

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application)
of Rocky Mountain Power for)
Authority to Increase Its Retail)
Electric Utility Service Schedules)
and Electric Service Regulations,)
Consisting of a General Rate)
Increase of Approximately \$161.2)
Million Per Year, and for Approval)
of a New Large Load Surcharge.)

TRANSCRIPT OF HEARING PROCEEDINGS

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

DATE: October 7, 2008

TIME: 2:04 p.m.

REPORTED BY: Kelly L. Wilburn, CSR, RPR

(October 7, 2008 - Rocky Mountain Power - 07-035-93)

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4 Ric Campbell
5 Ron Allen

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15 (The previous exhibits and related testimony
16 were prefiled and are part of the PSC record
and filed at the Commission.)

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1 MR. PROCTOR: Paul Proctor, Assistant
2 Attorney General, on behalf of the Utah Committee of
3 Consumer Services.

4 MS. SCHMID: Patricia E. Schmid, Assistant
5 Attorney General, along with Michael Ginsberg,
6 Assistant Attorney General. He will be hearing the
7 public witness portion of this case. And handling the
8 public witness portion of this case.

9 CHAIRMAN BOYER: Thank you, Ms. Schmid.

10 MR. SOLANDER: Daniel Solander on behalf of
11 Rocky Mountain Power, along with Yvonne Hogle, who
12 will be handling the public witness portion of the
13 case for Rocky Mountain Power.

14 CHAIRMAN BOYER: Thank you, Mr. Sloan.
15 Mr. Dodge?

16 MR. DODGE: Gary Dodge, on behalf of UAE.

17 CHAIRMAN BOYER: Mr. Reeder?

18 MR. REEDER: And I'm Robert Reeder, on behalf
19 of a group of industrial customers who are identified
20 in this record as UIEC.

21 CHAIRMAN BOYER: Thank you and welcome.

22 MS. MANDELL: Vicki Mandell representing
23 Western Resource Advocates, Utah Clean Energy, and
24 Southwestern Efficiency Energy Project.

25 CHAIRMAN BOYER: Thank you, Ms. Mandell.

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1 Welcome.

2 MS. MANDELL: To my right is Rosalie
3 Woolshlager, also with Western Resource Advocates.
4 And Mr. Rich Collins, who is the witness for us.

5 CHAIRMAN BOYER: Okay, thank you. Welcome
6 also.

7 Okay. With that, I think the -- yes, sir.

8 MR. LACEY: Mr. Chairman, Eric Lacey here
9 representing Nucor.

10 CHAIRMAN BOYER: Thank you, Mr. Lacey.

11 Okay. Well, I notice from reading the motion
12 and stipulation that most parties are supporting it.
13 However, there may be some opposition to the motion.
14 So let's begin with the proponents of the stipulation,
15 beginning with the Company.

16 And then we'll hear anyone else who wishes to
17 be heard in favor of the motion. And then we'll hear
18 from those who are opposed, if any. Mr. Solander?

19 MR. SOLANDER: Thank you Chairman Boyer. I
20 have with me Bill Griffith, who is the Company's
21 Director of Cost of Service and Pricing and Regulatory
22 Operations. And we'd like to present his testimony on
23 behalf of the stipulation. Or in favor of the
24 stipulation.

25 CHAIRMAN BOYER: Very well, thank you. Would

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1 you -- let's see, I don't believe you've been sworn in
2 this case, have you? Or maybe you have.

3 THE WITNESS: I was in the revenue
4 requirement.

5 CHAIRMAN BOYER: Okay, we'll call that good
6 then. You're still under oath.

7 You may want to pull it closer to you.

8 (A discussion was held off the record.)

9 MS. SMITH: This is Holly Rachel Smith.

10 CHAIRMAN BOYER: Welcome, Ms. Smith. We're
11 just about ready to commence with those advocating the
12 approval of the stipulation. And we're beginning with
13 a witness, Mr. Bill Griffith, with Rocky Mountain
14 Power.

15 Is there anyone else on the phone? Okay,
16 very well. You may proceed, Mr. Griffith.

17 BILL GRIFFITH,
18 called as a witness, having previously been
19 duly sworn, was examined and testified
20 as follows:

21 MR. GRIFFITH: Thank you. I'm, yes, I'm here
22 to support the adoption of the stipulation signed to
23 by the parties. It, we believe is, is fair and in the
24 public interest. It implements the rate increase out
25 of this docket, on a uniform percentage basis, to all

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1 customer classes. And applies the rate increase to
2 each customer class as a surcharge tariff rate rider
3 on the customer's bill.

4 It also initiates an education program which
5 the Company will commence. And with the review and
6 comment of the parties prior to circulation of this
7 program, we will commence an education program for
8 education on rates and usage levels within the
9 residential rate structure.

10 And also on the purpose of the rate structure
11 and steps that customers can take to reduce usage.
12 That's the second component of the stipulation. The
13 third component has to do with the review and
14 investigation of different rate design proposals that
15 might promote conservation and energy efficiency.

16 These would be convened through the DSM and
17 advisory group, and would occur within 30 days
18 following the approval of the stipulation. Lastly,
19 the stipulation also implements the Company's proposed
20 changes to street lighting tariffs. These were not
21 opposed by any party. And these have no revenue
22 effect as their result. They are to clean up and
23 somewhat modernize our street lighting offerings and
24 tariffs.

25 And then lastly, there are also some minor

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1 revisions to our electric service regulations that
2 were sponsored by Mr. Ross Stewart that are also
3 contained in this stipulation. It's a fairly short
4 stipulation. The parties all agreed that, with the
5 approval of it, that the cost of service, rate spread,
6 and rate design elements of this case shall be deemed
7 concluded. And the Company supports the stipulation.

8 CHAIRMAN BOYER: Thank you, Mr. Griffith.

9 MR. SOLANDER: Thank you, Chairman Boyer,
10 Mr. Griffith would be available for any questions that
11 the Commission might have, or any questions from the
12 other parties.

13 CHAIRMAN BOYER: Thank you, Mr. Solander.

14 Ms. Schmid, have you any questions for
15 Mr. Solander?

16 MS. SCHMID: None.

17 CHAIRMAN BOYER: Mr. Proctor?

18 MR. PROCTOR: No questions.

19 CHAIRMAN BOYER: Mr. Dodge?

20 MR. DODGE: No questions.

21 CHAIRMAN BOYER: Mr. Reeder?

22 MR. REEDER: No questions.

23 MS. MANDELL: No questions.

24 CHAIRMAN BOYER: Is it M-a-n-d-e-l-l?

25 MS. MANDELL: Exactly, Mandell. Thank you.

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1 CHAIRMAN BOYER: Thank you. Okay, very well.
2 Any other parties who wish to speak in favor of
3 approval of the stipulation? Ms. Schmid?

4 MS. SCHMID: Thank you. The Division would
5 like to offer a witness in support of the stipulation.
6 The Division calls Dr. Abdinasir Abdulle as a witness.
7 And could he please be sworn?

8 CHAIRMAN BOYER: We'd be happy to do that.

9 (Dr. Abdulle was sworn.)

10 CHAIRMAN BOYER: Thank you very much. You
11 may be seated.

12 ABDINASIR ABDULLE,
13 called as a witness, having been duly sworn,
14 was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MS. SCHMID:

17 Q. Dr. Abdulle, could you please state your name
18 and business address for the record?

19 A. My name is Abdinasir Abdulle. And my
20 business address is 1064 -- what is that? 160 East
21 300 South, Heber Wells Building.

22 Q. By whom are you employed, and in what
23 capacity?

24 A. I'm employed by the Division of Public
25 Utilities. I am a technical consultant.

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1 Q. Have you been involved on behalf of the
2 Division of Public Utilities in this docket?

3 A. Yes, I do. I did.

4 Q. Have you filed premarked testimony, noted as
5 DPU Exhibit No. 9.0, with accompanying Exhibits 9.1
6 through 9.18, and that was on July 21, 2008; rebuttal
7 testimony, marked as DPU Exhibit No. 9.0R, with
8 Exhibits 9.4R, 9.5R, 9.9R, 9.10R, 9.11R through 9.18R;
9 and finally, did you also file surrebuttal testimony
10 marked for identification as DPU Exhibit No. 9.OSR,
11 with its accompanying Exhibit 9.5SR on September 24th
12 of this year?

13 A. Yes, I did.

14 Q. Do you have any corrections to that prefiled
15 testimony?

16 A. No.

17 Q. If asked the same question -- do you have a
18 statement --

19 MS. SCHMID: The Division would like to
20 request that the previously-identified exhibits be
21 admitted into evidence.

22 CHAIRMAN BOYER: Are there any objections to
23 the admission of Dr. Abdulle's testimony?

24 MR. PROCTOR: No objection.

25 MR. SOLANDER: No objection.

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1 Q. (By Ms. Schmid) And Dr. Abdulle --

2 CHAIRMAN BOYER: I think -- one moment,
3 Ms. Schmid.

4 MS. MANDELL: It was my understanding that
5 all of the testimony was gonna be exhibit -- was gonna
6 be admitted by stipulation.

7 CHAIRMAN BOYER: We hadn't heard that. That
8 was one of, one of the reasons I asked for any
9 preliminary matters. Have you -- your witness, do you
10 have written testimony you wish to --

11 MS. MANDELL: Well, I don't have
12 Mr. Mendelson here. And didn't bring him, believing
13 that his testimony would be admitted.

14 MR. DODGE: Mr. Chairman, I apologize, I
15 missed the preliminary part and I apologize for that.
16 But it had been our understanding as well that all of
17 the prefiled testimony would be admitted for the
18 record. And then live testimony would be presented on
19 the stipulation by those parties interested.

20 MR. PROCTOR: That is my understanding as
21 well. I think there was some misunderstanding
22 about -- but anyway, yes, it's all should be admitted
23 by stipulation whoever filed testimony, yes,
24 absolutely.

25 CHAIRMAN BOYER: Very well. Does anyone wish

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1 to dispute that?

2 MS. SCHMID: No. Perhaps I missed it.
3 Nonetheless, may Dr. Abdulle give a statement in
4 support of the stipulation?

5 CHAIRMAN BOYER: Well, why don't we -- let me
6 rule on the admission of the evidence first. And
7 we'll just then, based on the representations made,
8 we'll admit all of the prefiled testimony into
9 evidence by stipulation.

10 (All prefiled testimony was admitted.)

11 CHAIRMAN BOYER: And, and now let's hear from
12 Dr. Abdulle. Thank you, Ms. Schmid.

13 MS. SCHMID: Thank you.

14 THE WITNESS: To start with, the Division
15 supported the stipulation and recommends its adoption.
16 I will briefly review my rebuttal testimony, discuss
17 what led the Division to support the stipulation, and
18 comment upon the stipulation.

19 In my rebuttal testimony I provided the
20 Division's proposed rate spread that reflects the
21 300 -- the \$36.164 million rate increase adopted by
22 the Commission in its erratum order --

23 THE COURT REPORTER: I'm sorry. Can you pull
24 the microphone closer to you, and repeat after
25 "adopted by the Commission"? And slow down a little.

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1 THE WITNESS: Adopted by the commission in
2 it's erratum order dated August 21, 2008. In general,
3 the Company's class cost of service study indicated
4 that the Schedules 9, 23, and 10 were earning less
5 than their respective cost of service and should
6 therefore receive a rate increase higher than the
7 jurisdictional average.

8 To do so, the Division recognized the need to
9 balance the cost causation and gradualism principles
10 of ratemaking. Therefore, the Division decided to
11 gradually increase the revenues from these schedules
12 to levels that match their respective cost of the
13 service.

14 For Schedules 9 and 23, the Division
15 recommended a rate increase equal to the
16 jurisdictional average plus half of the gap between
17 the jurisdictional average and the increase suggested
18 by the class cost of service study for each respective
19 schedule.

20 If this approach were adopted by the
21 Commission, this would take the revenue from these
22 schedules up to their respective cost of service
23 within two rate cases. Similarly, for Schedule 10,
24 the Division proposed an increase equal to the
25 jurisdictional average plus one third of the gap

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1 between the jurisdictional average and the increase
2 suggested by the class cost of service study for this
3 schedule.

4 This would take the revenue from, from
5 Schedule 1 up to its cost of service within three rate
6 cases. The Division also recommended that the
7 difference between the additional revenues that would
8 be collected from Schedules 9 and 23 and the reduction
9 in revenues from Schedule 10 be spread evenly to those
10 rate schedules that were either over earning or
11 earning revenues that just cover their cost of
12 service, Schedules 1, 6, 8, and 25.

13 Therefore, these schedules, meaning 1, 6, 8,
14 and 25, would receive an increase equal to the
15 jurisdictional average less their share of excess
16 revenue. In my rebuttal testimony I also proposed a
17 rate design that balanced cost causation and
18 conservation.

19 Specifically, for Schedule 1, the Division
20 proposes that the Commission increase the customer
21 charge, keep the minimum charge at its current level.
22 Reject the Company's proposed CLC, keep the current
23 three-block rate structure, and increase the energy
24 block rates in a manner that customers across the
25 different usage levels receive the appropriate price

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1 signal.

2 The Division also proposed the winter energy
3 charge be increased to equal the summer first block
4 energy charge. These changes will allow recovery of
5 the allowed residential revenue requirement. To
6 encourage energy conservation and efficient use of
7 equipment, the Division's rate design proposed for
8 schedule -- Schedules 8, and 9, and 23 put most of the
9 additional revenues on energy and demand charges on an
10 equal percentage basis.

11 However, for Schedule 6, the Division
12 proposed to put more of the additional revenue on the
13 energy charge relative to the demand charge. This
14 would, besides encourage energy conservation, undo the
15 disproportionately high payments by those low load
16 factor customers that was imposed during
17 Docket No. 04-035-42 rate case.

18 The above-stated Division rate spread and
19 rate design proposals were based on the Company's
20 class cost of service study. However, in their
21 testimony and through data requests and responses,
22 other parties have raised concerns about the accuracy
23 of the Company's cost of service study.

24 In particular, Committee witness Mr. Chernick
25 questioned the reliability of the irrigation load

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1 study. Evidence presented by Mr. Chernick raises
2 doubts of whether the irrigation load data are
3 representative of the class's actual loads.
4 Unfortunately, the Division believes that the
5 Company's response in their rebuttal testimony is less
6 than convincing.

7 UIEC witness Mr. Brubaker criticized the
8 sample data as being outdated. The Company's
9 responses in rebuttal testimony essentially argues
10 that simply because the samples were designed a number
11 of years ago doesn't necessarily mean that the current
12 samples are unrepresentative of the population,
13 especially since new customers have been added to the
14 sample since the original set of customers was
15 selected.

16 While the Division agrees in general with the
17 Company's argument, the Company's argument does not
18 prove that the current load data are representative of
19 the underlying population loads. Given that neither
20 Mr. Brubaker nor the Company have persuaded the
21 Division that the current load data are or are not
22 representative of the underlying population loads, the
23 Division believes that this issue needs to be resolved
24 before the Company's cost of service study can be used
25 as a basis for rate spread and rate design.

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1 In its rate design proposals the Division has
2 attempted to balance the interests of various parties
3 while promoting other policy goals, especially
4 conservation. While the Division still supports this
5 approach conceptually, it recognizes that given the
6 relative -- relatively small revenue requirement
7 increase awarded by the Commission, movement towards
8 these goals may be difficult in this case.

9 For example, it may be difficult in this case
10 to design rates in a manner that will send strong
11 enough price signals to ratepayers beyond that which
12 is already built into rates. This is exacerbated by
13 the above cost of service study issues that need to be
14 resolved before the Company's class cost of service
15 study can be considered a reliable basis for rate
16 spread and rate design.

17 The terms of this stipulation call for, among
18 other things, that the \$36.164 million revenue
19 increase, or any other rate increase ultimately
20 ordered as a result of reconsideration or appeal, be
21 allocated on a uniform percentage basis.

22 Because of the smallness of revenue increase,
23 the issues surrounding the class cost of service
24 study, and given the Company has filed a new case and
25 these rates are not likely to be in effect next

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1 summer, this uniform percentage increase is just and
2 reasonable.

3 Another term of the stipulation requires the
4 Company to initiate an education program for the
5 residential customers regarding the Company's
6 residential rate structure and energy efficiency. The
7 results of the Company's survey indicated that most of
8 the residential customers do not understand the three
9 block summer rate design.

10 This may have resulted in residential
11 customers not responding to the higher tail block
12 rate. Therefore, in order, in order for the current
13 three block rate design to achieve its intended goal
14 of energy conservation, the need for customer
15 education became apparent. Therefore, the Division
16 believes that this term of the stipulation is just and
17 reasonable.

18 The order -- the other terms of the
19 stipulation, such as the DSM Group convening to
20 discuss and investigate rate design proposals to
21 promote conservation and energy efficiency and street
22 lighting changes, are collectively in the public
23 interest and are just and reasonable.

24 Therefore, the Division believes that the
25 terms and conditions of the cost of service, rate

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1 spread, and rate design stipulation, taken as a whole,
2 serve the public interest and are just and reasonable.

3 The Division also believes that the terms of
4 the stipulation will provide a mechanism that will
5 allow the Company to have sufficient revenue to
6 recover the reasonable costs of providing electric
7 service in the state of Utah. And that concludes my
8 recommendation -- my testimony.

9 CHAIRMAN BOYER: Thank you, Dr. Abdulle.

10 MS. SCHMID: Dr. Abdulle is now available for
11 questioning.

12 MR. PROCTOR: No questions.

13 CHAIRMAN BOYER: Mr. Solander?

14 MR. SOLANDER: No questions.

15 CHAIRMAN BOYER: Mr. Dodge?

16 MR. DODGE: No questions.

17 CHAIRMAN BOYER: Mr. Reeder?

18 MR. REEDER: No questions.

19 MS. MANDELL: No questions.

20 CHAIRMAN BOYER: Very well, thank you. Thank
21 you, Dr. Abdulle. We will have -- we'll hear from all
22 of the proponents of approval of the stipulation, then
23 we'll -- and cross examination, then we'll solicit
24 questions from the Commission. Allow for redirect, if
25 any. And then we'll move on to those who might

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1 oppose.

2 Mr. Proctor?

3 MR. PROCTOR: Thank you. Mr. Gimble needs to
4 be sworn if you would.

5 (Mr. Gimble was sworn.)

6 MR. PROCTOR: Thank you, Mr. Chairman.

7 DAN GIMBLE,

8 called as a witness, having been duly sworn,

9 was examined and testified as follows:.

10 DIRECT EXAMINATION

11 BY MR. PROCTOR:

12 Q. Mr. Gimble, you are a special projects
13 manager for the Committee of Consumer Services; is
14 that correct?

15 A. That's correct.

16 Q. And as your testimony and that of
17 Mr. Chernick has already been admitted into evidence,
18 I just have a few questions to ask you about the
19 settlement statement -- or the settlement stipulation.

20 In particular, according to paragraph 10A of
21 the stipulation, how are rate schedules among and
22 within tariffed rate schedule -- or excuse me. How
23 are rate increases among and within tariff rate
24 schedules to be applied?

25 A. Tariff rate schedules and rate elements

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1 within individual schedules will see a uniform
2 percentage increase of 2.72 percent. Because the
3 increase is being implemented through a surcharge --
4 the Tariff 97 Rider -- each individual component of
5 rates will not be changed, but really the net effect
6 is the same percentage increase to each component.

7 Q. Are the terms of the stipulation consistent
8 with the Committee's recommendations as found in its
9 testimony?

10 A. Yes. The Committee filed testimony
11 challenging certain aspects of the Company's cost of
12 service study. And recommended the Commission not
13 rely on it to make rate spread decisions in this case.
14 Our primary recommendation was twofold:

15 First, a uniform rate increase for all tariff
16 rate schedules at the jurisdictional average rate
17 change. And secondly, further study specific issues.
18 So our primary rate spread position is consistent with
19 the rate spread set forth in the stipulation.

20 Q. And as -- and are the terms of the
21 stipulation consistent with the Committee's
22 recommendations in the area of residential rate
23 design?

24 A. The Committee's residential rate design
25 proposal was developed to send the appropriate price

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1 signal to customers and to promote energy
2 conservation. Because the rate increase is only
3 2.72 percent, it has already really gone into effect
4 as an equal percentage surcharge through the tariff
5 rider net -- the Tariff Rider 97.

6 Under these particular circumstances those
7 price signals would be difficult to accomplish.
8 Therefore, the Committee believes that it's
9 appropriate to continue using the surcharge and
10 advance other policy objectives in subsequent cases.

11 The Committee and the Division as you've
12 already heard, and other parties, have also emphasized
13 the need to better educate residential customers about
14 how rate design is part and parcel of an overall
15 strategy to promote energy conservation.

16 Paragraph 10B to the stipulation addresses
17 education commitments relating to the inverted block
18 rate design in place during the summer months. And
19 paragraph 10C commits a DSM advisory -- the DSM
20 advisory group, or a new group to be convened by the
21 Division, to investigate rate design proposals to
22 promote energy conservation.

23 Q. Under these circumstances does the Committee
24 believe that the stipulation is in the public interest
25 and should be approved by the Commission?

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1 A. Yes.

2 MR. PROCTOR: Mr. Gimble is available for
3 cross examination.

4 CHAIRMAN BOYER: Thank you, Mr. Gimble.
5 Cross examination, Mr. Solander?

6 MR. SOLANDER: No questions.

7 CHAIRMAN BOYER: Ms. Schmid?

8 MS. SCHMID: No questions.

9 CHAIRMAN BOYER: Mr. Dodge? Mr. Reeder?

10 MS. MANDELL: No questions.

11 CHAIRMAN BOYER: Very well, thank you
12 Mr. Gimble.

13 Other parties who wish to speak in favor of
14 approval of the stipulation? Mr. Dodge or Mr. Reeder?

15 MR. DODGE: Your Honor, UAE signed and
16 supports adoption of the stipulation. We do not
17 intend to offer testimony unless the Commission wants
18 us to, in which case we'll have Kevin run over here.
19 Mr. Higgins, I should say.

20 MR. REEDER: We signed the stipulation,
21 support the stipulation. And I will not have
22 Mr. Brubaker run over here.

23 CHAIRMAN BOYER: Ms. Mandell, I assume you're
24 not speaking in favor of the stipulation but I could
25 be wrong.

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1 MS. MANDELL: We will not be speaking in
2 favor of the stipulation. We're not opposing the
3 stipulation. And Mr. Collins will testify, giving the
4 Commission an explanation as to why we're not joining
5 the stipulation. He needs to be sworn in.

6 CHAIRMAN BOYER: Very well. At this point
7 let's see if the commissioners have questions of those
8 seeking approval of the stipulation, and then we'll
9 hear from Dr. Collins. Commissioner Campbell?

10 COMMISSIONER CAMPBELL: Dr. Abdulle, since
11 the Division seemed to make the most movement as
12 relates to the stipulation could you just articulate
13 for me again. Right at the end of your testimony you
14 stated a few reasons, several reasons why you, you
15 signed on to the stipulation. Could you articulate
16 those one more time?

17 DR. ABDULLE: In the process of working on
18 this rate case there were lots of data requests and
19 response that was exchanged. And when the Division
20 read the testimony submitted by others, and data
21 requests and responses submitted by the Company and
22 other parties, we were concerned about the validity of
23 the cost of service.

24 Some of the questions, some of the concerns
25 raised by Mr. Chernick and Mr. Brubaker regarding the

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1 cost of service, we did not think that the responses
2 given by the Company were satisfactory or to our
3 satisfaction. Therefore, we didn't think that it is
4 reliable to base the cost of service -- the rate
5 spread and rate design on the cost of service
6 submitted by the -- provided by the Company.

7 On the other hand, we recognized that the
8 amount of increase that's given to the Company as a
9 revenue requirement is very small. So for us, pushing
10 for the policy decisions we were trying to implement,
11 it would not make a dent. So we thought there's not
12 enough movement we can make.

13 And in another rate case we could do the same
14 kind of policy analysis, not in this case. On the
15 other hand, given the fact that the rate -- the rates
16 from this case would not be effective in summer, we
17 thought that that next rate case would be a better
18 place to address these issues.

19 COMMISSIONER CAMPBELL: That's what I thought
20 I heard. And so answer this question. Given that you
21 found the cost of service study unreliable and that
22 the Company has already filed another rate case, do
23 you feel that there's time to make any necessary
24 corrections to that study so that we don't end up at
25 the next case just having another stipulation without

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1 addressing some of these issues?

2 DR. ABDULLE: Some of the issues would be
3 time consuming for the Company to, to do it, and
4 that's a concern for all parties. But we're thinking
5 of submitting our data requests and asking the Company
6 to do something about it as soon as possible.

7 I'm not sure if they would be able to resolve
8 all of the issues surrounding this, particularly the
9 survey issues and things like that.

10 COMMISSIONER CAMPBELL: I guess,
11 Mr. Griffith, this question is to you. Is your cost
12 of service study substantially different, different in
13 the recently-filed case than it is in this case?

14 MR. GRIFFITH: I believe it's very similar in
15 methodology to the current case.

16 COMMISSIONER CAMPBELL: So my question is, is
17 does that guarantee we're gonna end up with another
18 stipulation because we have an unreliable cost of
19 service study, and the Commission doesn't then have a
20 chance to address some of these pressing issues?

21 DR. ABDULLE: I don't know if that guarantees
22 or does not guarantee anything. But the Company did
23 not see all, all of the data requests that would be --
24 all the things that would be required of them to fix.
25 And I don't know how soon they can do it or whether

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1 they would have enough time.

2 I suspect that, regarding the sample -- the
3 samples that were challenged, there would be enough
4 time to address them.

5 MR. GRIFFITH: Can I make a comment?

6 CHAIRMAN BOYER: Go ahead.

7 MR. GRIFFITH: Thank you. We'd certainly be
8 willing to talk to the Division and the parties about
9 the issues that -- of concern here and try to expedite
10 this as best we can.

11 CHAIRMAN BOYER: You know, I apologize,
12 Mr. Lacey, sitting there in the back pew. I didn't
13 give you an opportunity to speak on behalf of your
14 client.

15 MR. LACEY: Nucor also signed on to the
16 agreement. We support the terms of the stipulation.
17 And we hadn't intended on offering any testimony
18 today, but we could follow up if that's necessary.

19 CHAIRMAN BOYER: Okay, thank you Mr. Lacey.
20 And I have no questions for the proponents of the
21 approval. Let's turn now to Ms. Mandell and hear from
22 your witness, Dr. Collins.

23 MS. MANDELL: He just needs to be sworn in.

24 (Dr. Collins was sworn.)

25 ***

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1 RICHARD COLLINS,
2 called as a witness, having been duly sworn,
3 was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MS. MANDELL:

6 Q. Mr. Collins, would you please provide an
7 explanation to the Commission as to why we did not
8 join the stipulation?

9 A. Western Resource Advocates and Utah Clean
10 Energy does not oppose this stipulation. And we
11 believe that it's a compromise amongst the parties and
12 that this compromise will not harm public interest.

13 We particularly support the provisions of the
14 stipulation that mandate that there be a education
15 process for customers about their energy usage and the
16 use of rate design to curb usage. We believe that
17 that will be in the public interest.

18 We also are supportive of the reestablishment
19 of the demand side management group and its -- and,
20 and the fact that they will look at new rate designs
21 that will encourage energy efficiency and
22 conservation. And again, we believe that would be in
23 the public interest.

24 However, we did not sign on to this
25 agreement, this stipulation, because we do -- we

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1 believe that rate design issues are of critical
2 importance to ratepayers today. And any delay in
3 implementing that is going to hurt them.

4 And just sort of as an aside, the fact that
5 the rate -- there's another rate case right on top of
6 this was -- gave us a little bit of comfort that, that
7 these issues will be addressed.

8 We're -- the reason that the rate design
9 issues are critical today is that we're in a climate
10 in which we're seeing rapid growth in demand for
11 electricity, and we have inadequate supplies of
12 electric -- of generation resources. This is gonna
13 lead to a shortage.

14 Now, there's two ways to deal with a
15 shortage: One is to increase the supply. The other
16 is to decrease the demand for those resources. The
17 first option, we believe, to increase supply is not
18 necessarily optimal.

19 The reason it's not optimal is the fact that
20 new resources that are gonna be coming online are more
21 expensive than existing resources, all right. And
22 this is gonna necessitate that rates have got to rise,
23 all right. And this is gonna impact ratepayers.

24 So we -- that's something that we don't think
25 is necessarily in the public interest. The second

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1 option, which is to decrease the demand for
2 electricity, we don't feel has been adequately
3 addressed, all right? And it, and it needs to come
4 before the Commission for Commission review.

5 And we believe that if we can decrease demand
6 that we can either eliminate the need for a rate
7 increase, or at a minimum mitigate that need for a
8 rate increase. Now, what we found is that too often
9 in this regulatory system that we operate in has given
10 short shrift to cost of service and rate design
11 issues.

12 Now, I'm not sure if it's due to mental or
13 financial exhaustion at the end of the revenue
14 requirement phase of the case, but there, there seems
15 to be little energy left to deal with these important
16 issues of cost of service and rate design.

17 My -- our party -- my party's and my client's
18 issue is more on the rate design issue. And as a
19 consequence, the Commission never really gets to see
20 these issues and to make decisions on, on rate design.
21 So we, we feel strongly that in the next rate case
22 that these issues should be brought before you for
23 your review and for your decisions.

24 We do acknowledge that there is -- there
25 could be better information on marginal cost and usage

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1 levels, all right. And that those are important
2 informations that we could use. But regardless of any
3 new information, you should be given the opportunity
4 to review these issues and to make a ruling based on
5 the best information available. Thank you.

6 CHAIRMAN BOYER: Thank you, Dr. Collins.

7 Is Dr. Collins available for cross
8 examination?

9 MS. MANDELL: Yes, he is. Thank you.

10 CHAIRMAN BOYER: Mr. Solander, have you any
11 questions for --

12 MR. SOLANDER: No questions, thank you.

13 CHAIRMAN BOYER: Okay, let's start from left
14 to right. Mr. Reeder?

15 MR. REEDER: No questions.

16 MR. DODGE: No questions.

17 CHAIRMAN BOYER: Mr. Dodge? Ms. Schmid?

18 MS. SCHMID: No questions.

19 MR. PROCTOR: None.

20 CHAIRMAN BOYER: And Mr. Proctor. Let's see
21 if the Commissioners has questions of Dr. Collins.

22 Commissioner Allen?

23 COMMISSIONER ALLEN: Thank you. Dr. Collins,
24 you mentioned that -- you expressed some concern that
25 the DSM side of things haven't been addressed

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1 adequately. Could you just give me briefly a
2 couple -- or a few items, a quick check list of what
3 you think is missing when you say items are missing?

4 THE WITNESS: Well, in particular, rate
5 design issues have not been investigated. And if we
6 can design rates to encourage people to more
7 efficiently utilize their energy, send better price
8 signals -- and several parties have said the exact
9 same thing, that that is their intent to send
10 appropriate price signals that reflect the true cost
11 on the, on the system.

12 Then if we can design those rates we can get
13 people to use their energy more efficiently. Reduce
14 the amount of energy that's used. And then that will
15 mitigate the need for purchasing more of these more
16 expensive supply side options.

17 COMMISSIONER ALLEN: So what you're saying is
18 really missing are the application, or suggestions for
19 application of new technologies, more consumer
20 feedback, or just the rate design itself? I want to
21 make sure I'm clear about that.

22 THE WITNESS: I think all of those issues
23 should be addressed. That are ways in which that we
24 can encourage people to adopt new technologies. And
25 to -- there's probably new programs that can be

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1 implemented and investigated.

2 And that -- those things will be looked at at
3 the DSM group meetings. But my -- our issue really is
4 how best to design rates to send the price -- the
5 right price signal to encourage people to adopt energy
6 efficiency devices and utilize their energy more
7 efficiently.

8 COMMISSIONER ALLEN: Thank you.

9 CHAIRMAN BOYER: Just, I guess one question
10 for you, Dr. Collins. And I hope you're the right
11 person to answer this. We'll let the other parties
12 respond as well.

13 You seem to be arguing for the proposition
14 that the Commission undertake both the revenue
15 requirement portion of the hearing -- or of the next
16 rate case and rate design cost of service
17 simultaneously, and not bifurcate it as we have in the
18 present case. Is that what you're saying?

19 THE WITNESS: I think that's one option that
20 would eliminate the problem if you didn't bifurcate
21 the, the two issues. Or just buckle down and make
22 sure that we don't just smooth it over and put it
23 under the rug and deal with it next rate case.

24 CHAIRMAN BOYER: You've heard some, some
25 discussion here by Dr. Abdulle and Mr. Griffith

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1 regarding the cost of service study. Would that
2 complicate matters? The time constraints on
3 revising -- reviewing and revising that cost of
4 service study?

5 THE WITNESS: That, that could. I look at
6 cost of service as different than the actual designing
7 of rates for specific schedules. So even if we did
8 not have adequate information to deal with cost of
9 service, I think there's plenty of information for us
10 to deal with how do we collect the rates for each
11 class of customers under a specific schedule or
12 tariff.

13 CHAIRMAN BOYER: Thank you, Dr. Collins.

14 COMMISSIONER CAMPBELL: I have one question.

15 CHAIRMAN BOYER: Commissioner Campbell.

16 COMMISSIONER CAMPBELL: I guess the question
17 occurred to me, do you see ever -- I'm not aware in
18 the past if a Commission has ever developed a rate
19 design that has affected revenue requirement in the
20 current case.

21 Is it your proposal that you -- that we look
22 at these various rate designs that allow customers to
23 use electricity more efficiently, and then you capture
24 that in a subsequent rate case? Or do you see that
25 somehow cycling within the very same rate case?

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1 THE WITNESS: I, I think that would be one of
2 the benefits of dealing with them both together. Is
3 that if you design rates that did encourage reduction
4 in usage, that that reduction in usage should be taken
5 into account when you decide how to price the
6 quantities and determine the revenue requirements.

7 So if you -- if, again, you know, revenue
8 requirement is price times quantity. And if you
9 reduce quantity, to get the same revenue requirement
10 you're going to have to increase price. So there is
11 that feedback effect.

12 CHAIRMAN BOYER: Thank you. Did anyone else
13 wish to address either the two questions I asked or
14 Commissioner Campbell did? Mr. Reeder?

15 MR. REEDER: Briefly.

16 CHAIRMAN BOYER: Yes, Mr. Reeder.

17 MR. REEDER: Having been in cases where we
18 attempted to address the price response -- the demand
19 response to prices, the revenue requirement gets
20 terribly complicated as we attempt to address the
21 elasticities that are associated with price response
22 in determining the appropriate revenue level.

23 I'm not sure, like Commissioner Campbell
24 having been through a number of these, that's ever
25 been successfully undertaken, but I've seen it hugely

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1 complicate cases.

2 To the second question on, on cost of service
3 study, there are serious questions that we raise in
4 our testimony about the adequacy of the data. We'll
5 take Mr. Griffith at his word that they will work to
6 try to fill in that data and present appropriate
7 evidence in the next case about whether that data has
8 been appropriately mined and can be presented in a way
9 that can make a cost of service study more meaningful.
10 But caution on trying to bind in elasticities that
11 respond to a requirement.

12 MR. GIMBLE: Mr. Chairman?

13 CHAIRMAN BOYER: Thank you for your counsel,
14 Mr. Reeder.

15 Yes, Mr. Gimble.

16 MR. GIMBLE: The Committee's testimony also
17 went to that point. That -- in terms of whether you
18 should bifurcate or combine the revenue requirement
19 with the cost of service rate design phase of the
20 case.

21 And our testimony was, based on the
22 experience in this case, we think it makes a lot of
23 sense to combine the revenue requirement and cost of
24 service phases. You kind of give customers, I think,
25 mixed price signals, too, if you don't combine them

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1 because you may put in, like this case, a surcharge
2 that may go in effect for three or four months before
3 you make a final decision. So you're kind of sending
4 mixed price signals as well.

5 CHAIRMAN BOYER: Thank you, Mr. Gimble.
6 Mr. Griffith?

7 MR. GRIFFITH: In response to Commissioner
8 Campbell's question on the rate design that might come
9 out of the DSM Group. The Company's view on
10 paragraph 10C is that these rate design proposals for
11 both conservation and energy efficiency are that,
12 proposals. And there could be a number. Rate design
13 is a gradual process. It doesn't occur all, all at
14 once necessarily.

15 And so we view this as a process, as the
16 stipulation says. That the first report is within six
17 months, and then there are quarterly meetings
18 thereafter. And maybe more -- even more frequently
19 than that. But this would go on for a while. We
20 wouldn't just have a rate design, necessarily.

21 But again, all the parties are free to
22 propose whatever they like. We view this as more of a
23 longer-term process to deal with customer growth in
24 Utah and to deal with issues of appropriate price
25 signals that could go on for, you know, a number of, a

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1 number of years.

2 CHAIRMAN BOYER: Thank you, Mr. Griffith.

3 MS. MANDELL: If I could make a brief
4 comment?

5 CHAIRMAN BOYER: Yes, Ms. Mandell.

6 MS. MANDELL: Obviously this particular
7 section of the stipulation, 10D, is near and dear to
8 our hearts. And we just want to emphasize that this
9 report is supposed to provide advice to the Commission
10 on rate design and have a result for you relatively --
11 within the next six months. It's not just a
12 continuing process forever and ever.

13 CHAIRMAN BOYER: Thank you for that. I have
14 a question for counsel who are with us today. And
15 that is, do the party -- do the proponents envision
16 that if we were to approve the stipulation our order
17 should address either the revitalization of the
18 existing DSM advisory group or the creation of another
19 group? Or have you talked about that? Or would we do
20 that outside the case?

21 MR. GRIFFITH: I think, from the Company's
22 perspective, we thought that the stipulation was
23 adequate to address that.

24 MS. SCHMID: That is the Division's point of
25 view as well.

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1 MR. REEDER: I share that view.

2 CHAIRMAN BOYER: Thank you. Is there
3 anything further?

4 MS. MANDELL: I just want to note that the
5 first sentence provides the Commission the authority
6 to do the stipulation.

7 CHAIRMAN BOYER: Yes, thank you. Okay. With
8 that, we will be in recess then until 4:30. At which
9 time we'll hear from public witnesses. Thank you all
10 for your participation.

11 MR. REEDER: May we be excused from that
12 portion as well?

13 CHAIRMAN BOYER: You may be excused,
14 Mr. Reeder. And Mr. Dodge.

15 (A recess was taken from 2:50 to 4:34 p.m.)

16 CHAIRMAN BOYER: This is the time and place
17 duly noticed for the hearing of public witness
18 testimony in the cost of service, rate design, and
19 rate spread portion of the Rocky Mountain rate case,
20 Docket No. 07-035-93.

21 And I see that we do have a member of the
22 public here who wishes to speak. Mr. Swenson, would
23 you please give your name and address for the record,
24 please. Well, do you -- yeah. Well, I was gonna give
25 you an explanation of whether you wanted to be sworn

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1 or unsworn, but.

2 MR. SWENSON: I'd prefer to be sworn.

3 CHAIRMAN BOYER: And you understand the
4 implications of that? You subject yourself to cross
5 examination.

6 MR. SWENSON: Yes, I do.

7 CHAIRMAN BOYER: But we can rely on your
8 testimony. Very well, let's swear you first then, and
9 then we'll put your name and address on the record.

10 (Mr. Swenson was sworn.)

11 CHAIRMAN BOYER: Thank you very much. Would
12 you please state your name and address for the record,
13 please.

14 MR. SWENSON: My name is Roger Swenson. I
15 work with E-Quant Consulting, LLC, at 1592 East
16 3350 South. I'm here today in this matter
17 representing U.S. Magnesium, LLC.

18 CHAIRMAN BOYER: Very well. I guess I don't
19 need to qualify you or anything like that. And the
20 Committee is not here with counsel. But do you have a
21 statement to make?

22 MR. SWENSON: I do have a statement, a short
23 statement just to read into the record. If that would
24 be appropriate.

25 CHAIRMAN BOYER: Let us do that then,

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1 Mr. Swenson.

2 MR. SWENSON: Okay. U.S. Magnesium is an
3 intervener in this proceeding. U.S. Magnesium
4 intervened in order to obtain information in regards
5 to costs and to understand if the work towards DSM and
6 the associated interruptible contract concept has
7 continued on.

8 We did not file testimony in this proceeding
9 in regards to the cost of service and we do not want
10 to imply that by not filing we accept the cost of
11 service as appropriate in terms of treatment towards
12 interruptible customers at this time.

13 We believe that the good work provided by
14 Dr. Nelson, Lowell Alt, and all the other analysts
15 that participated in those regards should continue
16 forward to more appropriately capture the value that
17 interruptible customers provide.

18 We want to take our experiences from the past
19 four years and learn from the experience, and take
20 that forward into the future. Along those lines, we
21 strongly support the stipulation condition in regards
22 to the DSM group investigation into rate design
23 proposals, such as interruptible tariffs, that can
24 promote the efficient use of resources.

25 We look forward to participating in that

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1 endeavor and continuing that valuable work forward.

2 Thank you.

3 CHAIRMAN BOYER: Thank you, Mr. Swenson.

4 Does anyone wish to cross examine

5 Mr. Swenson? Ms. Hogle? Mr. Lacey? Mr. Ginsberg?

6 MR. GINSBERG: No.

7 CHAIRMAN BOYER: Very well. We will then go
8 back into recess until the earlier of another member
9 of the public appearing or 5:30, at which time we will
10 conclude this hearing. Thank you very much.

11 (A recess was taken from 4:38 to 5:29 p.m.)

12 CHAIRMAN BOYER: We're back on the record in
13 the Rocky Mountain rate case, Docket No. 07-035-93.
14 We have had an opportunity to confer regarding the
15 motion for approval of the stipulation and we've
16 determined to approve it as filed.

17 And we ask Ms. Hogle and/or Mr. Solander to
18 prepare a draft order for us.

19 And with that, that will conclude this
20 hearing. Thank you all for your participation.

21 (The hearing was concluded at 5:30 p.m.)

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C E R T I F I C A T E

STATE OF UTAH)
) ss.
COUNTY OF SALT LAKE)

This is to certify that the foregoing proceedings were taken before me, KELLY L. WILBURN, a Registered Professional Reporter and Notary Public in and for the State of Utah.

That the proceedings were reported by me in stenotype and thereafter caused by me to be transcribed into typewriting. And that a full, true, and correct transcription of said proceedings so taken and transcribed is set forth in the foregoing pages, numbered 1 through 44, inclusive.

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

WITNESS MY HAND AND OFFICIAL SEAL AT KEARNS, UTAH
THIS 17th DAY OF October, 2008.

Kelly L. Wilburn, CSR, RPR
My Commission Expires:
May 16, 2009

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