BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of a Request for Agency Action to Review the Carrying Charges Applied to Various Rocky Mountain Power Account Balances

Docket No. 15-035-69

HEARING PROCEEDINGS

TAKEN AT: Public Service Commission
Hearing Room 403
160 East 300 South
Salt Lake City, Utah

DATE: Thursday, December 10, 2015

TIME: 1:00 p.m.

REPORTER: Daren S. Bloxham, R.P.R.

Job No. 264407

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P-R-O-C-E-E-D-I-N-G-S

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OFFICER REIF: We're on record. Good afternoon, everyone. I'm Melanie Reif, Hearing Officer for the Utah Public Service Commission. Today's docket that we'll be hearing is Docket No. 15-035-69.

This matter is entitled in the Matter of a Request for Agency Action to Review the Carrying Charges Applied to Various Rocky Mountain Power Account Balances.

Let's start by taking appearances, starting with the Division, please.

MR. JETTER: Thank you. I'm Justin Jetter. I represent the Utah Division of Public Utilities. And with me at counsel table is Charles Peterson with the Utah Division of Public Utilities.

OFFICER REIF: Thank you. Next the Office, please.

MR. OLSEN: Rex Olsen representing the Office. With me is Gavin Mangelson for the Office of Consumer Services.

OFFICER REIF: And with UCE?

MS. HAYES: Thank you. Utah -- Sophie Hayes with Utah Clean Energy. And I have no witness today. So Utah Clean Energy will be submitting our pre-filed comments as public comments.

OFFICER REIF: Thank you. And the Company?

MS. HOGLE: Good afternoon. Yvonne Hogle on behalf of Rocky Mountain Power. With me here today is Mr. Bob Lively, who is the Utah Regulatory Affairs Manager.

OFFICER REIF: Thank you. Mr. Jetter, would you like to take the floor?

MR. JETTER: Yes, Your Honor. Thank you.

The Division would like to call Mr. Charles Peterson and have him sworn in.

OFFICER REIF: Good afternoon, Mr. Peterson. Let's go ahead and have you take the seat up here, and I'll swear you in.

THE WITNESS: Certainly.

--oOo--

CHARLES PETERSON,

having been first duly sworn to tell the truth, was examined and testified as follows:

--oOo--

OFFICER REIF: You may need to turn that microphone on.

THE WITNESS: Looks like it's on.

OFFICER REIF: Perfect. Thank you.

EXAMINATION

BY MR. JETTER:

Q. Mr. Peterson, would you please start by stating your name and occupation for the record.

A. Charles E. Peterson. I'm a technical consultant with the Division of Public Utilities.

Q. Thank you. And in the course of your employment with the Division of Public Utilities, have you had the opportunity to review both the Division's Request for Agency Action and the filings that have been made in this docket?

A. Yes, I have.

Q. And did you create and cause to be filed with the Division -- excuse me -- with the Utah Public Service Commission comments from the Division of Public Utilities dated October 27, 2015, with two exhibits, Exhibit A and Exhibit B, as well as comments from the Division dated November 18th, 2015, along with two exhibits, Exhibit A and Exhibit B, and, finally, reply comments from the Division of Public Utilities dated December 2nd, 2015?

A. Did cause comments to be prepared and filed on those dates. With -- October 27th I believe had three exhibits attached to it though. Locate my copy of it. Yes. The October 27th, 2015, Memorandum by the Division has three exhibits, which we designated DPU

Exhibits 1, 2, and 3.

Q.   Thank you. Could you just briefly describe those exhibits?

A.   DPU Exhibit 1 is actually a replication of an exhibit that was prepared by Rocky Mountain Power in conjunction with the technical conference that was held in this docket.

And it is a table that shows the different accounts and programs that are under consideration here with information regarding those different accounts related to their carrying charge.

Exhibit 2 is a chart that shows interest rate comparisons between different market-based interest rates and the 6 percent interest charge that's a carrying charge that's applied in several of these programs. And Exhibit 3 shows selected balances, program balances, of Rocky Mountain Power.

Q.   Thank you. Are there any corrections or edits you'd like to make to any of those comments?

A.   Not that I'm aware of.

Q.   And do those comments still reflect your opinion on the matters that you've opined on in those comments?

A.   Yes.

MR. JETTER: I would note at this time that the comments from the Division of Public Utilities, along with the exhibits attached, be entered into the record of this hearing.

OFFICER REIF: Any objection?

MR. OLSEN: No objection.

MS. HOGLE: The Company doesn't have an objection, but I will note that the website for this proceeding only includes exhibit -- Exhibits A and B from the Division of Public Utilities comments filed October 27th.

And I just -- I mean, I may still have the third exhibit, but it wasn't posted. So I just would like that to be reflected somewhere. If I could get a copy, it doesn't have to be right now, but later, of the third exhibit, I would appreciate it. Thank you.

OFFICER REIF: We'll be off the record.

(A discussion was had off the record.)

(Recess taken at 1:35, resuming at 1:39.)

OFFICER REIF: We're back on the record. And to begin with, we'd like to give an opportunity for those who are joining us by phone today to identify themselves. So if you are on the line, if you would unmute your phone and identify yourself, please.

MR. WILLIAMS: This is Bruce Williams at PacifiCorp.

MR. WILDING: This is Mike Wilding of PacifiCorp.

MR. DICKMAN: This is Brian Dickman of PacifiCorp.

OFFICER REIF: Thank you. The record should reflect that the exhibit that was being discussed before we went off the record has now been provided to all the parties who indicated they would like a copy.

And so with that, Mr. Jetter, please proceed.

MR. JETTER: Thank you. And I'd also ask that the record reflect that there was some confusion because there were two tabs within an individual Excel spreadsheet, and that the entire spreadsheet, including both of the exhibits, was served along with those comments at the time that those comments were served to the parties.

OFFICER REIF: I believe that's acknowledged by the parties. But just to be sure, is there any misunderstanding about that?

Okay. Thank you, Mr. Jetter. I appreciate that clarification.

MR. JETTER: Thank you.

Q. (By Mr. Jetter) Mr. Peterson, have you prepared a restatement summarizing the position of the Division of Public Utilities?

A. Yes, I have some comments.

Q. Please go ahead.

A. Good afternoon. The Division of Public Utilities initiated this docket, as it previously did with Questar Gas Company, to comprehensively review the carrying charges on cash balances approved by the Commission in eight programs or accounts of PacifiCorp, which does business as Rocky Mountain Power.

As with the Questar matter, the Division believes that the carrying charge rates in these accounts have been significantly different from the current -- or have become significantly different from the current market interest rates.

This difference creates either a benefit or a detriment to either the Company or ratepayers depending on whether there is an undercollection or overcollection in the account. The Division believes that this is not the purpose of the carrying charge on those balances.

The Division proposes that the Commission reset these carrying charges to the annual average of the BBB and triple -- BAA -- excuse me -- of the AAA and the BAA rates published by the Federal Reserve for the preceding year, and that these rates be updated annually on March 1st. The details of this proposal are contained in the Division's October 27th, 2015, Memorandum.

Four parties - the Office of Consumer Services, Utah Clean Energy in a joint filing with SWEEP, and the Utah Association of Energy Users - appear generally to support the Division's recommendation.

PacifiCorp does not. PacifiCorp appears to make a counterproposal that seems to be essentially to reset some of the rates to the company's current authorized cost of debt.

The Company also asserts that elements in the -- that elements in a stipulation cannot ever be changed without quality involvement and concurrence of all parties to the stipulation. Consequently, the Company claims that some of these rates cannot be revisited because they were originally set in stipulation.

The Division believes this last claim is novel to this case. The Division believes that it has the obligation to act when something is no longer just and reasonable and in the public interest.

And for reasons set forth in the Division's December 2nd, 2015, memo, the Division does not support the change to the Company's cost of debt rate.

In conclusion, the Division continues to recommend that the Commission reset the carrying charges in the eight programs as described in the Division's October 27th Memorandum, which is supported by the intervening parties. That concludes my statement.

Q. Thank you.

MR. JETTER: The Division has no further questions for Mr. Peterson. He's available for cross-examination.

OFFICER REIF: Thank you. Any questions, Mr. Olsen.

MR. OLSEN: We have no questions.

OFFICER REIF: Ms. Hayes?

MS. HAYES: No questions. Thank you.

OFFICER REIF: Ms. Hogle?

MS. HOGLE: A few. Thank you.

EXAMINATION

BY MS. HOGLE:

Q. Hello, Mr. Peterson.

A. Hello.

Q. You referenced your comments and reply comments. I'm just going to ask you a few questions regarding the materials in those two sets of pleadings.

Can you turn to your December 2nd reply

comment?

A. Okay.

Q. I'll take you to page 5.

A. I have no page 5.

Q. Okay. In those comments, the DPU, agreeing with the OCS, indicates that, "Carrying charges should be set to provide an incentive for the company to maintain a zero or near zero balance."

Is that true? Is that --

A. That's --

Q. -- generally the position of the Division?

A. Point me exactly -- well, that's generally the position that there should be an incentive that balances should trend toward zero so that there is not an incentive -- let me put it this way.

Carrying charges should be set so that there is no incentive for either side, either ratepayers or the Company, to carry large balances, either credit or debit balances, for extended periods of time. There should -- there should be no incentive to do that based upon the carrying charges.

Q. Okay. Thank you.

And so you just indicated in your summary that your recommendation is to apply a carrying charge equal to the average of the annual AAA and BAA

corporate interest rates for the preceding year, calendar year, as published by the Federal Reserve Board of Governors; is that correct?

A. Yes.

Q. And do you know what that interest rate is currently?

A. Well, the -- it approximates 4-1/2 percent based upon a calculation I did recently. And, of course, we won't know what the calendar year 2015 rate will be exactly for another month and a half or so.

Q. And so whatever that ends up being, you propose that that apply to the Company's carrying charges beginning in March of 2016?

A. Yes.

Q. Okay. Is it -- do you know if it's going to be anywhere near the 4-1/2? I mean, is that --

A. Well, we have approximately 11-1/2 months of 2015. And so unless rates drastically change the last two weeks or three weeks of December, then it will -- it will -- it should approximate 4-1/2 percent.

Q. Okay. And I'm going to ask you a question now about -- a couple questions regarding your comments filed October 27th. I don't know if you need to turn to them specifically, but -- so in those comments, you mentioned a Blue Sky program, and that it typically

carries a balance with it. Therefore, there would be a carrying charge applied to that balance; is that correct?

A. Well, you said "typically it carries a balance." But my understanding is that there is currently a fairly sizeable balance in the Blue Sky program. And for the whole history of the Blue Sky program, I don't know whether that's typical or not.

Q. I believe it's on page 5. If you'd turn to then page 5 of those comments, excuse me, I used "typically" because that's actually the term that the Division used. I'll just read it for you and you can --

A. Okay.

Q. -- follow.

It's in the second paragraph under the "analysis of the Company's balances" section. The very end of the -- very end of the paragraph, last sentence, "Because of this, the Blue Sky program typically carries a balance."

Anyway, I just wanted you to see that that's where I --

A. Okay. I misunderstood where you were -- what you were referring to.

Q. Okay. That's all.

A. Okay. I'm --

Q. And do you know what the current carrying charge that's applied to that balance is currently?

A. I think it's equivalent to the current weighted average cost of capital that was approved by the Commission in the last Rocky Mountain Power rate case, which is approximately 7-1/2 percent.

Q. Okay. And so am I right that the higher interest rate on overcollections, or balances in this case, would be more of an incentive to the Company to carry a near zero balance than a lower interest rate of 4-1/2 percent, which is the -- the current average of the AAA and BAA corporate interest rates?

A. Generally that would be the assumption that on an overcollected balance, that would be the direction that you would assume the incentive would go as you stated it.

Q. So how would applying the average AAA, BAA corporate interest rate to the Blue Sky balance or to any of the balances that have higher interest rates then accomplish the Division's goal which is to incent the Company to carry balances at zero or near zero dollars?

A. Well, first of all, we think there should be a consistency here. And, secondly, we would need to understand where the Company's funding the -- the carrying charges is found. If ultimately ratepayers are paying for it, then there could be an overpayment to these particular funds from ratepayers.

Also, we want to be fair to the company. If the Company -- if the Company's shareholders are ultimately paying the carrying charge, we believe the Company's shareholders then should not be overcharged for it and should pay something closer to a market rate.

So this is even true in cases where -- possibly like the Blue Sky program, that there is an overcollection for a period of time because of the way the Blue Sky program pays out the monies on the program -- programs it supports.

We are trying to be even-handed in this with respect to having people, whether it's the Company or ratepayers, pay a rate, a carrying charge, that's comparable to what's in the marketplace currently, whether that's a high interest rate or low interest rate.

I mean, the Division expects that from year to year and as the years go by, if the Division's proposal is adopted, that rates will be higher than they are right now. And at some point they may even be lower than they are right now. But we want -- we want consistency with at least approximate to -- to approximate the current market interest rates.

MS. HOGLE: Thank you. I have no further questions.

OFFICER REIF: Any redirect, Mr. Jetter?

MR. JETTER: No, Your Honor. Thank you.

EXAMINATION

BY OFFICER REIF:

Q. Mr. Peterson, I have a question for you. And if it helps you at all, my question is related to your table on -- it's 1 of 1 in your October 27th comment filing. And it also relates to information that's on page 3 of that filing.

In particular, at the bottom of Table 1 where it refers to customer overpayments are reflected there as being charged a 6 percent interest, do you see that, sir?

A. Yes.

Q. There are a couple of provisions I want to share with you. You may well be familiar with these already. For example, Rocky Mountain Power Electric Service Regulation No. 8 under Section 9, "Overbilling," addresses under Subsection B the interest rate.

And it states under Subsection B, sub 1, "the Company shall provide interest on customer payments for overbilling. The interest rate shall be the greater of the interest rate paid by the Company on the customer deposits or the interest rate charged by the Company for late payments."

Are you familiar with that provision, sir?

A. I have read it at some point, but I have not read it recently. But -- but anyway, I understood what you read.

Q. Okay. Very good. I next want to mention that under Rocky Mountain Power Electric Service Schedule No. 300, if we turn to the second page of that, under 8R.2, late payments are listed there. It says "late payments charge," and then it lists the charge as "1 percent per month of delinquent balance."

Below that under 9R.4, it lists interest on deposits for both residential and nonresidential -- it lists them separately, but the amount is the same. That amount is listed at 6 percent per annum.

Are you familiar with this provision, sir?

A. I've read it before, but it sounds familiar.

Q. Okay. So with that background, I wanted to ask you if -- first of all, what is your understanding of the -- the provision that says, "Late payment

charge, 1 percent per month"?

A. My understanding is that if the late payment was -- the value of the payment was $100, then they would be charged $1 per month. Excuse me. That's not -- no. They'd be charged 1/12th of $1. I'm getting confused. They'd be charged $1 a month, which would be 12 percent of annual interest.

Q. Okay. And so looking at that table on page 3 of your October 27th filing, does that change at all your representation of what the current carrying charge is for the customer overpayments?

A. No, it doesn't. The late payment was not included in this -- in our proposal.

Q. Okay.

OFFICER REIF: No further questions, Mr. Peterson.

THE WITNESS: Okay. Thank you.

OFFICER REIF: Thank you. You may be excused.

THE WITNESS: Okay. Thank you.

OFFICER REIF: Mr. Olsen?

MR. OLSEN: Thank you, Your Honor. The Office would call Gavin Mangelson and ask that he be sworn, please.

OFFICER REIF: Mr. Mangelson?

--oOo--

GAVIN MANGELSON,

having been first duly sworn to tell the truth, was examined and testified as follows:

EXAMINATION

BY MR. OLSEN:

Q. Mr. Mangelson, could you state your name and your occupation for the record, please?

A. Gavin Mangelson. I'm a utility analyst for the Office of Consumer Services.

Q. As part of that -- your work with the Office of Consumer Services, did you create or assist in the creation of comments in this docket filed on November 19th, 2015, and reply comments on December 2nd, 2015?

A. Yes.

Q. Do you have any amendments or corrections to those?

A. Just one minor administrative note on the comments filed November 19. The information in the subject line is correct with the exception of the docket number. It reads 15-035-36, and it should read -69.

Q. With that correction that you've noted for the record, are there any other corrections that you

would make to your testimony?

A. No.

MR. OLSEN: Would we ask at this time that those comments and reply comments be submitted.

OFFICER REIF: Any objection? They'll be admitted.

(Comments were admitted.)

Q. (By Mr. Olsen) Mr. Mangelson, have you prepared a summary for the Commission at this point?

A. Yes.

Q. Could you read that now, please?

A. Thank you. The Office of Consumer Services supports the Division's recommendation regarding the carrying charges of the various accounts of Rocky Mountain Power.

The various accounts of Rocky Mountain Power may have either positive or negative balances at a given time. The carrying charges collected from these balances represent a form of interest.

Because these balances are typically intended to fluctuate in the short term, the carrying charges applied to them are similar to interest on short-term debt. Therefore, practices of funding account balances should be similar to principles of sound money management for funding debt.

Regardless of whether or not the Company is advantaged by the current carrying charge arrangements, controls should be implemented to restrict or reduce the opportunity to use carrying charges to advantage either the Company or its affiliates.

We assert that this is the correct proceeding to address carrying charges, but that the discount rate related to demand-side management programs is not a matter for this docket.

Q. Do you have any further statement at this time?

A. No.

MR. OLSEN: Mr. Mangelson is available for cross-examination.

OFFICER REIF: Ms. Hogle?

MS. HOGLE: I just have a couple of questions.

EXAMINATION

BY MS. HOGLE:

Q. Mr. Mangelson, can you tell me how applying a market-based rate would motivate the Company to carry a near zero balance?

A. What I stated in my comments was that a market-based rate would better -- would be more effective in mitigating any incentive to gain. So if you take what reward may have been extracted from either a high or low carrying charge -- but I do not imply that a set rate that is matched for both an over and undercollection would function as a stand-alone incentive for maintaining a zero balance.

Q. I'm not sure you answered my question. I apologize.

A. Sorry. Would you restate it then?

Q. How does applying a market-based rate motivate the Company to carry a zero or near zero balance?

A. A market-based rate alone is not a stand-alone motivation to maintain a zero or near zero balance. If the market -- if the interest rate were intended to be the sole incentive to maintain that balance, then as the Division noted, we would want a high rate on the negative balance and a low rate on the balances, which is to say that the Company would pay high interest rates for overcollecting and low interest rates for undercollecting.

Q. And do you know on average on the eight accounts that are at issue in this case whether the Company is carrying -- whether there are overcollections or undercollections?

A. I don't know what you mean by "average."

I've reviewed the information that was provided about the balances over -- I believe the DPU's exhibit went for about 10 years or so. But, no, I don't have that average number.

Q. I'm going to ask you to turn to your November 19th, 2015, comments. In the discussions section on that page 1, the Office indicates that, "Carrying charges should be consistent with the underlying risk the Company or ratepayers incur resulting from overcollection or undercollection in the accounts outlined in the Division's recommendation."

So based on that assertion, first, are you familiar with the Company's energy balancing account?

A. No.

MS. HOGLE: Okay. Thank you. I have no further questions.

OFFICER REIF: Thank you. Ms. Hayes or Mr. Jetter, do you have any questions for the witness?

MS. HAYES: No. Thank you.

MR. JETTER: I also have no questions.

OFFICER REIF: Okay.

EXAMINATION

BY OFFICER REIF:

Q. Mr. Mangelson, just for clarification while you're here, do you recall the question that I asked of

the Division's witness, Mr. Peterson?

A. Would you repeat that question?

Q. Sure. Sure. This relates to a representation that the Division represents in its comments, in particular, its comments that were filed on October 27th, 2015.

It also appears in comments that were filed by the Company. But in particular, I wanted to focus on the issue of customer overpayments and the representation that that carrying charge interest rate is 6 percent.

And in particular, I -- my question was couched in -- in a provision that is in Rocky Mountain Power Electric Service Regulation No. 8. And I don't want to presume that you're prepared to give an opinion on this, but if you have a position on it, it may be helpful.

A. Are you referring to as it discusses how the customer will be charged for their -- for their late -- the late fees?

Q. In part. The provision in Regulation No. 8 states that the interest rate -- under the overbilling section states that, "The Company shall provide interest on customer payments for overbilling. The interest rate shall be the greater of the interest rate

paid by the Company on customer deposits or the interest rate charged by the Company for late payments."

A.   Right. I would say then to answer that, I would need to understand better how this carrying charge, which is applied to an account balance, relates to the interest that has been paid back to a customer for an overpayment. And at this time I do not know if they are one in the same.

Q.   Okay. Thank you, sir.

OFFICER REIF: Any redirect?

MR. OLSEN: No redirect. Thank you.

OFFICER REIF: Okay. Thank you. Thank you, Mr. Mangelson. You may be excused.

Ms. Hayes, just to clarify, you have no witness, correct?

MS. HAYES: Correct.

OFFICER REIF: Okay. And you do want to address your filings; is that correct?

MS. HAYES: I didn't come prepared to issue any lengthy statement, apart from the fact that Utah Clean Energy and SWEEP support the Division's proposal.

OFFICER REIF: Okay. Apart from that, do you wish to request to have your comments accepted into the record?

MS. HAYES: I would be happy to do that if parties are willing to waive cross-examination.

MS. HOGLE: Excuse me, Your Honor. I believe earlier counsel for Utah Clean Energy offered her comments as public comments because she did not have a witness who could be asked about those comments.

OFFICER REIF: Okay. So let's make sure we've got that on the record, Ms. Hayes. Is that your desire?

MS. HAYES: Yes. That was my intention in coming here today was -- because my witness was unable to attend was to submit those comments as public comments.

OFFICER REIF: Okay. Okay. Very good. Is there any objection to the Commission accepting comments as public comments?

MS. HOGLE: No objection from the Company.

MR. OLSEN: No objection.

MR. JETTER: No objection.

OFFICER REIF: They will be accepted. Thank you, Ms. Hayes.

(Comments were admitted.)

OFFICER REIF: Ms. Hayes, before we move on, do you wish to address as counsel for Utah Clean Energy the question that I posed to the witnesses thus far with respect to the 6 percent interest on the customer overpayment?

MS. HAYES: I do not. I would -- I would need to consult -- one, I would probably need to go back and read those and -- and consult someone who's -- who's more technically minded on those matters.

OFFICER REIF: Okay. Thank you, Ms. Hayes. I didn't want to bypass that opportunity if you wished to do so. Thank you.

MS. HAYES: Thank you.

OFFICER REIF: Ms. Hogle?

MS. HOGLE: Thank you, Your Honor. The Company calls Mr. Bob Lively to the stand, please. But he needs to be sworn.

--oOo--

ROBERT LIVELY,

having been first duly sworn to tell the truth, was examined and testified as follows:

EXAMINATION

BY MS. HOGLE:

Q. Good afternoon.

A. Good afternoon.

Q. Can you please state and spell your name and your position and address for the record?

A. My name is Robert Lively. R-O-B-E-R-T, L-I-V-E-L-Y. I'm employed by Rocky Mountain Power. My title is Utah Regulatory Affairs Manager. And my business address is 1407 West North Temple, Suite 330, Salt Lake City, Utah.

Q. Mr. Lively, are you familiar with the comments that were filed by the Company on November 19, 2015, and the reply comments that were filed by the Company on December 2nd, 2010?

A. I am.

Q. And did you prepare or assist in the preparation of those comments?

A. I did.

Q. And do you have any edits to those comments at this time?

A. I do not.

Q. So if I were to ask you the questions therein again today, or if I were to ask you about the materials written in those comments here today, would your answers and your comments be the same?

A. They would.

MS. HOGLE: At this time I would like to have the Commission admit the comments and reply comments of Rocky Mountain Power into the record.

OFFICER REIF: Is there any objection?

MR. OLSEN: No objection.

MR. JETTER: No objection.

OFFICER REIF: They're admitted.

MS. HOGLE: Thank you. Excuse me.

(Comments and reply comments were admitted.)

Q. (By Ms. Hogle) Mr. Lively, do you have a summary you would like to provide today?

A. I do have a summary.

Q. Please proceed.

A. The purpose of my testimony today is to support the Company's recommendation for carrying charge rates set at the Company's authorized cost of debt that is set in the general rate -- that was set in the general rate case currently at 5.2 percent, which was approved by -- in the Company's last general rate case, Docket No. 13-035-184.

Since the Office of Consumer Services, the Utah Association of Energy Users, the Utah Clean Energy and SWEEP generally support the recommendation of the Division of Public Utilities, I will direct my comments to the proposal of the DPU.

By my calculation, the carrying charge proposed by the DPU is about 4.5 percent based on the average of the AAA and BAA corporate bond rates for 2014. I will demonstrate why the Company proposal is a more appropriate basis than that proposed by the DPU upon which to set carrying charge rates.

The principal issues under consideration in this docket are the carrying charge rates applied to the identified accounts, the frequency and procedure for updating the carrying charge rates, and the timing of implementation of carrying charge rates if new rates are ordered by the Commission.

The principle upon which the Company proposal is based is that account balances should be financed with carrying charges based on the Company's capital cost structure and, more specifically, the Company's overall cost of debt.

As set in the Company's last general rate case, Docket No. 13-035-184, the Company's overall pre-tax cost of capital is 10.65 percent. This represents the capital cost required to fund the totality of the Company -- of Company rate base.

As stated in the Company's comments of November 19th, 2015, the Company believes the overall cost of capital of 10.65 percent is an appropriate carrying charge level since it matches how all rate base items are financed.

However, considering the Company's authorized cost of capital from the last rate case, including the overall pre-tax cost of capital of 10.65 percent, the weighted average cost of capital of 7.57 percent, and the cost of debt of 5.2 percent, the Company recommends that the authorized cost of debt offers a reasonable compromise between the cost of capital level of 10.65 percent and the DPU proposed carrying charge of approximately 4.5 percent.

The Company's cost of capital -- cost of the debt basis for carrying charges provides a reliable and predictable measure based on the Company's actual costs of its financing activities that are established through an evidentiary proceeding and consistent with costs and rates.

The Company proposed cost of debt for carrying charge provides a further advantage over the DPU proposal in that it is not subject to the potentially negative impacts of the volatility in financial markets and/or federal monetary policy actions.

No one can predict volatility in financial markets. But considering that -- but consider that over the last 10 years, the market-based carrying charge rate as proposed by the DPU would have fluctuated on a year-to-year basis of up to 16 percent.

This volatility is higher than the changes in cost of debt authorized by the commission during that timeframe. These are unnecessary and uncontrollable fluctuations that result from the DPU's market-based proposal for carrying charges.

The cost of debt as proposed by the Company offers a basis for carrying charges that is reviewed by multiple parties, approved by the Commission, and provides a stable and predictable basis for carrying charge levels.

In comments on December 2nd, 2015, the DPU agrees with the position stated by the OCS that carrying charges should reflect the underlying risk the Company or ratepayers incur, resulting from overcollection or undercollection of account balances.

This risk-based rationale would suggest that the Company should set carrying charge rates as if it were a bank or a lending institution that would set interest rates based on the creditworthiness of a borrower, a higher rate if the risk of loan repayment were considered high and a lower rate if the risk of loan repayment were considered low.

The Company is not operating as a lending institution, nor are we regulated as a lending institution. Rather, the Company is regulated based on longstanding practices of cost recovery, of prudently incurred costs, including a reasonable return on equity.

If risk were a determining factor in setting the carrying charge rates, parties in this docket should consider carrying charge rates based on the risk of recovery for each individual account balance.

For example, we would consider if the risk in carrying charge associated with the DSM balance is equivalent to the risk of recovery of net power costs in the EDA with its sharing band mechanism.

To the extent possible, carrying charge rates should be set based on the cost-based capital structure component set by the Commission in the general rate case. This approach is consistent with the Company recommendation to use the most recently authorized cost of debt as the basis for carrying charges.

Another consideration in this docket is the frequency with which carrying charge rates should be updated. The DPU proposed that the carrying charge rates be updated annually based on the average of the AAA and BAA bond rates published by the Federal Reserve Board of Governors for the previous year.

The Company proposal is to update the cost of debt at the conclusion of each general rate case. The Company believes the appropriate -- believes the appropriate interval for updating carrying charge is at the conclusion of each future general rate case.

However, if the Commission determines that regularly scheduled updates are appropriate, he would suggest as an alternative that the Company review its carrying charges annually against its actual cost of debt reported in the Company's annual results of operations filed with the Commission, and that an adjustment to the carrying charge would be made when fluctuation from one year to the next would exceed 10 percent.

In comments provided, the Company has raised the issue of -- of carrying charges that have been set by stipulation or agreement. In its comments provided on December 2nd, 2015, the Company recommended the carrying charges that were set by previous stipulation or agreement should remain unmodified until the agreements expire.

The Company agreed with setting carrying charges for these accounts in an appropriate proceeding. The Company makes the following recommendations for the appropriate proceedings in which to address carrying charges in accounts in which the carrying charges were set by stipulation or agreement.

The demand side management account, the

carrying charge should be considered in a future proceeding in which rate modification is proposed for balances going forward.

The renewable energy credit account, the carrying charge should be reviewed and modified as necessary in the next annual review of the account for balances going forward.

The Blue Sky account, the carrying charge should be reviewed and modified as necessary in the context of the next annual review of the Blue Sky program for balances going forward.

In previous comments, the Company proposed no change in the EBA carrying charge during the term of recovery of the deferral amount, which was approved in the stipulation in Docket No. 15-035-03. Rates for the EBA deferral for the period of January through December 2014 went into effect within an effective period of November 1st, 2015.

This EBA balance will be collected over a one-year period with rates designed using a 6 percent carrying charge. It would not be reasonable to change the carrying charge for the EBA deferral during -- deferral currently being collected through November 2016.

As further background on the EBA carrying charge rate, the EBA was established by the Commission order -- by Commission order in Docket No. 09-035-15. As part of this order, the Commission set the carrying charge rate at 6 percent, which is reflected in the tariff.

The EBA was approved as a five-year pilot program, which was extended one year as part of the 2014 general rate case stipulation under Docket No. 13-035-184.

The Company requests that the Commission not modify the EBA carrying charge until the end of the pilot period, but instead as part of consideration in the revaluation of the mechanism which is expected to occur next year.

As a final comment, the Company notes that in comments on December 2nd, 2015, the DPU suggests that the Company proposal to base carrying charge rates on the cost of debt will assure that carrying charges for programs will differ, perhaps significantly, from current market rates.

However, a comparison of current market rates as proposed by the DPU with the cost of debt rates as proposed by the Company for the period from 2005 to 2014 does not support the risk that the DPU suggests. The comparison of rates for that timeframe shows the average difference of about 6/10th of 1 percent on a monthly basis, sometimes higher, sometimes lower.

The Company respectfully requests that the Commission adopt its proposal for carrying charges based on its authorized cost of debt, to be updated at the conclusion of each general rate case.

The rate level is less volatile -- this rate level is less volatile than the DPU proposal and is consistent with the established cost basis on which the Company is regulated.

Also, the Company requests that the Commission adopt its recommendation that the timing of carrying charge modification for accounts with carrying charges set by stipulation or agreement.

And further, that the Company requests that -- further, the Company requests that the Commission defer addressing each EBA carrying charge until the pilot is concluded and the structure of the EBA is reevaluated.

That concludes my comments.

MS. HOGLE: Mr. Lively is available for cross-examination.

OFFICER REIF: Thank you. Mr. Jetter, any questions for Mr. Lively?

MR. JETTER: I do have a few questions.

EXAMINATION

BY MR. JETTER:

Q. Good afternoon, Mr. Lively.

A. Good afternoon.

Q. I guess let's -- let's start out talking just a little bit about how the Company finances its operations.

Could you briefly describe in a general sense what the average cost of debt is made up of, what percentage of that would be long-term versus short-term borrowing?

A. Well, I don't know the answer to that. I could -- I just don't know the answer to the question as the percentage long term or short term.

Q. Do you know if it's mostly long term or mostly short term?

A. I don't know that. It's certainly an embedded rate that includes long-term debt and shorter term debt -- newer -- more newly issued debt.

Q. Okay. Would it be fair to say that most of the long-term debt is used for the financing of long-term assets that the Company holds?

A. No, I don't think I'd agree with that characterization. I don't think there is an assignment of debt within the embedded cost of debt that makes up the cost of debt. It's assigned based on, you know -- based on varying -- based on elements or aspects of the Company's operations or assets.

Q. Okay. Well, let's say hypothetically the Company was going to build a new transmission facility that had a useful life of 50 years, and the Company was going to finance that with debt.

Would you expect the Company to finance that with short-term debt, or would you expect the Company to finance that new addition with long-term debt?

A. I expect that there would be a debt issuance that would be a long-term issuance.

Q. Thank you.

And, conversely, if the Company were expecting to purchase a one-time short -- let's say a one-year contract for coal delivery, would you expect that to be financed with short-term debt?

A. I'm not sure how that would be financed. I think the entirety of the Company's operations are -- are financed with -- you know, with its -- with its embedded cost of debt, cost of capital, including cost of capital.

Q. Okay. Let's talk about what the Company's actually doing month to month, year to year.

The Company's debt fluctuates, does it not,

within any annual period?

A. Well, yes, I suppose it would. Yes.

Q. And there are loans that are made both back -- in both directions, is that correct, with affiliates of Rocky Mountain Power?

A. I don't know that.

Q. You don't know that?

And you don't know how -- how then the Company would finance the short-term over or undercollection of any these accounts, do you?

A. It's financed with the overall cost of -- cost of capital, including the overall cost of -- embedded cost of debt.

Q. But the margin will change in each one of these accounts from year to year. Do you know how that's financed?

A. With overall cost of capital, including the overall cost of debt.

Q. And so if I'm understanding, is it your testimony then that if -- if the balance changes year to year, the Company is issuing or buying back some equity, making a mix of balance that would roughly match its existing debt structure?

MS. HOGLE: Excuse me.

THE WITNESS: I don't understand.

MS. HOGLE: Before you proceed, I would like to offer Mr. Bruce Williams, who is on the phone, as a witness, as Mr. Jetter's questions relate more to the cost of debt and the -- and how the Company finances its operations. I believe that Mr. Williams would probably be better able to respond to those questions.

So if he wants to proceed with those types of questions, he could probably direct those questions to Mr. Williams. I just don't want Mr. Lively to be responding to questions that he is probably not the best witness to address. Thank you.

MR. JETTER: I'm happy to ask another witness if they're more knowledgeable about these issues.

Q. (By Mr. Jetter) Mr. Lively, are you familiar with the stipulations upon which some of these accounts were based? Have you had an opportunity to review those as part of this?

A. I reviewed certain sections of those stipulations. I wouldn't say I was in -- I have an in-depth familiarity with them.

Q. Okay. Would you be willing to accept that other parts of some of those stipulations are no longer in place? Those might be other interest rates, return on equity, numbers that were stipulated to at those times?

A. As part of those stipulations?

Q. Yes.

A. I'm -- I'm not familiar with those, so I really couldn't comment.

Q. Okay.

MR. JETTER: I think I'm -- at this time, that's all of my questions for this witness. I think I'll reserve all the rest of my questions for the other Company witness. Thank you.

OFFICER REIF: Thank you, Mr. Jetter. Before we move on, I just want to get some clarification.

So is Mr. Williams on the phone as an observer, or is he on the phone as a potential witness? And was that -- is that clear to all the parties?

MS. HOGLE: Given that -- the way that the process was laid out in this proceeding was for comments or reply comments, the Company asked several people who would be familiar with certain parts of the comments to be on the phone in the event that parties had questions pertaining to their areas of expertise.

And so I -- that would be what the Company would recommend. If there are certain questions about the Company's comments related to the areas of expertise in this case, cost of debt, cost of capital, carrying charges, we asked Mr. Williams to be on the phone to respond to those questions if necessary.

OFFICER REIF: Is there a reason why Mr. Williams is not here today?

MS. HOGLE: No. There is no reason. We -- we have historically been able to present witnesses over the phone, and we were just following that same process.

OFFICER REIF: Okay. Mr. Jetter?

MR. JETTER: As far as I'm concerned from the Division, I'm happy to ask the person most knowledgeable about this to get the best information.

OFFICER REIF: Okay. And Mr. Olsen or Ms. Hayes, do you have anything to add to that?

MS. HAYES: No. Thank you.

MR. OLSEN: It seems appropriate.

OFFICER REIF: Okay. Then we'll proceed with that.

Mr. Olsen, do you have questions of Mr. Lively?

MR. OLSEN: I do.

EXAMINATION

BY MR. OLSEN:

Q. How are you today, Mr. Lively? It's good to see you again.

A. Very good. Thank you.

Q. I would like to see if I can clarify something, reconcile something in your testimony, your written testimony, and what I believe I understood you to say in your summary. So I just -- I need to get clarification on that if I might.

It appeared, if I understood what you were saying, that your -- the Company's position is that these carrying charges should be -- well, for the EBA at the end of the pilot period would be the time that you would look at that, and then annual reviews for Blue Sky and REC and was it DSM as well?

A. Well, there were three -- there were three accounts that we called -- aside from the EBA that had the carrying charge set at -- by stipulation or agreement - the DSM, the Demand Side Management account, the Renewable Energy Credit account, and the Blue Sky account.

For the latter two accounts, Renewable Energy Credit account, the Blue Sky account, those are subject to annual reviews by regulators. And so we're suggesting that in the context of those annual reviews, the -- the matter of the carrying charge could be reviewed for account balances going forward for those accounts.

In the Demand Side Management account, we've suggested that the appropriate time to address the carrying charge for that account is at a proceeding in which the rate modification is being proposed.

Q. And for the other -- there were eight that were at issue I believe in this -- for the remaining.

What is your proposal for looking at the charges in those remaining?

A. Well, I've made specific recommendation on the EBA as you know.

Q. Right. Yeah.

A. That it be addressed at the end of the -- carrying charge be addressed at the end of the pilot. But for the other accounts, we have no objection if the Commission orders a change to the carrying -- to those carrying accounts, that they be applied, you know, as ordered by the Commission for -- for balances going forward.

Q. So then if I -- to direct you to your reply -- your -- yeah, your reply on page 2, do you have that in front of you?

A. Which reply?

Q. Well, December 2nd.

A. December 2nd.

Q. I'm sorry. Which I believe is your reply comments. On page 2?

A. I'm there.

Q. If I could ask you to look at the last sentence of the third paragraph in summary, it's the -- just essentially your last sentence in summary, it says, "Upon modification in an appropriate future proceeding, the Company agrees with setting uniform truck carrying charges prospectively."

So is it the Company's position that by the time this is over, there would be a uniform charge?

A. Well, that's what's been proposed by -- a uniform charge has been proposed by -- by the Company, and that being 5.2 percent or the cost of debt as set in the most recently concluded general rate case.

Q. Then when would that happen if -- would that happen -- would the expectation be then if it were -- your proposal were accepted, that this annual review on -- on the REC, for instance, that would end up just being this 5.2?

A. On the REC, the REC is one of the accounts that we propose that be addressed in the context of the next annual review. And I suppose that -- I guess my thought would be that that rate or rate level would be addressed in that review. It could be uniform with the -- with the other carrying charges set or, you know, perhaps it could not.

Q. Okay. That's what I was trying to clarify, your -- you are -- I don't want to put words in your mouth. But your position is that the -- all rates would not necessarily end up being uniform. They could be different over time. They could differ at any time. They could differ over these various accounts?

A. Would you restate that question?

Q. Yeah. I'm sorry if I -- as I read something that says "uniform," and we're talking about the eight accounts, I'm assuming that ultimately there would be a single number derived, however it is that it's derived, that will be applicable to all those accounts.

Is that the ultimate result that you -- the Company proposes in that sentence?

A. I would presume they would be uniform, but I don't think necessarily they would have to be.

MR. OLSEN: I have no further questions.

OFFICER REIF: Ms. Hayes, any questions?

MS. HAYES: No. Thank you.

OFFICER REIF: Ms. Hogle, any redirect?

MS. HOGLE: Just a moment, please. Thank you. Thank you. Yes, one question.

EXAMINATION

BY MS. HOGLE:

Q. Mr. Lively, you were just asked by counsel

for the Office regarding the timing and the interest rate for the REC balancing account, the DSM account, and the Blue Sky account.

And is it the Company's position to your knowledge that the Commission can order at that time when these settlement stipulations expire for those accounts the uniform whatever interest rate, uniform interest rate it orders in this case?

A. Yes, it is and could.

MS. HOGLE: Okay. Thank you. No further questions. Thank you.

OFFICER REIF: Thank you, Ms. Hogle.

MR. OLSEN: Could I recross?

OFFICER REIF: You may.

EXAMINATION

BY MR. OLSEN:

Q. So is it your -- if you know, is it the Company's position that the Commission does not have the authority to modify those current stipulated rates?

A. No, that's not my position at all. My position would be that in those future proceedings or reviews, that the Commission certainly could modify those rates at its discretion.

Q. Okay. Thank you. Without having the termination of the stipulation?

A. Correct.

Q. Okay. Thank you.

A. Correct.

MR. OLSEN: I have nothing further. Thank you.

EXAMINATION

BY OFFICER REIF:

Q. Mr. Lively, just one question for you, please. This relates back to the question that I've been asking each of the witnesses. And if it's helpful to you, this particular part of the question with respect to the Company relates to the Company's filing on November 19, 2015. And specifically the reference that I want to follow up with you on is on the very last page, it's page 8, and it's at the very top, and it's entitled "Customer Overpayments" in bold.

A. Right.

Q. And almost at the very bottom of that first paragraph, it says the following: "The carrying charge for customer overpayments is currently 6 percent."

Do you recall the provisions that I read earlier, namely Rocky Mountain Power Electric Service Regulation No. 8 and Rocky Mountain Power Electric Service Schedule No. 300?

A. I recall that discussion, yes.

Q. Okay. I'm happy to reread those, and I don't expect you to remember. And if it helps you to answer my question, I'm -- I'm pleased to do so.

My question is do you know whether these provisions change the 6 percent that's reported as the percentage for customer overpayment?

A. I do not know. I'm not familiar with those -- familiar enough with those provisions to provide a definitive answer.

Q. Okay. Thank you, Mr. Lively. Appreciate your help.

OFFICER REIF: Ms. Hogle, is there anything you want to follow up with Mr. Lively on with respect to my questioning?

MS. HOGLE: I do not.

OFFICER REIF: Okay. You may be excused.

THE WITNESS: Thank you.

OFFICER REIF: Ms. Hogle, is it your intention to call Mr. Williams at this time?

MS. HOGLE: The Company calls Mr. Bruce Williams.

OFFICER REIF: Mr. Williams, can you hear me okay?

MR. WILLIAMS: Yes, I can hear you. It's been kind of difficult to hear some of the other speakers, but I hear you now.

OFFICER REIF: Okay. We'll try to be careful in talking directly into our microphones, which will hopefully make that easier for you to hear everyone.

I'm going to swear you in at this time. So if you would kindly answer my question.

--oOo--

BRUCE WILLIAMS,

having been first duly sworn to tell the truth, was examined and testified as follows:

--oOo--

OFFICER REIF: Ms. Hogle, please proceed.

EXAMINATION

BY MS. HOGLE:

Q. Can you please state and spell your name and state your position and address for the record?

A. Sorry. I didn't hear you.

Q. Can you can please introduce yourself?

A. Yes. I'm Bruce Williams. I'm Vice President and Treasurer of Rocky Mountain Power, the Company.

Q. Are you familiar with the comments that were filed by the Company on November 19th and December 2nd?

A. Yes, I am.

Q. And did you assist in the preparation or review of those comments?

A. Yes, I did.

Q. Okay.

MS. HOGLE: I believe that the witness is available for questions. Thank you.

OFFICER REIF: Mr. Jetter?

EXAMINATION

BY MR. JETTER:

Q. Thank you. Good afternoon, Mr. Williams. This is Justin Jetter. I represent the Utah Division of Public Utilities. And I have a few questions for you that you may be the expert on.

A. Okay. Good afternoon.

Q. My first question relates -- relates to how the Company finances its short-term increases or decreases and needs for capital. And I'm specifically asking you about inter-year increases or decreases and the need for capital in excess of the variations that would be normally found in the cash working capital accounts.

A. Okay. Well, let me try to describe for the short-term financing that ultimately leads to longer term financings, and maybe that will help you and others through this question.

But every day, the Company is both receiving cash from customers from the normal monthly payments from retail customers or large wholesale or industrial customers, and there's a -- you know, a stream of payments that are received every day. That will be different every day.

Then also at the same time, we're also making various payments to vendors and suppliers and employees and tax agencies and other entities. Every day there's both money coming in and money going out.

And any day that could be related to, you know, changes in perhaps the DSM account we've been talking about or some of these other balancing accounts, but every day is going to be different.

And then what we do every day is look at, you know, do we have more money coming in than we have going out? If we do, then we will invest the surplus, or if we have more money going out than we have coming in, we'll look to borrow.

Initially those are short-term borrowings. And if those short-term borrowings build up over a period of time to a point where it makes sense to do the longer term financing, such as a long-term debt issuance, the Company will undertake that and complete a longer term debt issuance to pay down that short-term debt balance.

So there isn't sort of a discrete financing going on for changes in the DSM balance or some of the other accounts, but it's all just part of the Company's overall capital needs, which we finance overall.

Q. Thank you. And I'll ask you a few questions briefly about the DSM account because that's the one you've mentioned.

Would you accept, subject to check, that the DSM account fluctuates between positive and negative balances? By that I mean either a credit or a debit as seen from the view of the Company?

A. I'm only somewhat familiar with those balances and accounts. Mr. Lively would be a much better witness on those changes, but I'm aware that balances do fluctuate.

Q. Okay. And if I were to tell you, for example, that -- subject to check that that balance in the DSM account reached zero, as well as switched from a positive to a negative balance March of 2014, December of 2010, July of 2008, and May of 2006, going back roughly in the ballpark of two to three years, is that the type of balance that you would finance with long-term debt?

A. Well, again, it would depend on the Company's other capital needs and capital sources. So we're not just financing, you know, one thing in isolation of the other needs or sources of the Company. So it's all blended together into a big pool or a big pot of money or need for money. So it's the overall need that the Company finances.

But to the extent that the DSM or any of these other balances contributed to the Company needing money, that need would ultimately be financed on a long-term basis.

Q. Even a need that appears based on past history to be short-term in nature?

A. I'm sorry. I didn't quite hear you.

Q. A need for financing that would be based on past history appear to be short term in nature, wasn't it your earlier testimony that that type of a capital need would be financed eventually with short-term financing?

A. Well, to the extent that that -- that single stream of need, you know, would flip in 30 or 60 or 90 days or something and then become a source of capital to the Company, a source of, you know, cash, it could reduce the need for other short-term funding or ultimately long-term funding.

Q. Thank you for that. I'd like to change my line of questioning just a little bit and discuss the mechanics of how interest is paid out when the Company

has a net obligation to, let's say, a DSM account for example.

And just for my hypothetical, if the Company has a net obligation, a net debit as it were, to the DSM account, and it were paying an interest rate -- let me look at the current -- of 7.76 percent, where does the 7.76 percent come from?

Specifically what I'm asking for, is that an interest payment that would come from the shareholders of the Company, or is that an interest payment that would be built into rates and recovered through rates in order to pay that out to the DSM account?

A. Yeah. I'm going to defer to Mr. Lively on that. He's -- he's much more knowledgeable about the actual mechanics of how the accounts work and -- and, I guess, the crediting or the payment of interest rates.

I will say that, you know, the Company's -- when it makes an interest payment on other obligations, say a long-term debt issuance, that would be part of what I talked about earlier is the daily needs of the Company's, you know, cash.

And if it's a significant payment, you know, we obviously know it's coming, so we will be including that in our planning and our -- our expectation. So we will take that into account when we're coming up with our funding strategy for that day or that week if it's a significant interest payment.

I think, you know, generally the size of these balances and the interest amounts, you know, are not as significant as a long-term debt interest payment. Again, I'll defer to Mr. Lively for the specifics of how those are calculated or -- or conducted.

Q. Just a quick follow-up to that. What kind of ballpark number are you talking about when you would say a "significant interest payment"?

A. Oh, it could be -- I'd say 5 million is not a -- not atypical, and upwards of 15 to 30 million of interest payments on any single day.

Q. Thank you for answering those questions today. I think that is all of the questions that I have for you today.

A. All right. You're welcome.

OFFICER REIF: Mr. Olsen, do you have questions?

MR. OLSEN: I do. Thank you.

EXAMINATION

BY MR. OLSEN:

Q. Hello, Mr. Williams. My name is Rex Olsen. I'm an attorney for the Office of Consumer Services.

I'm trying to see if I understand something.

In the course -- as Rocky Mountain Power, if you have -- well, let me just ask the question if I can straightforwardly as I can.

Are there money transfers between Rocky Mountain Power and PacifiCorp and vice versa during the course of a week or a day?

A. Let me -- let me clarify that, that PacifiCorp and Rocky Mountain Power and Pacific Power are all the same legal entity. It's the -- Rocky Mountain Power is a business name or a name under which PacifiCorp does business in Utah and Wyoming and Idaho. And Pacific Power is the name in the Western states as well. So it's all one legal entity. It's the same organization, same company.

Q. So then I would -- go ahead. I'm sorry.

A. I was just going to say as part of that daily, you know, balancing of the cash sources and cash uses, you know, there could be collections from Pacific Power customers and then a need to pay for a transmission line in Utah or a generation facility or something like that. So the money is coming and going, you know, from all different states and all different groups of customers.

Q. And there is no -- it's treated as if it's a

single account then really. I mean, it sounds like. Is that a fair simple --

A.   From a financing standpoint, yes. Now, from a regulatory standpoint, you know, there's allocations and different operations and things like that. But from a financing standpoint, it's -- it's the same financing, same company.

Q.   Then if I looked at Berkshire Hathaway as a holding company, there are transfers of money from Berkshire Hathaway into this case, because it's Rocky Mountain Power we're dealing with, to Rocky Mountain Power or vice versa on a daily or weekly basis?

A.   I'm sorry. You kind of cut out there. If you could repeat the question, please.

Q.   Yeah. Looking at Berkshire Hathaway as the holding company then, are there times when Berkshire Hathaway might fund the needs of Rocky Mountain Power for some of these needs that you've discussed, or vice versa, if there is a cash surplus at Rocky Mountain Power that might be needed at -- by Berkshire Hathaway as a company, are there transfers of funds at that time of that nature?

A.   The answer is no, with just a very few exceptions. And those exceptions would be if PacifiCorp was paying a dividend to Berkshire Hathaway or previously where Berkshire Hathaway was making a capital contribution to PacifiCorp for essentially making an equity investment into PacifiCorp.

Those would be the only times that cash would flow between PacifiCorp and Berkshire Hathaway. There's a prohibition against loaning money between the two entities. We don't have regulatory approval to do that, nor would we.

Q. Okay. Thank you. That answers my question.

MR. OLSEN: I have nothing further.

OFFICER REIF: Ms. Hayes, any questions of the witness?

MS. HAYES: No. Thank you.

OFFICER REIF: Ms. Hogle, any redirect?

MS. HOGLE: No redirect. Thank you.

OFFICER REIF: Before we excuse Mr. Williams, do you have a sense, Ms. Hogle, whether he would have any ability to respond to the question that I raised to Mr. Lively earlier?

MS. HOGLE: I think I do have a sense, and I would say that he probably does not, but I will let him respond.

OFFICER REIF: Okay.

EXAMINATION

BY OFFICER REIF:

Q. Mr. Williams, this is Melanie Reif, the Hearing Officer. I hope you can still hear me okay.

A. Yes.

Q. Okay. I raised a question earlier of the witnesses, including Mr. Lively, which relates back to the representation that the customer overpayments, the rate -- the interest rate on that is 6 percent. And I was referencing a couple of provisions in Rocky Mountain Power's Service Regulation No. 8 and Service Schedule No. 300.

Do you recall the nature of that question, sir?

A. I recall you asking. I had a hard time hearing it, but generally I'm not familiar with those matters. And I'm not sure I'd be able to help you.

Q. Can you --

OFFICER REIF: We'll leave it at that. Thank you.

MS. HOGLE: I believe the Company rests, unless there's other questions.

OFFICER REIF: Okay.

MS. HOGLE: Thank you.

OFFICER REIF: Is there anything that -- further that needs to come before the Commission? All right. We'll be adjourned, and the Commission will take this under advisement. Thank you all for your input.

(The proceedings concluded at 3:02 p.m.)

REPORTER'S CERTIFICATE

STATE OF UTAH)
COUNTY OF UTAH)

I, Daren S. Bloxham, a Notary Public and Certified Shorthand Reporter, Registered Professional Reporter, hereby certify:

THAT the foregoing proceedings were taken before me at the time and place set forth in the caption hereof; that the witnesses were placed under oath to tell the truth; that the proceedings were taken down by me in shorthand and thereafter my notes were transcribed through computer-aided transcription; and the foregoing transcript constitutes a full, true, and accurate record of such testimony adduced and oral proceedings had, and of the whole thereof.

I have subscribed my name on this 21 day of December, 2015.

Daren S. Bloxham
Registered Professional Reporter #335