

460 **Q. Has any party challenged the Company's hedging transactions executed**
461 **before July 28, 2011 since the 2011 GRC Stipulation was approved?**

462 A. Yes, UIEC has challenged them in two proceedings.

463 **Q. Was UIEC a party to the 2011 GRC Stipulation?**

464 A. Yes. UIEC was a party to the stipulation, which provided for the collaborative and
465 specified the issues to be considered in the collaborative. In addition, the
466 stipulation stated that parties would not challenge for prudence certain
467 transactions, as described in lines 448-459 above, based on the Company's natural
468 gas hedge position as of July 28, 2011.

469 **Q. Did UIEC participate in the hedging collaborative?**

470 A. Yes. UIEC participated in collaborative meetings. However, as the collaborative
471 progressed, UIEC refused to support any *ex ante* hedge guidelines. In contrast, the
472 Division, UAE, the Office and their expert consultants all supported the
473 development of *ex ante* hedge guidelines which the Company has incorporated in
474 its risk management policy in accordance with the 2011 GRC Stipulation.

475 **Q. Were any of the natural gas swap transactions challenged in the 2012 GRC**
476 **and, if so, what was the outcome?**

477 A. Yes. UIEC contested the prudence of the natural gas swaps in the test period for
478 the 12 months ending May 2013, including those executed prior to July 28, 2011.
479 UIEC contended that the Company should have liquidated the swaps when the
480 price of gas fell. The case was settled. Base net power costs were set at the level
481 established by the Company's updated net power cost filing dated May 11, 2012.
482 The net power cost filing reflected the results of a GRID run incorporating all of
483 the Company's hedges that had been executed at that time, including natural gas

484 swaps, for the 12 months ending May 2013. No other party contested the
485 prudence of these natural gas swaps.

486 **Q. Were any of the natural gas swap transactions challenged in the 2012 EBA**
487 **and, if so, what was the outcome?**

488 A. Yes. UIEC contested the prudence of the natural gas swaps that settled in the
489 fourth quarter of 2011 in the 2012 EBA, including those executed prior to July 28,
490 2011. Again, UIEC contended that the Company should have liquidated natural
491 gas swaps in light of falling natural gas prices. The case was settled, and UIEC
492 joined in a stipulation that there was no evidence to support a finding of
493 imprudence in hedging with respect to the swaps that settled in the fourth quarter
494 of 2011. No other party contested the prudence of these natural gas swaps.

495 **Q. Did UIEC or any other party raise issues regarding liquidation of swaps**
496 **during the 2011 GRC or the hedging collaborative?**

497 A. No. At no time during the 2011 GRC or during the multi-month hedging
498 collaborative did UIEC or any other party ever suggest the Company should
499 liquidate hedges. For that matter, neither UIEC nor any other party ever suggested
500 the Company should liquidate hedges during the natural gas investigation docket
501 or at any other time until UIEC first made this argument in the 2012 GRC and
502 then again in the 2012 EBA.

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