

**MEMORANDUM**

To: Public Service Commission

From: Filing Requirements Subgroup of the Test Period Task Force  
Lowell Alt, Subgroup Chairman

Date: December 14, 2005

Re: Report of the Filing Requirements Subgroup of the Test Period Task Force  
Docket No. 04-999-05

Attached is the final Report of the Filing Requirements Subgroup of the Test Period Task Force. The Subgroup was established by the Commission on March 9, 2005 in response to a joint request by the Division of Public Utilities, Committee of Consumer Services, Questar Gas, PacifiCorp and UAE. The Subgroup was charged to develop proposed rules for filing requirements for a utility's general rate case and to file a report to the Commission by December 15, 2005. The Subgroup met nine times from April 11, 2005 to December 8, 2005. The Subgroup worked on Filing Requirements for Energy Utility General Rate Cases. Final agreement on the Filing Requirements was not achieved by the Subgroup's deadline. Therefore no recommendations are offered in the attached report. The last draft of the Filing Requirements is included with the Subgroup report for the purpose of showing the progress that was made and to provide a document that may be used as a starting point for future related efforts. Participants in the Subgroup may file individual comments on the Subgroup report and work.

Report of the Filing Requirements Subgroup of the Test Period Task Force

## **I. Introduction**

On October 25, 2004, the Commission in Docket No. 04-999-05 established the Test Period Task Force to develop and propose rules to establish timing, evidentiary and procedural requirements to implement the provisions of Utah Code 54-4-4(3) regarding the selection of a test period.

On February 24, 2005, the Division of Public Utilities ("Division"), Committee of Consumer Services ("Committee"), Questar Gas, PacifiCorp and UAE as participants in the Test Period Task Force asked the Commission to establish a subgroup of that task force with the specific responsibility to develop and propose rules for filing requirements and to file a report of its proposals by December 15, 2005. These rules were intended to specify the information and documents that a utility must file in connection with a General Rate Case ("GRC"). On March 9, 2005, the Commission established the Filing Requirements Subgroup ("Subgroup").

On February 25, 2005, the Commission in its order in a PacifiCorp general rate case, Docket No. 04-035-42, established a Discovery Task Force and a Forecasting Task Force. Since many of the same parties were expected to be participants in these two task forces as well as the Subgroup, it was agreed to initially have joint meetings of the three groups.

## **II. Statement of Purpose**

The Subgroup agreed its mission was to develop proposed rules for filing requirements for a utility's GRC and to provide, by December 15, 2005, a report of the Subgroup's proposals to the Public Service Commission. The proposed filing requirement rules should specify the minimum level of information and documents that a utility must file in connection with a GRC. The Subgroup agreed its proposals should meet the following objectives:

- a. To provide, in a timely manner, the necessary and sufficient evidence for parties to evaluate and the Commission to determine the appropriate test period in a GRC.
- b. To provide, in a timely manner, the necessary and sufficient evidence for parties to fully analyze a utility's GRC.
- c. To reasonably balance the informational requests of parties against the burden on the utility.

- d. To find the optimal split between the use of filing requirements and the use of post filing discovery to provide, in a timely manner, the information needed by parties in a utility's GRC.

### **III. Description of Subgroup Work**

The Subgroup met nine times from April 11, 2005 to December 8, 2005. Subgroup participation included the Division, Committee, PacifiCorp, Questar Gas, UAE, Commission staff and the Utah Rural Telecom Association ("Participants").

The Subgroup began by reviewing work products from the Test Period Task Force, including:

- a. Questar Gas/PacifiCorp's February 24, 2005 Combined Comments on Filing Requirements.
- b. Committee's March 11, 2005 Proposed Revisions/Additions to Questar Gas/PacifiCorp's Combined Comments on Filing Requirements.
- c. Committee's April 11, 2005 Revised Comments on Filing Requirements.
- d. List of factors for consideration in the selection of a test period.
- e. List of factors that drive a need for a rate change.
- f. Framework of consensus statement related to test period determination.

The above documents were used to create a matrix which listed rows of specific categories of information related to a utility's general rate case together with columns representing various methods and times for providing the information to parties. The columns included 1) Filing Requirements

(information to be filed with a GRC application, 2) Master Data Request A (responses to be provided to parties upon GRC filing if a forecasted test year is used), 3) Master Data Request B (responses to be provided to parties within 30 days of filing), and 4) Discovery (information to be provided to parties in response to specific discovery requests).

Each party was asked to submit to the group a copy of the matrix showing its position (regarding how and when information should be provided) for each information category. For this step the Division also submitted its written comments on filing requirements similar to that previously prepared by the Committee and Questar Gas/PacifiCorp. Next the group discussed each information category (row) in the matrix seeking common ground among the parties. This approach resulted in general agreement for most information categories in the matrix.

A paper was prepared, using the aforementioned documents, listing each party's proposed detailed description for each information category in the matrix. It was determined that the information categories to be provided in Master Data Requests B ("MDR B") (within 30 days of the application filing) would be reviewed by the Discovery Task Force. The remaining information categories would be reviewed by the Subgroup. The Subgroup, over the course of several meetings, discussed the detailed description of each information category, once again seeking common ground. This process resulted in general agreement for most information categories. The agreed upon items were assembled in two documents: Filing Requirements and Master Data Request A ("MDR A"). At this

point, it was agreed that the Discovery Task Force would take over remaining work on MDR A.

Final agreement on the Filing Requirements was not achieved by the Subgroup's report deadline. Therefore no recommendations are offered in this Subgroup report. The last draft of the Filing Requirements is attached to this report for the purpose of showing the progress that was made and to provide a document that may be used as a starting point for future related efforts.

## **Filing Requirements for Energy Utility General Rate Cases**

### **A. General**

1. At the time of a General Rate Case (“GRC”) filing, the utility will file the data and information specified in the filing requirements listed in Sections C-E below. These filing requirements do not apply to an application for interim rate relief.
2. Nothing in these filing requirements is intended to alter existing burdens of proof or going forward. Utah Code 54-4-4 (3) does not create any presumptions or preferences with respect to a historical, middle or future test period.
3. Certain information specified herein may be confidential or of a sensitive nature and may be offered for review at the utility’s offices or otherwise as agreed or directed by the Commission. Confidential information will be subject to protective orders entered in the case.

### **B. Test Period Timeline**

1. To the extent practicable, at least 30 calendar days prior to a utility’s anticipated formal GRC application, a utility shall file at the Commission and with the parties to the service list in the utility’s most recent GRC, a non-binding statement of the utility’s intention to file a general rate case.
2. At least fourteen calendar days prior to the filing of a GRC, a utility will serve on parties to the service list in the most recent general rate case for that utility, a notice of intent to file a GRC, a request that the Commission open a docket for purposes of receiving applications for intervention and a motion for prompt entry of a proposed Protective Order. With such notice, the applicants shall also file and serve a statement of the 12-month test period the utility has selected for its upcoming filing.
3. The utility shall file with its GRC filing a request for a scheduling conference and a draft notice of scheduling conference to be held as soon as practicable after the 14<sup>th</sup> calendar day following the filing.
4. At the time the GRC is filed, the utility shall serve on any person or entity who has requested intervention in the GRC, a copy of the GRC and, if the utility’s filing utilizes a forecasted test year, a copy of the utility’s responses to any then-effective test year Master Data Request A (“MDR A”), either stemming from agreement by the filing utility or from a Commission order. Confidential information will be provided in accordance with the Protective Order entered by the Commission.

5. Other parties may challenge the utility's selected test period and propose an alternative test period for Commission consideration within the timeframe outlined in the next paragraph.
6. Any party may request a test year hearing by filing a non-binding request for hearing with the Commission and with the parties to the service list in the utility's most recent GRC no more than 14 calendar days after the date of the GRC filing. Whether or not such request for hearing is made, the Commission will issue an order determining the test period to be used in the GRC as soon as practicable and, unless the Commission determines that more time is warranted and in the public interest, within 65 calendar days after the filing of the GRC.

**C. Results of Operations (RO)**

1. The utility shall provide the actual, unadjusted results of operations for the most recent reporting period as required by the Utah Public Service Commission.
2. The utility shall provide the adjusted results of operations for the most recent reporting period.
3. The utility shall provide a description, if available, of any significant changes in accounting policies for the actual RO period, the prior year, and subsequent through the date of the filing, along with the impact on the filing. Significant changes for this purpose are anything referenced in footnotes of financial statements or auditor's reports. Explanations for changes that are not significant will be provided in response to discovery.

**D. Cost of Service and Rate Design** (to be filed with GRC application unless the Commission has previously approved a schedule that allows a delayed filing)

1. The utility shall provide a Utah Class Cost of Service Study based on the test period with supporting documentation including the development of allocation factors.
2. The utility shall provide its proposal for spreading any Utah revenue requirement change among the rate schedules. This will include the dollar and percentage revenue requirement change for each rate schedule.
3. The utility shall provide its proposed rates for each rate component of each rate schedule and the test period billing determinants for all rate components used to calculate revenues necessary to recover the proposed revenue requirement. An exhibit will be provided showing the test period blocking based on adjusted actual and forecasted billing units in the development of the revenues for each rate schedule.

4. The utility shall provide its proposed Tariff sheets for all rate schedules and electric service regulations for which it proposes changes.
- E. Forecasted Test Period Data (to be provided only if a forecasted test period is used)**
1. **Format** of the forecasted test period data shall be comparable to the RO.
  2. **Revenues.** The utility shall provide the details supporting the test period revenues including (as applicable):
    - a. Usage, per customer
    - b. Demand and energy usage
    - c. Assumptions used in the development of the revenue forecasts
    - d. Billing determinants, by customer class, used to calculate the forecast test year revenues.
    - e. Pricing rates used in the forecast development
    - f. Contract changes or other specific changes anticipated in the forecast.
  3. **Operating Costs.** The utility shall provide operating cost information, including:
    - a. Forecasted costs relying on escalators or drivers will include the details of the base costs and the key drivers that impact the forecasted amount. If forecasted costs are not based on historical levels that have been inflated or escalated, the Company shall provide supporting documents in the most detailed level available.
    - b. The information will identify the index or rate of inflation applied to accounts, budget items or specific cost components that result in adjusted costs in the forecasted test period. Source documents supporting the index or rate of inflation applied will be identified and will be provided or made available under the terms of a protective order if applicable.
  4. **Labor Costs** shall be identified separately. The utility shall provide:
    - a. The actual most recent number of full-time equivalent employees and, separately, the forecasted number of full-time equivalent employees at the end of the historical starting period. The most recent actual contract labor employees and the forecasted number of contract labor employees for the test period will also be provided as available and separately identified. The most recent actual union labor employees and the forecasted number of union labor employees for the test period will also be provided as available and separately identified.
    - b. The associated costs related to the full time equivalent labor and contract labor levels. Direct employees, contract employees, union and nonunion employees will each be provided separately.

- c. Overtime costs, premiums, incentives, or other labor costs included in the forecast, with each provided separately. Union and nonunion costs shall be provided separately.
  - d. Any assumed salary and wage increases included in the projected labor costs will be identified. Any of the increases supported by a union contract will be so identified.
  - e. Pensions and benefits, overheads or other employee benefit costs that are included in the forecast period. Each of the separate employee benefit components will be separately identified (i.e., medical, dental, pensions, etc.) Any assumptions regarding projected increases in such costs caused by factors other than changes in full time employee levels will be identified and described, with supporting assumptions identified.
  - f. If projected increases in pension expense cause a material cost impact, at a minimum, the following information should be provided for the RO year (historical year), most recent complete fiscal year (if not the RO year) and the forecast period: service cost, interest cost, expected return on assets, net amortization and deferral, amortization of prior service cost, and total net periodic pension cost. The information shall also include for each year (RO year, fiscal year and forecast year) the expected long-term rate of return on assets, discount rate, salary increase rate, amortization of transition asset or obligation, percent of pension cost capitalized, minimum required contribution per IRS, maximum allowable contribution per IRS, and actual (or projected) contribution made to the trust fund. Also included shall be the projected year-end balance (for each of the respective periods provided) for accumulated benefit obligation, projected benefit obligation, fair value of plan assets, and market related value of assets.
6. **Capital Expenditures.** The utility shall provide capital expenditures detail, and changes affecting rate base, including:
- a. The detail for the changes, beginning at the end of the historical RO period through the end of the forecasted test period. The detail will include dollar amounts and in-service dates.
  - b. The detailed calculation of depreciation expense and accumulated depreciation impacts as a result of the capital expenditures affecting rate base. For depreciation expense, the information will include the balances by plant account or function, depending on how the projection is done, to which the depreciation rates are being applied and the respective depreciation rates being used, by account or function, depending on how the projection is done.
  - c. Interdependencies of capital expenditures to O&M items will be identified, e.g., if the inclusion of a capital item reduces an ongoing expense item.

- d. An itemization with project description will be provided for all major capital additions to rate base exceeding 0.2% of total plant in service for the period contained in the actual RO, and the future test period.
  - e. Detailed calculation of plant retirements.
7. **Regulatory Adjustments.** The utility shall provide details of all the regulatory adjustments required in the filing:
- a. Information for recurring regulatory adjustments, such as amortizations, indicating compliance with past Commission orders.
  - b. The reasons for non-inclusion or departure from Commission ordered practice or adjustments
  - c. Regulatory adjustment information will include disallowances from prior orders, implementation of accounting orders approved by the Commission, or other adjustments necessary to make the forecasted test period data acceptable for ratemaking in Utah. Each of the regulatory adjustments will be supported by prefiled testimony or a detailed description contained within the schedules.
8. **Other Rate Base.** Details of other rate base accounts shall be provided. For other items of rate base, such as deferred debits, accumulated deferred income taxes, materials and supplies, miscellaneous rate base, customer advances, deferred credits, etc., the utility shall provide schedules showing the historical period amount (i.e., actual RO amount), and any changes, both debits and credits, to those amounts for the interim period through the future test period resulting in the projected amount included in the filing. The schedules shall provide descriptions of any adjustments and modifications made to the historical period amounts and assumptions included in the projections. For any accounts in which no change from this historical test year level is proposed, a description of why the amount is not forecasted to change should be included.
9. **Taxes.** Forecasting methods, calculations and key assumptions used to take historical tax information to projected costs and results should be provided on a tax item basis (i.e., income, FICA, property taxes, etc).