out in order to satisfy the
28 Rocky Mountain Power auditors (and the provisions of Financial Accounting Statement
29 71) and to eliminate any question about the standing of these deferred balances as a result
30 of this case. This is important, as these items are expected to continue to appear on the
31 Company's balance sheet at the time of the next rate case filing, and resolving their

1 standing in this case will allow for a common starting point by all of the interested parties
2 in the next case.

3
4 Several of these deferred balances were matters of controversy in the OCA's prefiled
5 direct testimony. The first of these deferrals related to the severance costs for employees
6 and officers who left PacifiCorp shortly after the completion of the Mid-American
7 Energy transaction. The OCA challenged the portion of the cost related to the severance
8 of the PacifiCorp CEO and the suggested that the remainder of the unamortized deferred
9 costs be excluded from rate base. This is the position that is found in paragraph 7 of the
10 Stipulation and Agreement.

11
12 The second deferral relates to the inclusion of the Grid West loan costs amortization and
13 the inclusion of the unamortized balance in rate base. While the OCA did not challenge
14 this request of Rocky Mountain Power, based on an earlier stipulation of the OCA and
15 the Company, WIEC did object to this arrangement in the testimony of Mr. Peterson.
16 The agreement found in the stipulation balances the initial positions of the OCA and
17 WIEC, by permitting the inclusion of the amortized expense in rates while excluding the
18 unamortized expense from rate base.

19
20 The third deferral relates to the revenue that is generated by the sales of the SO₂ emission
21 allowances. In my prefiled direct testimony, I expressed concern about continuing the 15
22 year amortization of this revenue given the changes in the market that have occurred
23 since that initial regulatory decision was made and suggested a seven year amortization.
24 I also expressed concern about the start date of the amortization for each new generation
25 of sales. The Stipulation and Agreement recognizes my proposal to move to a seven year
26 amortization period while remaining noticeably silent on any acceptance of the remainder
27 of my computational concern. It is my intent, based on conversations with Rocky
28 Mountain Power, not to pursue my concerns about the computational starting dates at this
29 time since the more significant portion of my recommended adjustment has been
30 voluntarily accepted as part of the package agreement in this case. The modification of
31 the amortization from 15 to 7 years is a benefit to customers to the tune of more \$700,000

1 in this case (as shown on my prefiled OCA Schedule DKP-6) and will continue to be a
2 substantial benefit to customers for several years into the future as well.

3
4 The final deferral discussed in paragraph 7 of the stipulation relates to some cost savings
5 that were deferred as a result of the Mid-American Energy transaction and are now being
6 passed back to Wyoming ratepayers. While none of the intervenors raised any concerns
7 about this deferral in their responsive testimony, it is included in the language of the
8 agreement to assure clarity of the Parties' position for the Rocky Mountain Power
9 auditors.

10
11 **Q. HOW IS THE REQUEST OF ROCKY MOUNTAIN POWER TO IMPLEMENT A**
12 **NEW RENEWABLE RESOURCE MECHANISM RESOLVED BY THE**
13 **STIPULATION AND AGREEMENT?**

14 A. The Parties have determined that the proposed NRRM should not be implemented in this
15 Docket. The Company, however, is free to request the same or similar mechanism in
16 future applications before the Commission. If such a filing is made, there is no limitation
17 placed on Parties as to the response they may make. The agreement not to implement the
18 NRRM at this time is supported in the record by the prefiled direct testimony of Mr.
19 Freeman and the testimony of other intervenors in this proceeding.

20
21 **Q. WHAT RATE DESIGN IS PROPOSED TO BE USED AS A RESULT OF THE**
22 **STIPULATION AND AGREEMENT?**

23 A. The stipulation rate design follows the cost of service study. Of course, the cost of
24 service study has been modified from that originally filed to reflect the adjustments
25 described and agreed to in the Stipulation and Agreement. The resulting rates continue to
26 reflect between 99% and 101% of the cost of service study, as revised for the settlement.

27
28 It is my understanding that the tariff sheets consistent with the settlement rates are still in
29 the process of being prepared. However, an overall schedule meant to show proposed
30 rate impacts and specific rate design was provided by Rocky Mountain Power on
31 February 19, 2008. Based on this February 19, 2008 schedule, I have prepared the

1 following summary of the Stipulation and Agreement's proposed rate impacts by class,
 2 excluding the lighting categories of service:
 3

	REVENUES BASED ON CURRENT PRICES	REVENUES BASED ON PROPOSED PRICES	INCREASE (DECREASE) FROM SETTLEMENT	INCREASE (DECREASE) IN APPLICATION
Residential (Schedule 2/18)	\$76,266,166	\$79,850,010	4.70%	7.46%
General Service – Primary Voltage (Schedule 25)	\$9,067,192	\$9,314,305	2.73%	3.91%
General Service – Secondary Voltage (Schedule 25)	\$88,097,774	\$88,850,683	0.85%	1.61%
Partial Requirements (Schedule 33)	\$47,136,780	\$51,489,439	9.23%	12.59%
Agricultural Pumping (Schedule 40)	\$1,054,510	\$941,598	(10.71%)	(6.77%)
General Service Primary Voltage (Schedule 46)	\$79,989,489	\$84,199,764	5.26%	8.34%
General Service Secondary Voltage (Schedule 46)	\$12,525,365	\$12,934,990	3.27%	5.75%
Large General Service Transmission Delivery (Schedule 48T)	\$108,206,626	\$117,969,642	9.02%	14.31%
Agricultural Pumping (Schedule 210)	\$137,571	\$139,000	1.04%	2.59%

4
 5
 6 **Q. ARE THE TARIFF AND SERVICE RULE CHANGES THAT WERE PROPOSED**
 7 **BY ROCKY MOUNTAIN POWER IN ITS APPLICATION INCORPORATED**
 8 **INTO THE STIPULATION AND AGREEMENT?**

9 A. Yes. Paragraph 24 of the agreement generally describes the rule changes that were
 10 proposed in Ms. Rockney's prefiled direct testimony. No changes to the Rocky
 11 Mountain Power proposal have been made in the Stipulation and Agreement. This is also
 12 consistent with Ms. Zamora's conclusion that the proposed rule and tariff language
 13 changes should be approved.

1 Additionally, Ms. Zamora raised a concern about whether Rocky Mountain Power was
2 periodically reviewing its line extension tariff in a manner called for by the tariff
3 language. The OCA is satisfied that this issue is now moot, as Rocky Mountain Power
4 has filed a separate application that addresses proposed changes to its line extension
5 tariff. (See Docket No. 20000-311-ET-7)
6

7 **Q. BEFORE DISCUSSING THE AGREED-UPON RESPONSE TO ROCKY**
8 **MOUNTAIN POWER'S MARGINAL PRICING PROPOSAL, ARE THERE**
9 **OTHER PROVISIONS OF THE STIPULATION THAT YOU WISH TO**
10 **DESCRIBE?**

11 A. Yes. Paragraph 25 of the agreement calls Rocky Mountain Power to continue to monitor
12 an alternative form of regulation (AFOR) for purposes of gathering information that may
13 be useful in future discussions. While the OCA continues to be interested in looking at
14 and working toward implementation of an AFOR, many of the other intervenors are far
15 less interested in such a proposal. Thus, the matter has been placed on the back burner
16 for now. One of the earlier objections to implementing an AFOR was the lack of data as
17 to who it would benefit and how would it compare to more traditional regulation. In
18 response to this objection, an agreement was reached in the last rate case settlement that
19 Rocky Mountain Power would monitor its costs under both traditional regulation and an
20 AFOR to provide information for future discussions. The stipulation calls for continued
21 monitoring. This was also a request that I made in my prefiled direct testimony.
22

23 In paragraph 26 of the Stipulation and Agreement, Rocky Mountain Power agreed to
24 provide historical financial data in the next rate case, even if it chose to file its primary
25 case based on a future, or forecast, test year. This is consistent with a request made in the
26 last rate case stipulation where there was an agreement to provide both actual and
27 forecast data as part of the rate filing.
28

29 Mr. Giberson raised a number of issues in his prefiled direct testimony on behalf of the
30 Utility Workers Union of America. Many of Mr. Giberson's issues are not directly

1 addressed in the Stipulation and Agreement. However, paragraph 34 notes that his issues
2 are being separately addressed in discussions outside the confines of this docket.

3
4 **Q. PLEASE DESCRIBE THE RESOLUTION OF THE MARGINAL COST**
5 **PROPOSAL MADE BY ROCKY MOUNTAIN POWER AND OBJECTED TO BY**
6 **NUMEROUS INTERVENORS IN THIS PROCEEDING.**

7 A. The parties have agreed not to implement the marginal cost pricing proposal in this
8 proceeding. However, a collaborative discussion process has been agreed to where the
9 underlying issue of growth and problems related to growth, if any, are to be discussed,
10 along with potential responses to the identified growth concerns. These discussions are
11 to begin in February 2008, and will continue until at least June 2008, with the possibility
12 of extending the discussions through December 2008. All of the Parties to the Stipulation
13 and Agreement have committed to bring their best efforts to the collaborative
14 discussions.

15
16 The agreement also includes, at paragraphs 14 and 15, some provisions relative to any
17 vintage-based pricing proposals that may be made in future cases or may come forward
18 as a result of the collaborative discussions. These provisions allow for a period of time
19 for customers to make certain load commitments without risking substantial changes to
20 the structural nature of the rates or without specific penalties due to their planned load
21 growth. These are what have been termed *grandfathering provisions* for those customers
22 looking at significant energy growth. These provisions respond to customers' concerns
23 that they had not had a clear indication of when the changes in pricing in response to
24 growth concerns would be implemented, and therefore, there was some feeling of being
25 unduly penalized. It also responds to the concerns expressed by Rocky Mountain Power
26 and others that if there was not a clear cutoff in the near future of the grandfathering
27 provisions, the time to respond to the growth issues would pass without the opportunity
28 to effectuate any responsive proposals.

29
30 The agreement also includes provisions for keeping the Commission informed on the
31 progress of the collaborative discussions. We propose that the Commission not

1 participate in the on-going collaborative, as it may result in proposals that will be
2 presented to the Commission for approval. However, it is important to the OCA that the
3 Commission is kept informed of the results of the collaborative. Thus, the Stipulation
4 and Agreement contains some formal reporting requirements as well as some provisions
5 for providing briefings to the Commission at public open meetings, upon request.
6

7 **Q. IS THE CONCEPT OF A COLLABORATIVE DISCUSSION ON THE GROWTH**
8 **ISSUES CONSISTENT WITH THE OCA'S PREFILED RECOMMENDATIONS?**

9 A. Yes. Mr. Wilson recommends the concept of a collaborative in his prefiled direct
10 testimony, at page 20. He suggested a series of questions for inclusion in his suggested
11 discussion of the parties. These questions are similar in nature to the topics listed at
12 paragraph 13 of the Stipulation and Agreement and all of these questions are ripe for
13 discussion.
14

15 Frankly, we hope there is a way to incorporate a wide range of ideas and concepts into
16 the possible solutions part of collaborative without the discussions become unwieldy.
17 These ideas and concepts, from my vantage point, could include everything from new
18 Wyoming specific resources to modifying the interjurisdictional allocations, an issue I
19 discuss in my prefiled direct testimony. The OCA also hopes that the collaborative will
20 include some discussion of the inverted block rate suggestions made by both Ms. Zamora
21 and Mr. Wilson in their prefiled direct testimonies.
22

23 **Q. MS. PARRISH, HAS THE STIPULATION AND AGREEMENT BEEN PUT**
24 **TOGETHER IN A PACKAGED FASHION?**

25 A. Yes. We ask the Commission to consider all of the provisions of the stipulation together,
26 rather than considering them as a cafeteria plan from which to pick and choose. While
27 we acknowledge the Commission's inherent right to selectively modify the stipulation,
28 we urge you not to, as the removal or modification of any of the provisions of the
29 stipulation diminish its value to at least one of the parties, based on my view of the
30 negotiations. Therefore, we ask the Commission to approve the stipulation as it is
31 presented and ask that the rates be implemented with usage on and after May 1, 2008.

1 **Q. DOES THE OCA BELIEVE IT IS IN THE PUBLIC INTEREST FOR THE**
2 **COMMISSION TO APPROVE THE STIPULATION AND AGREEMENT, AS IT**
3 **HAS BEEN PRESENTED TO THE COMMISSION?**

4 A. Yes. We urge the Commission to approve the settlement and find that its provisions are
5 in the public interest.
6

7 **Q, DOES THAT COMPLETE YOUR PREFILED SUPPLEMENTAL TESTIMONY**
8 **IN SUPPORT OF THE STIPULATION AND AGREEMENT?**

9 A. Yes, it does. Although I look forward to responding to any additional questions that the
10 Commission or its staff may have about this case.