

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Amy J. Zamora. I am a Rate Analyst with the Wyoming Office of
4 Consumer Advocate (OCA), 2515 Warren Avenue, Suite 304, Cheyenne,
5 Wyoming, 82002.

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7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
8 **PROFESSIONAL EXPERIENCE.**

9 A. I graduated from the University of Wyoming in 1995 with a Bachelor of Science
10 in Accounting. After graduating, I was employed as an accountant with a service
11 company that conducted financial transactions with credit card companies
12 nationwide. My duties included financial analyses for those clients to ensure
13 proper commission payments, internal auditing of costs, application of payments
14 from clients for bills rendered, and payroll. In September 2000, I began working
15 as a Rate Analyst with the Wyoming Public Service Commission where I
16 analyzed numerous regulatory applications filed by electric, natural gas,
17 telecommunications and water utilities. Those applications included wholesale
18 commodity cost pass-on filings, general rate cases, tariff filings, and other routine
19 matters. I transferred to the OCA as a Rate Analyst in July 2003, where I have
20 continued in a similar capacity.

21

22 **Q. HAVE YOU FILED TESTIMONY WITH, OR TESTIFIED BEFORE, THE**
23 **PUBLIC SERVICE COMMISSION IN OTHER PROCEEDINGS?**

24 A. Yes, I have filed testimony and testified as an expert witness in twelve previous
25 proceedings regarding the revenue requirement, cost of service and rate design in
26 general rate cases, as well as other types of applications such as pass-on filings.

27

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

29 A. As a member of the OCA, I am obligated by statute to represent the interests of
30 Wyoming citizens and all classes of utility customers in matters involving public
31 utilities.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
2 **PROCEEDING?**

3 A. The purpose of my testimony is to present the OCA's position regarding
4 Wyoming Gas Company's (Wyoming Gas, WGC) request to include language in
5 its tariffs to charge interest on under-collected balances in its Commodity
6 Balancing Account (CBA). My testimony will support the OCA's position that
7 Wyoming Gas has not met the requirement that the utility make a showing that it
8 is in the public interest to charge such interest.

9

10 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

11 A. No, I am not.

12

13 **Q. PLEASE PROVIDE THE HISTORICAL BACKGROUND RELATED TO**
14 **THIS APPLICATION.**

15 A. On September 1, 2006, Wyoming Gas Company filed a pass-on decrease as well
16 as tariff language changes (Docket No. 30009-43-GP-06) intended to comply with
17 the most recent changes to sections 249 and 250 of the Commission's Procedural
18 Rules and Special Regulations. On September 15, 2006, the Office of Consumer
19 Advocate (OCA) intervened in the docket. The OCA recommended that any
20 approval of the application be granted on an interim basis since an order from the
21 previous pass-on docket (Docket No. 30009-41-GP-05) had not been issued at the
22 time of this application and the OCA could not appropriately evaluate the current
23 application in the absence of that order. The OCA also noted in the intervention
24 that Wyoming Gas had included language in its revised tariff that provided for
25 charging interest on under-collected balances in the CBA without the prerequisite
26 public interest showing.

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28 On September 21, 2006, the Commission held a "Public Comment Hearing" in
29 Thermopolis. The application and the new tariffs were approved on an interim
30 basis.

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1 The Commission issued its order for the previous pass-on application (Docket No.
2 30009-41-GP-05) on October 31, 2006. A subsequent order approving the
3 compliance filing related to that same docket was issued on April 10, 2007. As a
4 result of these orders, there are no longer any outstanding issues related to the
5 previous pass-on application.
6

7 **Q. IF THERE ARE NO MORE CONCERNS RELATED TO THE**
8 **PREVIOUSLY APPROVED PASS-ON APPLICATION, WHY HAS THE**
9 **OCA CONTINUED WITH ITS INTERVENTION?**

10 A. The only remaining item of contention is the tariff language allowing Wyoming
11 Gas to charge interest on over-collected balances in the CBA. The OCA does not
12 believe that the Company has made the requisite public interest showing as
13 required by Section 250 of the Commission’s Procedural Rules and Special
14 Regulations.
15

16 **Q. WHAT ARGUMENTS HAS WYOMING GAS PROVIDED IN SUPPORT**
17 **OF ITS REQUEST TO CHARGE INTEREST?**

18 A. In his testimony, Mr. Gordon Neumann provides two basic arguments in support
19 of charging interest to Wyoming Gas customers. The first argument is the “equal
20 footing argument.” Basically, if Wyoming Gas pays customers interest on over-
21 collected balances, it is only fair that it collect interest from its customers on
22 under-collected balances. Mr. Neumann also claims that charging interest on
23 under-collected balances would insure revenue neutrality when compared to
24 paying interest on over-collected balances.
25

26 The second argument is related to an alleged cash flow problem. The Company
27 believes that charging interest to customers will alleviate the cash flow problem
28 which results from timing differences between when it pays its supplier for gas
29 and when it receives payment from its customers.
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1 A third argument was presented to the Commission at the “Public Comment
2 Hearing” in Thermopolis as well as included with responses to Commission
3 Technical Staff (CTS) data requests. Responses were received on September 19,
4 2006. In response to Question #6, Mr. Neumann contended that an under-
5 collected balance was a “loan” to customers. In his data request response he
6 stated:

7 “It has been stated in the past that when the public utility is over
8 collected on the Commodity Balancing Account that the public
9 utility is borrowing from the customers and owes the customers
10 interest on those proceeds. It is therefore reasonable that when
11 the public utility is under collected on the Commodity
12 Balancing Account that the public is borrowing from the
13 ‘public’ utility and the customers owe interest on those
14 proceeds.”

15
16 **Q. DO YOU AGREE WITH THE “EQUAL FOOTING” ARGUMENT?**

17 A. No I do not. Again, the argument implies that since Wyoming Gas Company
18 pays interest on over-collections, it should simply receive interest on under-
19 collections. However, in her discussions with the Company at the “Public
20 Comment Hearing,” the OCA believes that then Deputy Chair Lewis was correct
21 in pointing out that the Company has substantial control on how it maintains its
22 Commodity Balancing Account. Commissioner Lewis stated that,

23 “The company has the control of it; the customers are not out
24 there making decisions that cause the Commodity Balancing
25 Account to either go up or go down. They’re just sort of
26 affected by it one way or the other...under which they have no
27 ability in and of their own actions to prevent.”

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29 Customers do not get to decide estimated usage to calculate the purchased gas
30 cost rate or CBA rate, nor do they get to help decide in what portfolio mix to
31 purchase the gas supply.

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The OCA believes that charging interest on under-collections actually creates more advantage for the Company. It creates an environment where the Company, having full control of rates, can manipulate how it recovers its gas costs thereby causing an under-recovered balance to be maintained for larger debit balances or longer periods of time over which to recover. Customers have no say in this process.

The only recourse customers have is for the Company to pay interest on an over-collected CBA balance. Having to pay customers additional monies incents the Company to credit that money back to customers in a more timely manner and to keep the credit balance down to a minimum.

Q. DOES THE OCA BELIEVE THAT CHARGING INTEREST ON UNDER-COLLECTIONS WILL ALLEVIATE CASH FLOW PROBLEMS?

A. No, we do not. This argument was not only presented in Mr. Neumann’s testimony, it was also discussed in the responses to CTS’ data requests (Question #6). It states that,

“Wyoming Gas Company believes it is always in the public interest to allow the public utility to charge interest on under collections so that the public utility can maintain a stable cash flow to insure it will have the ability to provide safe and reliable service to the public.”

Wyoming Gas Company described this situation in the “Public Comment Hearing” as “fall behind/spring ahead.” This is the same as what the Commission has called lead/lag. It is the difference in when a company pays its expenses and when it receives reimbursement for those expenses through rates. If there is lag (expenses are paid before the money is secured) then the difference is normally recovered through cash working capital in general rates.

1 Wyoming Gas Company is implying that the lag in receiving the reimbursement
2 from customers for its gas costs is somewhat significant. In the response to CTS'
3 data request concerning the reasoning behind collecting interest on under-
4 collections and in Mr. Neumann's testimony, WGC describes when it bills
5 customers for gas and when the company is billed for that same gas from its
6 supplier. The largest lag time between being billed for its gas purchases and
7 receiving payment from its customers is only 11 calendar days. This seems
8 hardly compelling enough to suggest that the Company is experiencing a large
9 enough shortage in its cash flow during that small lag period to be able to charge
10 interest to customers.

11
12 **Q. CAN CASH FLOW ISSUES ARISE FROM THE LAG IN PAYMENT**
13 **FROM ITS CUSTOMERS FOR THE GAS SUPPLY THAT HAS**
14 **ALREADY BEEN PAID FOR?**

15 A. Yes, it can. Cash flow issues become apparent when an under-collected balance
16 for WGC grows to a substantial amount over time from increases in gas prices.
17 Wyoming Gas Company files its purchased gas cost adjustment and CBA
18 adjustment once a year. The OCA agrees with former Chairman Furtney's
19 observation that this issue could be dealt with if the Company files an out-of-
20 period adjustment for either the commodity rate or the balancing account rate. In
21 fact, the OCA believes that this is the better course of action for cash flow issues
22 stemming from gas price increases. Other companies, including Wyoming Gas,
23 who traditionally have annual gas cost adjustments have filed several out of
24 period adjustments to keep "in line" with the current gas price situation.

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26 An additional benefit to these companies is that these pass-on filings normally
27 occur on an expedited basis. In other words, increases in rates can occur in less
28 than 30 days to pass on a *significant* portion of a utility's expenses to its
29 customers, without the time and expense associated with a general rate case.

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1 **Q. WHAT OTHER CONCERNS DOES THE OCA HAVE WITH THE**
2 **COMPANY’S CASH FLOW ARGUMENT?**

3 A. There are two additional issues with this argument. On Page 4, Lines 3-5, the
4 Company seems to imply that not being able to charge interest on under-collected
5 balances will expose WGC to a cash flow problem. The OCA’s concern with this
6 suggestion is that the amount of interest that would be charged to customers is
7 small enough that in no way would it cause Wyoming Gas to be short of funds nor
8 would it be able to alleviate any cash flow problem that may occur with
9 differences in its gas purchase payments and revenues. If Wyoming Gas is
10 experiencing monthly cash flow problems, it may be that other aspects of the
11 Company’s rates, such as its non-gas revenues and other expenses, should be
12 examined with a general rate case.

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14 And finally, the OCA is concerned that WGC is trying to somehow connect the
15 lag itself to the Commodity Balancing Account. The CBA is a mechanism that
16 only tracks the differences in what a company pays for its gas and what it collects
17 from customers for that gas. It does not take into account any timing differences
18 in when the company pays or receives payment for that gas. This is done through
19 cash working capital. Rule 250 only allows for commodity and commodity-
20 related costs to be included in the Commodity Balancing Account. For Wyoming
21 Gas Company, the timing difference does not add to the cost of purchasing gas; in
22 other words, it is not a commodity related cost. Therefore, charging interest to
23 customers on the basis or reasoning of that timing difference is against section
24 250 of the Commission’s Rules.

25
26 **Q. DOES THE OCA AGREE WITH THE “LOAN ARGUMENT”?**

27 A. No, we do not. The “loan argument” is merely stating that when utilities receive
28 extra money from ratepayers that is not necessarily needed to meet its operating
29 expenses, the utility should pay it back with some interest since it is in essence a
30 loan. With respect to the Commodity Balancing Account, the public utility has
31 actually received extra cash from ratepayers when the CBA is in an over-collected

1 balance based on rates that *the company has calculated*. However, when the
2 Commodity Balancing Account is in an under-collected status, it is because the
3 Company did not charge enough for its gas; the rates *calculated by the Company*
4 are too low. It did not actually loan or give customers any money.
5

6 **Q. HAS THE COMPANY PROVIDED ANY QUANTITATIVE ANALYSIS TO**
7 **SUPPORT ANY OF ITS ARGUMENTS?**

8 A. No. Wyoming Gas has not provided *any* type of quantitative analysis to show
9 that charging interest is in the public interest. The Company has not provided a
10 quantitative analysis showing any cash flow problems resulting from not
11 collecting interest in the past. Nor has the Company provided any analysis to
12 show how collecting interest on under-collections will help with any perceived
13 cash flow shortages.
14

15 In a letter to all utilities dated November 28, 2006, the Commission informed
16 companies that applications requesting to charge interest on under-collections
17 should not rely solely on conclusory statements and should include quantitative
18 demonstrations that show the benefit that customers would receive by paying
19 interest. This letter was issued after the filing date of the pass-on application and
20 after its subsequent interim approval. However, the testimony for this case was
21 filed after the date of the letter. WGC should be held to the same standard that
22 other companies have been held to regarding sufficient information for
23 applications requesting to charge interest.
24

25 **Q. WHAT TYPES OF QUANTITATIVE ANALYSES COULD BE INCLUDED**
26 **WHEN A COMPANY REQUESTS TO CHARGE INTEREST?**

27 A. In an order issued on May 3, 2007, for Pinedale Natural Gas, Inc.'s CBA tariff
28 filing (Docket No. 30016-42-GT-06), the Commission listed several means of
29 demonstrating that charging interest is in the public interest. They include, but
30 are not limited to:

- 1 a) Quantitative demonstration comparing the cost of more frequent pass-on
2 filings to the amount of interest collected on under-recovered balances;
- 3 b) A demonstration that the Company will not abuse the collection of interest
4 on under-collections;
- 5 c) Addressing the public interest in a general rate case to clarify whether its
6 Cash Working Capital includes funds used to purchase some or all of its
7 wholesale commodity and whether the Company has to secure other short-
8 term funds for wholesale commodity purchases and the cost of doing so;
- 9 d) Clearly demonstrating the correlation of under-recoveries to the
10 commodity cost;
- 11 e) Clearly laying out a proposal for handling interest on under-recoveries in a
12 general rate case for full-scrutiny by parties who may be in opposition;
13 and,
- 14 f) Illustrating how obtaining interest on under-collected balances would
15 affect the risk to the utility and any possible ramifications on the allowable
16 rate of return because of lower risk.

17

18 **Q. ARE ANY OTHER UTILITIES CURRENTLY AUTHORIZED TO**
19 **CHARGE INTEREST ON UNDER-COLLECTIONS?**

20 A. No. At this time there are no utilities, gas or electric, that are authorized to charge
21 interest as a direct charge or as a netting tool because the public interest showing
22 has not been met.

23

24 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THIS**
25 **APPLICATION?**

26 A. The OCA does not believe that Wyoming Gas Company has made a public
27 interest showing for the Commission to authorize it to collect interest on under
28 collected balances in the CBA. The Company has the burden of proof to make a
29 public interest showing under the rules. A “good faith” attempt to meet this
30 burden is insufficient. It must be a successful and supported argument that
31 persuades the Commission that charging interest on under-collections is in the

1 public interest. The rule does not provide for an ‘A’ for effort as the basis for
2 approving interest paid by customers for under collections. A quantitative
3 analysis should be done to support any argument that the Company may have for
4 charging interest. No such analysis was done for any of the Company’s
5 arguments.

6

7 The OCA recommends that Wyoming Gas Company be denied authority to
8 charge interest to customers on under collected balances in the Commodity
9 Balancing Account since it did not make a public interest showing in order to do
10 so. The OCA also recommends that any interest that has been charged to an
11 under-collected balance be refunded back to customers through the Commodity
12 Balancing Account.

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