

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the
Application of Rocky Mountain
Power to Increase Rates by
\$29.3 Million or 1.7 Percent
Through the Energy Balancing
Account.

Docket No. 12-035-67

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HEARING  
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TAKEN AT: Heber M. Wells Building
160 East 300 South, Room 451
Salt Lake City, Utah 84111

DATE: Friday, February 1, 2013

TIME: 9:00 a.m. to 9:49 a.m.

REPORTED BY: Michelle Mallonee, RPR

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APPEARANCES

PRESIDING OFFICERS:

RON ALLEN, COMMISSION CHAIR

DAVID L. CLARK, HEARING OFFICER, COMMISSIONER

THAD LEVAR, COMMISSIONER

FOR ROCKY MOUNTAIN POWER:

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FOR UTAH ASSOCIATION OF ENERGY USERS and
U.S. MAGNESIUM, LLC.:
GARY A. DODGE, ESQ.
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FOR DIVISION OF PUBLIC UTILITIES:
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33

1

Hearing

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February 1, 2013

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PROCEEDINGS

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COMMISSIONER CLARK: We'll be on the record.

5

My name is David Clark. To my left of is Commission Chair Ron

6

Allen. To his left is Commissioner Thad LeVar.

7

This is the time and place duly noticed for hearing

8

in Docket No. 12-035-67, In the Matter of the Application of

9

Rocky Mountain Power for Authority to Increase Rates by \$29.3

10

million or 1.7 percent through the Energy Balancing Account.

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Let's begin today by having parties enter their

12

appearances.

13

MS. HOGLE: Good morning, Commissioner Clark.

14

Yvonne Hogle on behalf of Rocky Mountain Power. With me

15

here today is Mr. Dave Taylor, who will support the stipulation.

16

With us on the phone as well is Mr. Brian Dickman, in the event

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that the commissioners have any technical questions that they

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would like answered. And we also have Mr. Greg Monson.

19

Thank you.

20

MS. SCHMID: Good morning. Patricia E. Schmid

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with the Attorney General's Office representing the Division of

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Public Utilities. And with me as the Division's witness in

23

support of the stipulation is Mr. Matthew Croft.

24

COMMISSIONER CLARK: Thank you.

25

MR. PROCTOR: Paul Proctor on behalf of the

1 Office of Consumer Services. Mr. Gimble will be the witness
2 today.

3 COMMISSIONER CLARK: Thank you.

4 MR. DODGE: Gary Dodge. I'm here--in this
5 docket, I represent the Utah Association of Energy Users and
6 also U.S. Magnesium, LLC.

7 MR. EVANS: I'm William Evans of Parsons Behle &
8 Latimer. We represent Utah Industrial Energy Consumers.

9 COMMISSIONER CLARK: Thank you. Anyone
10 else?

11 The first matter that we'll take up today is a
12 stipulated motion to sever special contract issues that was filed
13 by U.S. Magnesium. And I hope parties are aware of an order
14 relating to that motion that was issued just yesterday, just
15 yesterday morning.

16 So are you all aware of that?

17 MR. DODGE: Yes.

18 MS. SCHMID: Yes.

19 COMMISSIONER CLARK: And then, Mr. Dodge,
20 would you mind informing the Commission of the status of the
21 discussions there and your thoughts about the process going
22 forward relative to these issues.

23 MR. DODGE: Certainly. And by way of brief
24 background, U.S. Magnesium has served under the terms of a
25 five-year special contract that expires at the end of 2014. That

1 contract specifies that U.S. Magnesium will become subject to
2 EBA if the Commission so orders and under the terms that the
3 Commission sets.

4 The Division of Public Utilities and the Office of
5 Consumer Services took the position in this docket that U.S.
6 Mag should be subject to the EBA. U.S. Mag did not dispute
7 that. There was a disagreement over how that participation
8 would begin to avoid both unfairness from U.S. Mag's
9 perspective and from their perspective of retroactive rate
10 making concerns.

11 After discussion, the parties have agreed that the
12 Commission should enter an order--well, we tentatively agreed,
13 subject to everyone approving and signing the stipulation--that
14 the Commission's order in this docket in the EBA, in the docket
15 you're hearing here today, should include an order that U.S.
16 Mag will be subject to the EBA, and that its contract will be
17 deemed amended to so provide.

18 The terms that the parties have discussed for
19 stipulation would be that they will not--U.S. Mag will not
20 participate in the payment of the stub period EBA balance from
21 2011 that is the subject of today's hearing. It will participate
22 fully in the 2012 calendar year deferral period that will be filed
23 in March of this year and resolved in the fall of this year.

24 The only difference from all other customers in
25 terms of that participation in the 2012 collection--or excuse me,

1 2012 deferral period would be that their payments will begin on
2 January 1, 2014, rather on the day the Commission sets in its
3 order for other customers at the end of this year--near the end
4 of this year. They will still pay the entire amount. It will be over
5 a slightly shorter collection period. Other customers will pay
6 that over 24 months per the stipulation in the last general rate
7 case. U.S. Mag will pay them over a slightly shorter period,
8 from January 1 to whenever that 24-month period ends for the
9 other customers.

10 U.S. Mag will waive any arguments that require it to
11 participate in the 2012 deferral period that violates retroactive
12 rate making or other concerns like that. In going forward, it will
13 be a participant, like all other customers. The allocation will be
14 done like other customers. In other words, there won't be any
15 different treatment for U.S. Mag going forward. I believe that's
16 the block of the settlement.

17 Our intent in terms of procedure, unless the
18 Commission determines otherwise, I believe you can approve
19 that stipulation, based upon the support or non-opposition of all
20 the parties to the docket without a separate hearing. If the
21 Commission disagrees, we'd obviously want to set a hearing
22 date before the end of February before you issue your order.
23 Our notion was we'd submit that stipulation very soon within the
24 next few days. And my notion was the Commission would want
25 to give notice of it. And assuming no objections, again, it's my

1 belief you could enter that order as part of the order in this
2 docket without a separate hearing.

3 I haven't asked the others whether they agree with
4 that. That's my notion.

5 COMMISSIONER CLARK: Right. In the stipulation
6 documents, then you'd address the parties' views on the
7 necessity or lack thereof of a hearing?

8 MR. DODGE: Yes.

9 COMMISSIONER CLARK: And your desires in that
10 regard?

11 MR. DODGE: Yes.

12 COMMISSIONER CLARK: So if I understand this
13 correctly, then, in terms of the evidence we'll consider today,
14 the spread of the increase as the evidence exists and is
15 received today, it will not be affected by the stipulation. Is that
16 true?

17 MR. DODGE: Correct. Yeah, the spread won't be
18 affected by the stipulation. I think the stipulation in the EBA
19 docket said if U.S. Mag participates, the spread will change.
20 And the resolution is they won't participate in this stub period.
21 They will going forward.

22 COMMISSIONER CLARK: Thank you.

23 Anyone have any comments or additions to Mr.
24 Dodge's statement?

25 Thank you, Mr. Dodge.

1 Ms. Hogle, I believe you have a matter to address
2 as well that relates to the entire body of prefiled testimony and
3 the exhibits that have been received.

4 MS. HOGLE: Yes. Thank you, Commissioner
5 Clark.

6 The Company moves for the admission into the
7 record of all of the testimony, including exhibits, that have been
8 filed by all the parties in this case into the record.

9 COMMISSIONER CLARK: Is there any objection?
10 They're received. Thank you.
11 (All prefiled testimony and exhibits filed in this case were
12 received into the record.)

13 COMMISSIONER CLARK: And now, Ms. Hogle,
14 would you continue with your presentation.

15 MS. HOGLE: Yes. Thank you, Commissioner.
16 The Company calls Mr. Dave Taylor.

17 COMMISSIONER CLARK: Do you solemnly swear
18 that the testimony you are about to give shall be the truth, the
19 whole truth, and nothing but the truth?

20 MR. TAYLOR: Yes, I do.

21 COMMISSIONER CLARK: Thank you.

22 Does anyone object to Mr. Taylor testifying from the
23 seat next to counsel there?

24 Please continue.

25 MS. HOGLE: Thank you.

1 DAVID L. TAYLOR, having been first duly sworn,
2 was examined and testified as follows:

3 DIRECT EXAMINATION

4 BY-MS.HOGLE:

5 Q. Can you please state your full name and your
6 position with Rocky Mountain.

7 A. My name's David L. Taylor. I'm employed by Rocky
8 Mountain Power as the manager of regulatory affairs for the
9 State of Utah. My business address is 201 South Main, Suite
10 2300, Salt Lake City, Utah, 84111.

11 Q. And what is the purpose of your testimony here
12 today?

13 A. I'll briefly review the history of events that led up to
14 this stipulation that's presented today and the key elements of
15 that stipulation. It's been entered into by four signing parties.
16 Those parties include Rocky Mountain Power, the Division of
17 Public Utilities, the Office of Consumer Service, and Utah
18 Industrial Energy Consumers, or UIEC.

19 Also, I will re-confirm Rocky Mountain Power's
20 support for the stipulation and represent the Company's belief
21 that the stipulation is in the public interest.

22 Q. And just so we're clear, what docket does the
23 stipulation settle?

24 A. This docket resolves the issues in Docket No.
25 12-035-67. That's the 2012 EBA docket. And if approved by

1 the Commission, this stipulation resolves the remaining issues
2 in that docket.

3 Q. Can you please recount the relevant events that led
4 to the agreement now?

5 A. Certainly. On March 15 of 2012, Rocky Mountain
6 Power filed an application to increase rates by \$29.3 million
7 through the energy balancing account. This request consisted
8 of two parts. First, 9.3 million of that request represented to
9 recover 70 percent of the difference between the actual EBA
10 cost and the base EBA cost in current rates at that time for the
11 period beginning October 1, 2011, extending through December
12 31, 2011, plus accrued interest.

13 The second part of the request of the additional
14 \$20 million represents the first of three annual installments to
15 recover \$60 million of deferred net power costs for periods prior
16 to September 2011. And that's pursuant to a settlement
17 agreement that was reached in the 2011 general rate case.

18 On October 27 of 2012, the Division of Public
19 Utilities recommended interim approval of \$9 million for the
20 Quarter 4 of 2011 EBA and the \$20 million increase for the
21 pre-September 2011 deferred net power cost, for a total of \$29
22 million.

23 On May 10 of 2012, Rocky Mountain Power
24 responded to the DPU recommendation and further modified its
25 request to 28.9 million. That request left the 20 million

1 unchanged, but reduced the original request of \$9.2 million from
2 Quarter 4 2011 down to \$8.9 million.

3 Also on May 10 of 2012, UIEC filed comments
4 objecting to interim recovery of the \$8.9 million until after the
5 Division had completed its audit and there had been an
6 evidentiary hearing on the requested \$8.9 million.

7 On May 14, 2012, the Commission issued a bench
8 order approving recovery of the \$20 million of pre-September
9 2011 deferred net power cost, beginning effective June 1 of
10 2012. These rates are currently in effect. In its bench order,
11 the Commission also set a schedule for legal briefs on the issue
12 of interim rates as they related to the EBA.

13 On August 30 of 2012, the Commission issued an
14 order, which removed the provision for interim rates in the EBA
15 and established a process for determining permanent EBA rates.

16 Following a Commission-approved schedule, there
17 were several rounds of testimony filed by the Company and the
18 intervenors in the docket. And during the course of the case,
19 intervening parties proposed a number of adjustments to the
20 Company's requested EBA rate increase.

21 In supplemental direct testimony, Rocky Mountain
22 Power modified its request from \$8.9 million for Quarter 4 2011
23 to \$9.6 million. And that increase was due to accrued interest
24 through March 1 of 2013, which was our anticipated date that
25 rates would go into effect, and also to reflect one of the Division

1 of Public Utilities' proposed amendments.

2 Over the course of this case, Rocky Mountain
3 Power has filed testimony of six witnesses, which included 133
4 pages plus exhibits and supporting work papers in support of its
5 request.

6 Four intervening parties filed the testimony of eight
7 witnesses and several rounds of testimony. In addition to the
8 filing requirements that were filed with their application in
9 support of the EBA, the Company responded to 287 data
10 requests as the intervening parties prepared their responses to
11 the Company's case.

12 I point this out only to show that before entering
13 into settlement discussions, a substantial amount of evidence
14 and discovery in this case has been reviewed and analyzed and
15 evaluated before the parties were able to reach a position.

16 Over the last few weeks, the parties have engaged
17 in settlement discussions. And based upon those discussions,
18 the signing parties have agreed to the terms and conditions set
19 forth in the stipulation.

20 This stipulation addresses a number of issues. And
21 the individual parties in the case may have placed greater
22 weight on individual issues in order to get comfortable with the
23 agreement. And I will let those parties address whatever
24 elements were of particular significance to them in coming to
25 that agreement.

1 The signed stipulation was filed with the
2 Commission on January 23 of 2012, and--2013, excuse me.
3 While not all of the intervening parties have signed this
4 stipulation, we're not aware of any party that opposes it.

5 Q. Can you briefly describe the key terms in the
6 stipulation to the Commissioners?

7 A. Yes, I will. I will address briefly each of the key
8 paragraphs in terms of the stipulation. I'll identify those
9 references by paragraph number. I assume the Commission's
10 read the stipulation, so I'll try to be brief and only touch on the
11 terms of significance. And in doing so, I do not intend to modify
12 any of the terms of the stipulation in any way. If, by chance, I
13 misspeak, the language of the stipulation, not my words in this
14 hearing, is the binding agreement.

15 COMMISSIONER CLARK: You can assume we've
16 read it.

17 THE WITNESS: And I trust that the Commission
18 will let me know if you want more or less detail as we move
19 through this. So let's move on to the terms of the stipulation.

20 The parties have agreed to the following: In
21 paragraph 3, the parties agree that Rocky Mountain Power
22 should be allowed to recover EBA costs in this matter in the
23 amount of \$7.8 million. That's of the approximate \$9.6 million
24 that the Company had requested.

25 Paragraph 4 indicates that the parties will not

1 challenge the rate treatment of the DC Intertie and the Centralia
2 Point to Point contracts on the basis of imprudence of those
3 original contracts or actions that the Company has undertaken
4 or failed to undertake related to those contracts through
5 December 31 of 2012. So this part of the stipulation covers not
6 only the deferral period addressed in this docket, but also the
7 deferral period that will be addressed in the March 2013 EBA
8 filing as well.

9 Paragraph 5 indicates that the parties agree that
10 there's no evidence to support a finding of imprudence in the
11 Company's hedging, but only as relates to transactions that
12 settled during the EBA deferral period of October 1 through
13 December 31 of 2011, or the deferral period that is in question
14 and being discussed in this EBA proceeding.

15 Paragraph 6 indicates that the filing requirements
16 for future EBA proceedings will be expanded to include the
17 terms and items that are listed in Attachment 1 with the
18 stipulation. And as Ms. Hogle indicated, we have Mr. Brian
19 Dickman on the phone, who will be able to answer any
20 questions, should the Commission have questions about that
21 expanded list of filing requirements.

22 Paragraph 7. Consistent with the stipulation in the
23 2012 GRC, the rates approved in this docket shall be collected
24 over a two-year period with no carrying charge during the
25 collection period.

1 Paragraph 8 addresses the issues raised by U.S.
2 Magnesium will be severed and dealt with separately, as in the
3 stipulated motion. And again, while those issues are not
4 addressed in the stipulation, as Mr. Dodge had indicated there's
5 been an agreement reached on those issues.

6 Paragraph 9 states that the parties agree to spread
7 the approved rate change, as set forth in Attachment 2 to the
8 stipulation. And Attachment 2 was prepared consistent with
9 previous Commission orders on the spread of the EBA and
10 orders in this docket.

11 And again, as a result of the agreement on the U.S.
12 Mag issue, no modification to that rate spread is required.

13 I have with me a tariff sheet that's been prepared
14 that reflects those rates shown in those calculations and that,
15 that at the Commission's pleasure, we could present it as an
16 exhibit today with the stipulation, or we can file it in the
17 response to the Commission's order on the stipulation--whatever
18 would be the Commission's preference.

19 Paragraph 10 states that in support of future EBA
20 filings, rather than the Company providing reports on the EBA
21 on a monthly basis, the Company will provide those reports
22 quarterly--those reports that are provided to the EBA and to the
23 Division of Public Utilities and filed with the Commission as well.
24 Those quarterly reports, however, will continue to include
25 monthly information in the same detail that's provided currently.

1 Again, the reports will be just filed quarterly rather than every
2 month.

3 The agreement is that those quarterly reports will
4 be filed 60 days after the end of each quarter, with the
5 exception of the report for the fourth quarter of each year, which
6 will be filed on March 15, along with the annual EBA filing each
7 year. In addition, the quarterly reports will include monthly
8 trade data, as was requested by the parties.

9 Moving on to the general terms and conditions in
10 the stipulation, the remaining paragraph addresses the
11 relationship and obligations of the parties to the stipulation and
12 to each other, as associated with most stipulations presented
13 before this Commission.

14 As with most stipulations, this agreement was
15 reached through negotiation and compromise, and each party
16 became comfortable with this agreement in a different way.
17 And, again, this is typical of many stipulations presented before
18 this Commission.

19 And so with that background, paragraph 2 of the
20 stipulation, the parties recommend that the Public Service
21 Commission of Utah approve the stipulation and all of its terms,
22 and the parties request that the Commission make findings of
23 fact and reach conclusions of law based on the evidence
24 presented in the testimony and on this stipulation and issue an
25 order thereon.

1 Paragraph 11 states that the parties agree that no
2 part of this stipulation or a Commission order approving the
3 stipulation shall be precedential in any future cases, except with
4 regard to issues expressly called out and resolved by this
5 stipulation.

6 The stipulation does not resolve and does not
7 provide any inferences regarding any issues not specifically
8 called out and settled within the stipulation.

9 BY MS. HOGLE:

10 Q. Do you have any final comments, Mr. Taylor?

11 A. Yes, I do. First, I want to thank the parties for
12 working together to reach an agreement that works for all of the
13 parties involved here. This took a lot of work to get here and a
14 lot of effort on all of the parties. And I believe we resolved this
15 in good faith as we got the agreement that's presented today.

16 I want to restate the Company's support for the
17 stipulation. Again, it was negotiated in good faith. I believe the
18 stipulation is in the public interest. And I recommend that the
19 Commission approve the stipulation as filed. And that
20 concludes my comments. Thank you.

21 COMMISSIONER CLARK: Thank you.

22 Any questions for Mr. Taylor? Thank you.

23 Ms. Hogle, any other testimony or evidence that the
24 applicant desires to present?

25 MS. HOGLE: No. Thank you, your Honor. We

1 don't have anything else.

2 COMMISSIONER CLARK: Thank you.

3 Ms. Schmid.

4 MS. SCHMID: Thank you. The Division would like
5 to call Mr. Matthew Croft as its witness in support of the
6 stipulation.

7 COMMISSIONER CLARK: Do you solemnly swear
8 that the testimony you are about to give shall be the truth, the
9 whole truth, and nothing but the truth?

10 MR. CROFT: Yes.

11 COMMISSIONER CLARK: Thank you. Before you
12 begin, I should note that there may be some questions from the
13 Commissioners. So what we propose to do is to hear from all of
14 the witnesses supporting the stipulation, and then we'll likely
15 take a brief recess and come back and address questions to the
16 witnesses, in effect, as a panel.

17 Thank you, Ms. Schmid.

18 MATTHEW CROFT, having been first duly sworn,
19 was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY-MS.CROFT:

22 Q. Thank you. Could you please state your full name,
23 position, by whom you are employed, and business address for
24 the record.

25 A. Sure. My name's Matthew Croft. I'm a utility

1 analyst for the Division of Public Utilities. My business address
2 is 160 East 300 South, Salt Lake City, Utah, 84111.

3 Q. Are you also a CPA?

4 A. I am.

5 Q. Have you participated on behalf of the Division in
6 this docket?

7 A. Yes. I have. In this docket I have provided direct
8 testimony, direct supplemental, surrebuttal. And I was also
9 significantly involved in the writing of the audit report and the
10 initial comments that we filed in, I believe, April of 2012. And I
11 was also involved in coordinating efforts with the Division staff
12 and our consultants.

13 Q. Do you have a summary statement that you would
14 like to make in support of the stipulation?

15 A. I do.

16 Q. Please proceed.

17 A. I would like to express the Division's full support of
18 the stipulation signed by the parties in this docket. The Division
19 believes the stipulation, including the agreed-upon \$7.8 million,
20 is just and reasonable and in the public interest. In addition,
21 the additional filing requirements that are included in this
22 stipulation should assist the Division in accelerating our future
23 audit work.

24 Mr. Dodge has already discussed the settlement
25 with the parties regarding U.S. Magnesium. The Division is in

1 full support of this agreement and finds it to be in the public
2 interest.

3 Mr. Taylor has already addressed the history and
4 details of this docket and the stipulation. And so I would just
5 like to make a few comments regarding the agreed-upon
6 number, the additional filing requirements, and the audit
7 experience gained by the Division in this first audit.

8 First with regards to the \$7.8 million. The Division
9 finds this to be a reasonable compromise between the
10 Company's proposed \$9.6 million and the Division's surrebuttal
11 position of \$6.8 million.

12 The Division's testimony in this case raised several
13 issues with regards to unplanned outages. And while these--
14 while this specific issue was not addressed in the stipulation,
15 the \$1.8 million reduction to the Company's \$9.6 million does
16 cover much of the magnitude of the cost reductions that were
17 proposed by the Division due to these outages.

18 As was stated in the audit report, much of the
19 Division's time in this first audit was spent familiarizing
20 ourselves with the Company's policies and procedures, the
21 systems that track net power costs, the different net power cost
22 reports, and the numbers associated with those reports and how
23 they reconcile with one another.

24 The additional filing requirements that are part of
25 this stipulation will assist the Division in accelerating our audit

1 work, helping with these reconciliations, and also will assist us
2 in developing a test sample in future audits.

3 Given the shortened time frame the Division had to
4 audit this first EBA filing, there are still several items that will
5 be investigated further in future audits. These items include, but
6 are not necessarily limited to, the evaluation of coal contracts,
7 evaluation of long-term purchase contracts, and the evaluation
8 of how certain trade transactions align with the Company's
9 policies and procedures.

10 Finally, with respect to the change from monthly to
11 quarterly reports. From a practical perspective, it's likely that
12 the Division will not even begin to look at 2013 data until the
13 middle of 2013. And second of all, there was somewhat of a
14 limit as to what we could do with the information that was being
15 provided monthly. And what we could do on a monthly basis
16 could also be done on a quarterly basis with no to very little
17 extra effort.

18 As the Company has pointed out, however, that
19 they will be providing trade data, this trade data was not
20 provided previously with the monthly reports. And so that gives
21 us a little something extra to look at and to evaluate. But, as
22 always, the Division may still issue data requests on that trade
23 data or other quarterly data as needed.

24 In conclusion, the Division is in full support of the
25 Company recovering the stipulated \$7.8 million EBA deferral

1 balance. The Division supports the rate spread included in the
2 stipulation as well as the additional filing requirements listed
3 therein.

4 The stipulation is just and reasonable and in the
5 public interest. And that concludes my summary.

6 Q. I have just a couple of questions.

7 Does the Division look at the coal report or the coal
8 contracts independent from its evaluation of the EBA?

9 A. Yes. The Division does review contracts outside of
10 the EBA. However, there will be a more complete evaluation of
11 the prudence of those contracts in the future audits.

12 Q. And I may have misheard, but does the Division
13 intend to start auditing the 2012 data in mid 2013?

14 A. We're actually starting right now with our design
15 and audit plan for auditing the 2012 data. So I think what I was
16 trying to say is anything that happens in 2013, we'll not even
17 begin to look at until the middle of 2013. But 2012, yes, we'll
18 be looking at that.

19 Q. Thank you very much.

20 COMMISSIONER CLARK: Any questions for Mr.
21 Croft? Thank you.

22 Mr. Gimble, do you solemnly swear that the
23 testimony you are about to give shall be the truth, the truth, and
24 nothing but the truth?

25 MR. GIMBLE: Yes.

1 COMMISSIONER CLARK: Thank you. Be seated.
2 DANIEL GIMBLE,
3 having been first duly sworn,
4 testified as follows:

5 TESTIMONY

6 MR. GIMBLE: I'm Daniel E. Gimble with the Office
7 of Consumer Services. I'm a special projects manager.

8 In terms of this proceeding, the Office filed direct
9 and surrebuttal testimony of two witnesses. In that testimony,
10 we proposed a number of EBA adjustments that totaled \$3.2
11 million, additional EBA filing requirements, and a spreading of
12 the share of any ordered EBA amount by the Commission to
13 U.S. Mag, beginning with the 2013 EBA filing. We also
14 addressed an important policy issue relating to the scope of
15 prudence reviews in EBA proceedings.

16 The stipulation filed last week settles all contested
17 issues, except for the U.S. Mag matter, which is now on a
18 separate schedule. And you heard from Mr. Dodge on that this
19 morning.

20 Attachment 1 includes the rate spread of the \$7.8
21 million over two years. And I just want to mention that's
22 consistent with the spread amount that you ordered in Docket
23 11-035-T10. So it's based on the class rate percentages from
24 Docket 10-035-124.

25 Attachment 2 includes additional EBA filing

1 requirements proposed both by the Division and the Office. The
2 first ten of those requirements were put forward by the Office.
3 One that I would like to point out, I think is it's the tenth line, is
4 root cause analysis that we'd like the Company to file in the
5 future as part of their EBA filings. And the root cause analysis
6 goes to plan outages. That was one of the more hotly-contested
7 issues that a lot of testimony surrounded in this proceeding. So
8 we wanted that in the requirements.

9 Regarding Paragraph 4 of the stipulation, it should
10 be noted that the Centralia Point to Point contract expired June
11 30, 2012. Therefore, this contract is only on the Company's
12 books for six months of the 2012 EBA period.

13 Lastly, the stipulation results in just and reasonable
14 rates for residential, small business, and irrigation customers.
15 And the Office recommends that it be approved by the
16 Commission. And that concludes my summary.

17 COMMISSIONER CLARK: Thank you.

18 Any questions for Mr. Gimble? Thank you.

19 Anything from Mr. Dodge or Mr. Evans?

20 MR. DODGE: No, thank you. We're good--or I'm
21 good. I won't speak for Mr. Evans.

22 MR. EVANS: Thank you, Commissioner Clark. I
23 don't have a witness here today, but would like to give the
24 UIEC's take on the stipulation, if I may, just very briefly.

25 Throughout this proceed, one of the UIEC's primary

1 goals has been to encourage a thorough prudence evaluation of
2 the costs that are to be recovered through an EBA, particularly
3 natural gas, SWAP losses, or the costs of the Company's
4 hedging program.

5 In paragraph 5 of the stipulation, we have agreed
6 for the purposes of this case that there is no evidence to
7 support a finding of imprudence in hedging, but only with
8 respect to the transactions settled during the fourth quarter of
9 2011. This is not to say that similar evidence presented in a
10 future case of the same kind or the same nature wouldn't
11 support a finding of imprudence as to transactions settled during
12 2012. So that, in accordance with paragraph 11 of this
13 stipulation, we don't believe that our stipulation in paragraph 5
14 precludes us from presenting similar evidence or evidence of a
15 different nature in a future case about the prudence of the
16 Company's hedging program.

17 So with that and with the additional filing
18 requirements in paragraph 6 that we believe are important to
19 provide the information to the Division and the parties that let
20 them make a thorough evaluation of prudence, we believe that
21 the stipulation is fair and reaches a reasonable result and is in
22 the public interest. And we encourage the Commission to
23 accept it.

24 COMMISSIONER CLARK: Thank you, Mr. Evans.
25 Any additional testimony or comments before we

1 take a brief recess? We'll be in recess until 15 minutes to ten.
2 Thank you.

3 (A break was taken from 9:39 a.m. to 9:43 a.m.)

4 COMMISSIONER CLARK: I believe everyone's
5 present. So let's be on the record.

6 Mr. Taylor, I want to address your question about
7 the tariff. I believe you indicated the Company would be ready
8 to file conforming tariff, assuming the stipulation is approved.

9 MR. TAYLOR: Yes, I have a copy here. We could
10 present it as an exhibit today, or we could file it separately in
11 response to your order, whichever your preference is.

12 COMMISSIONER CLARK: We'd like to receive it as
13 an exhibit today.

14 MS. HOGLE: Is this just one?

15 MR. TAYLOR: That's 20 copies.

16 COMMISSIONER CLARK: So we'll mark it as Rocky
17 Mountain Power Exhibit 24. And this way our staff can begin to
18 review it. And it will help us to have this advance information.
19 So thank you for preparing it.

20 RMP-24 marked

21 Commissioner LaVar, any questions?

22 COMMISSIONER LEVAR: Yes. This could be for
23 any party. And this could be a new commissioner question, I'm
24 sorry.

25 But in Attachment 1, Nos. 1 and 2, is there a

1 consensus among the parties whether that will be an average of
2 monthly prices, an average of daily prices, average of hourly
3 prices?

4 MR. TAYLOR: Yeah, let me address that. The EBA
5 tariff, which you just received as an exhibit, is a percentage
6 adder to the power and energy charges on customers' monthly
7 bills. And so that percentage you see on the tariff--like
8 Schedule 1 is 1.48 percent--the current EBA charge, which
9 reflects both the ongoing \$20 million plus the additional \$7.8
10 million spread over two years, so I guess additional three point--
11 that would be \$3.9 million, if my math is correct--that 1.8
12 percent is applied to all of the energy charges on the residential
13 customer that they pay each month.

14 As you go down to, like, Rate Schedule 9, which
15 has demand charges and energy charges, that 1.75 percent is
16 applied to the Schedule 9 power and energy billings for that
17 month.

18 So I don't know if that specifically answers your
19 question or not. But it's a percentage increase to power energy
20 charges that customers pay every month. So, in essence, it is
21 an increase on hourly, monthly, and annual costs that the
22 customers will be required to pay.

23 COMMISSIONER CLARK: I just have a follow-up
24 there, if I may. I think what we're referring to is the reference to
25 "Market Prices" on Attachment 1 and whether those prices are

1 on a daily basis, a monthly? What kind of market price
2 information do the parties intend there?

3 MR. TAYLOR: Well, excuse me for answering the
4 question for which I knew the answer. And Mr. Dickman is still
5 on the phone. He would best address that question.

6 MR. DICKMAN: Yes. This is Brian. Can you hear
7 me?

8 MS. HOGLE: Yes.

9 COMMISSIONER CLARK: Yes.

10 MR. DICKMAN: So those Requirements No. 1 and
11 2, are, I guess, duplicates of questions that we provide in our
12 Wyoming ECAMs. And we typically provide monthly prices for
13 those.

14 COMMISSIONER CLARK: Thanks for that
15 clarification.

16 Any other questions? Commissioner LaVar?

17 COMMISSIONER LEVAR: No.

18 COMMISSIONER CLARK: Chairman?

19 CHAIRMAN ALLEN: Thank you, Commissioner.

20 Since this is a pilot program, I'd like to just take the
21 prerogative of the Chair to indicate to the parties that when we
22 have a stipulation, especially moving forward like this, it is very
23 helpful to have additional filing requirements, to have clarity, to
24 help develop a program absent litigated line items that we can
25 move forward and look at this EBA. So at the end of the pilot

1 program, we anticipate we'll have something that's not only just
2 and reasonable, but a shining star of perfection that we can
3 move forward on. I know that's a high expectation, but we are
4 grateful for a stipulation that includes procedures and a
5 checklist, so to speak. And that's all I have. Thank you.

6 COMMISSIONER CLARK: Any other information or
7 matters to be brought before the Commission today?

8 Thank you very much for your participation. We're
9 adjourned.

10 (The matter concluded at 9:49 a.m.)

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CERTIFICATE

State of Utah)

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County of Salt Lake)

I, Michelle Mallonee, a Registered Professional Reporter in and for the State of Utah, do hereby certify:

That the proceedings of said matter was reported by me in stenotype and thereafter transcribed into typewritten form;

That the same constitutes a true and correct transcription of said proceedings so taken and transcribed;

I further certify that I am not of kin or otherwise associated with any of the parties of said cause of action, and that I am not interested in the event thereof.

Michelle Mallonee, RPR, CSR