BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Division of Public Utilities' Review and Audit of Rocky Mountain Power's Deferred Tax Normalization Method	)	Docket Nos. 09-035-03 and 09-035-23

TRANSCRIPT OF HEARING PROCEEDINGS

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

DATE: November 3, 2009

TIME: 1:36 p.m.

REPORTED BY: Kelly L. Wilburn, CSR, RPR

APPEARANCES

Commissioners:

Ted Boyer (Chairman)
Ric Campbell
Ron Allen

-oOo-

For Rocky Mountain Power:

YVONNE RODRIGUEZ HOGLE, ESQ.
ROCKY MOUNTAIN POWER
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
(801) 220-4050
(801) 220-3299 (fax)

For the Division of Public Utilities:

MICHAEL L. GINSBERG, ESQ.
OFFICE OF THE ATTORNEY GENERAL
160 East 300 South, Fifth Floor
Post Office Box 140857
Salt Lake City, Utah 84114-0857
(801) 366-0353
(801) 366-0352 (fax)

For the Utah Committee of Consumer Services:

PAUL H. PROCTOR, ESQ.
OFFICE OF THE ATTORNEY GENERAL
160 East 300 South, Fifth Floor
Post Office Box 140857
Salt Lake City, Utah 84114-0857
(801) 366-0353
(801) 366-0352 (fax)

For the UIEC:

F. ROBERT REEDER, ESQ.
PARSONS, BEHLE & LATIMER
One Utah Center
201 South Main Street, Suite 1800
Salt Lake City, Utah 84111
(801) 532-1234
(801) 536-6111 (fax)

APPEARANCES, CONTINUED

For the UAE Intervention Group:

GARY A. DODGE, ESQ.
HATCH, JAMES & DODGE, PC
10 West Broadway, Suite 400
Salt Lake City, Utah 84101
(801) 363-6363
(801) 363-6666 (fax)

For Wal-Mart:

JOSHUA MAUSS, ESQ.
KELLY & BRAMWELL
Building 203
11576 South State Street
Draper, Utah 84020
(801) 495-2559
(801) 495-0621 (fax)

-oOo-

WITNESSES

-oOo-

NOVEMBER 3, 2009 1:36 P.M.

P R O C E E D I N G S

CHAIRMAN BOYER: This is the time and place duly noticed for the hearing on a proposed stipulation regarding change in income tax treatment of repair deductions and basis normalization in Dockets 09-035-03 and 09-035-03.

So let's, let's go on the record.

COMMISSIONER CAMPBELL: Twenty-three.

CHAIRMAN BOYER: Twenty-three. Did I say?

COMMISSIONER CAMPBELL: Oh three.

CHAIRMAN BOYER: Okay. It's 09-035-23, 09-035-03. Let's, let's take appearances and then we'll talk about how we proceed. Let's start with the Company.

MS. HOGLE: Hi. I'm Yvonne Hogle. And with me are Jeff Larsen and Ryan Fuller, who will be testifying on behalf of the Company.

CHAIRMAN BOYER: Thank you and welcome.

MR. GINSBERG: Michael Ginsberg. And our witnesses today will be Artie Powell and Dave Thomson.

CHAIRMAN BOYER: Okay. Also welcome.

Ms. Murray, all by yourself there?

MS. MURRAY: Apparently. I'm sure my attorney will be here shortly.

CHAIRMAN BOYER: Okay. Well, we'll take --
MS. MURRAY: I'm almost sure.
CHAIRMAN BOYER: -- Mr. Proctor's appearance when, when he arrives.
Mr. Dodge?
MR. DODGE: Gary Dodge on behalf of the UAE.
CHAIRMAN BOYER: And Mr. Reeder?
MR. REEDER: I'm Bob Reeder on behalf of a group of industrial customers known on this record as UIEC.
CHAIRMAN BOYER: Are there parties participating by telephone? Does not appear so. Okay. What we thought we'd do in this case is hear first from the proponents of the stipulation. We'll hear from each witness. Give other parties an opportunity to ask questions, cross examine if they will.
The Commissioners will reserve questions until after we've heard from all of the proponents. And then we'll hear from opponents to the stipulation, if any. And so we'll let you decide who goes first.
Ms. Hogle, I'm --
MS. HOGLE: Sure. Actually, neither Jeff Larsen nor Ryan Fuller have been sworn in.
CHAIRMAN BOYER: Sworn in? Let's swear them

both then. Would you like to both stand and -- let's see, who else are the other people that will be testifying here?

Okay, Artie and -- Mr. Thomson, are you gonna testify as well? And the lawyers are gonna play lawyers today?

MR. DODGE: Yes.

CHAIRMAN BOYER: Excellent. Excellent. Okay.

Ms. Murray?

MS. MURRAY: I better swear just in case.

(The witnesses were duly sworn.)

CHAIRMAN BOYER: Thank you, please be seated.

Okay, Ms. Hogle?

MS. HOGLE: Chairman Boyer, it appears that somebody is here representing Wal-Mart. And they're here on behalf of Holly Rachel Smith.

CHAIRMAN BOYER: Very well. Would you like to enter an appearance?

MR. MAUSS: Yes.

CHAIRMAN BOYER: Are you an attorney?

MR. MAUSS: Yes, please. My name is Joshua Mauss. I'm with Kelly & Bramwell. I'm just here making a personal appearance on the record for Wal-Mart Stores, Inc. and Sam's West, Inc.

CHAIRMAN BOYER: Great, welcome.

MR. MAUSS: Thank you.

CHAIRMAN BOYER: Okay. Now we'll turn to you, Ms. Hogle.

MS. HOGLE: Thank you.

JEFFREY LARSEN,

called as a witness, having been duly sworn,

was examined and testified as follows:

DIRECT EXAMINATION

BY MS. HOGLE:

Q. Can you please state your name and your position at PacifiCorp?

A. Yes. My name is Jeffrey K. Larsen. It's L-a-r-s-e-n. I'm employed as vice president of regulation for PacifiCorp.

Q. And can you tell us what the purpose of your testimony is here today?

A. Yes. The, the Company's entered into a stipulation regarding treatment of certain tax-related issues we're here today to explain to the Commission. The Company will also identify the impacts of this stipulation on the current rate case if the stipulation is accepted and the rate case is a vehicle to implement it.

As the Commission is aware from prior cases, the Company has had the desire to move to full normalization on temporary book and tax differences. The Company's tax department has been reviewing the tax treatment of these temporary differences recently and identified an issue with equity AFUDC -- that we'll explain in a moment -- that, if modified, would allow the Company to move to full normalization of appropriate temporary differences while still providing a net benefit to customers through the rate case.

Additionally, the tax department has continuously reviewed the Company's tax deductions to make sure that we're approp -- appropriately providing the tax benefits due to customers that are provided under the law.

This effort resulted in the Company pursuing a new tax deduction recently related to the capitalization versus expensing of repairs. Other companies have been taking this deduction. And the Company's researched it and has brought it forward for implementation at PacifiCorp.

As a result of these activities the Company approach -- the Company approached the parties in the case with a proposal to address these issues on a fair and equitable base -- equitable basis for both the

Company and for our ratepayers and customers that would provide a benefit to the customers if propose -- if the proposal was accepted and implemented in the current rate case.

After several months of discussions with the parties and after a thorough review of the Company information, detailed audits, and discussions with them, we were able to reach an agreement that would bring forward these changes and implement them through the rate case.

The parties that entered into the stipulation include Rocky Mountain Power, the Utah Division of Public Utilities, the Utah Office of Consumer Services, the Utah Industrial Energy Consumers, UAE Intervention Group, and Wal-Mart Stores.

In order to explain the, the nuances of the tax-related issues we also have with us today Mr. Ryan Fuller from our tax department at PacifiCorp. And he will help to explain the, the details of the, the tax related mat -- matters. And I'll also help to answer any questions to the Commission's satisfaction on any of the implications for the rate case.

We are very, very pleased to bring this forward. It is a benefit to our consumers and we believe it's in the public interest. And we, we hope that we can express that to you and provide the evidence necessary that you can support us with a, an affirmative decision on the stipulation.

With that, I would now turn the time over to Mr. Fuller to walk through the details and explain the, the tax intricacies.

CHAIRMAN BOYER: Thank you Mr. Larsen.

Are there any questions for Mr. Larsen before we move on to Mr. Fuller?

Seeing none, let's hear from Mr. Fuller.

RYAN FULLER,

called as a witness, having been duly sworn,

was examined and testified as follows:

DIRECT EXAMINATION

BY MS. HOGLE:

Q. Can you please state your name and tell us what your position is with the Company for the record?

A. My name's Ryan Fuller, F-u-l-l-e-r. And I'm employed as an assistant tax director for PacifiCorp.

Q. And can you tell us what the purpose of your testimony is today?

A. Yeah. I'm here today to review the history of events leading up to this stipulation. And also to confirm the sup -- the Company's support for the stipulation and the Company's belief that the stipulation is in the public interest.

Q. So before you go into the details of the stipulation can you explain the basic tax concepts that you will be referring to today?

A. Yeah. And I appreciate the opportunity to do this. I know that income taxes can sometimes be an arcane area of discussion and so I'll just lay forth some of the basic principles that we'll be discussing today.

And I apologize to the extent that you guys are already well informed on this, but I think it will be good to kind of go over them at a higher level before we dig into the terms of the stipulation.

The stipulation can be kind of discussed in, broadly in two pieces. One is income tax normalization, and the other is the change in accounting method that we've recently made for income tax purposes only.

With respect to the normalization piece, that really relates to how we treat temporary book tax differences in ratemaking. And there's, really there's permanent income -- there's permanent book tax differences and there's temporary book tax differences.

Permanent book tax differences are items in pre-tax book income that are either includable or deductible in arriving at book income, but not includable or deductible when arriving at taxable income.

So a good example of that would be tax exempt interest income. We would record that as an item of income for book purposes that's not recognizable for tax purposes. And it never will be, and that's why it's permanent in nature. It's a permanent book tax difference.

Then there are items that are temporary in nature. These are temporary book tax differences. These are items that are both includable or deductible for book purposes and also includable or deductible for income tax purposes.

An, an example of that would be the, the Internal Revenue Code allows for the current deduction of certain, certain software development costs in the year that they're paid or incurred, but typically for book purposes they require those costs to be capitalized and amortized over a period of time.

Well, ultimately the same amount of deduction is taken for both book and tax purposes, but the deduction is taken in different accounting periods. Temporary book tax differences give rise to deferred income taxes. And deferred income taxes give rise to accumulated deferred income tax assets or liabilities.

Deferred income tax expense is really recognizing the tax effects of the book transactions in that accounting period that the book transaction arose. But it's treating that -- the tax effects as if they are deferred to a future period. And that's really what's happening with deferred income taxes.

The deferred tax expense impacts the accumulated deferred income tax liability. And the accumulated deferred income tax liability reflects that amount of tax benefit or tax liability that you will owe in the future to the IRS in a tax return.

Kind of with that as the framework, there's two basic ways to account for income taxes in -- for regulative purposes. There's normalization accounting and flow-through accounting. Normalization accounting accounts for the tax effect to the book's transactions in the accounting period in which they arise.

So it looks at the total tax expense of the Company, which can be broken into current tax expense and deferred tax expense. And under normalized accounting the income tax is recognized in that the expense component of ratemaking is typically greater than the current tax payable to the Internal Revenue

Service because you recov -- you, you recognize both current and deferred income taxes.

And the, you know, primary -- or the underlying policy reasons for tax normalization are the matching principle and intergenerational equity. And in -- income tax normalization spreads the tax benefits of temporary book tax differences over the entire life of a book asset. And that principle of spreading the benefits over the life of the assets is a longstanding principle.

And it's, it matches the tax benefits with the cost responsibility. So in other words, customers that are responsible for the cost of the book transaction in an accounting period also are accountable for the tax expense associated with that book transaction. Even though that tax expense might not be payable to the IRS until some future time, or it might be pay -- or ben -- a benefit earlier than it would be recognized for both purposes.

And that also kind of highlights the intergenerational equity issue in terms of not deferring a tax liability for these book costs where future customers won't be responsible for those book costs but then would be ultimately responsible for the tax effects of the book transactions.

The other type of regulatory accounting for income taxes would fall under, under flow-through accounting. And under flow-through accounting generally speaking the tax expense, recognized in rates -- in the expense components of rates for an accounting period, would be equal to the amount payable to the taxing authorities for the same period.

That's notwithstanding requirements by the Internal Revenue Service to use normalized account -- normalized accounting for method and life differences associated with accelerated tax depreciation as well as investment tax credits.

Finally, I'll briefly discuss the AFUDC. The AFUDC can be broken into debt and equity components. And the, the debt component of AFUDC equity really has its roots in interest expense or financing costs that have specific rates assigned to them and generates a book cost associated with that financing.

Whereas AFUDC equity is, is representative of the equity component of financing of a CWHIP, or construction in progress. And doesn't really have its roots in a, a book cost, if you will. Under generally-accepted accounting principles the equity AFUDC is, is treated as a book-only timing difference.

In other words, the originating entry for

AFUDC equity is to credit other income, and to debit the asset under construction or CWHIP. And then, excuse me, that AFUDC equity is then recovered in rates through book depreciation. So ultimately, over the life of that asset, the amount that is recognized in book income is zero.

So in other words, for AFUDC equity there's a credit to income. And then as the asset depreciates there's a debit through a depreciation expense. And they would be equal in offsetting over the life of the asset.

AFUDC -- as a result of that book-only timing difference, U.S. GAAP requires that equity AFUDC be treated as a temporary book tax difference. And accordingly there is deferred income taxes reported on that under U.S. GAAP.

However, for ratemaking purposes it more closely resembles a permanent book tax difference. And that's because AFUDC equity is never deductible for tax purposes, nor is the income that is originally credited to see what -- that is not includable as income for tax purposes.

So when you employ normalized accounting to AFUDC equity what, what essentially ends up happening is you collect deferred expense from customers, through rates, on the origination of the entry. And then as the book asset depreciates you give those same dollars back but also with the, you know, the interest on it. So essentially at the Company's weighted average cost of capital.

So it ends up being an exchange of money between the Company and customers, but never manifests itself in a tax liability to the Internal Revenue Service. And so that's what makes AFUDC equity a unique item, and particularly for income tax purposes.

Under flow-through accounting what you would essentially end up doing is not recognizing the deferred tax expense. And so no dollars would be collected through the expense component of rate making or at all for any income tax consequences of AFUDC equity.

Q. (By Ms. Hogle) Mr. Fuller, before we go on can you explain what "AFUDC" stands for and, and define it generally?

A. Yeah. I apologize for that. It's Allowance For Funds Used During Construction is AFUDC. And as I explained before, there's a -- these are costs that are capitalized to assets for the financing costs during the construction period.

Q. Thank you. Can you continue with an overview of the stipulation that we're presenting here today?

A. Yes, thank you. Subject to Commission approval, the parties have agreed in the stipulation that the recommended ongoing regulatory policy for deferred income taxes in the, in the Company's Utah jurisdiction is the normalized accounting treatment of all temporary book tax differences. With the exception of the book tax difference for AFUDC equity, which should be flowed through -- or receive flow-through accounting treatment for regulatory purposes in Utah.

And also subject to Commission approval, the parties have --

(Someone coughed.)

THE REPORTER: I'm, I'm sorry, I couldn't hear. Also subject to Commission approval the parties what?

THE WITNESS: Have agreed in the stipulation that the Utah general rate case in Docket 09-035-23 should be updated to reflect the rate base deduction for our recent change in accounting method for income tax purposes related to deductible repairs for income tax purposes.

I'm sorry, was that? Okay, thanks.

Q. (By Ms. Hogle) With respect to the

recommended regulatory policy for deferred income taxes, can you recount the key events that led to the agreement presented here today?

A. Yes, thank you. Prior to 1982 the Company had -- was partially on a flow-through accounting policy and -- in Utah. And in the Utah general rate case the Company began the process of normalizing its deferred income taxes. You know, over, over a period of time.

And as a result of that we ended up at basically a normalization level of approximately 40 percent. Meaning that, with regards to our -- and specific, you know, specifically with regards to book tax differences related to assets under construction, we were 40 percent normalized on those book tax differences and 60 percent flow through on those book tax differences.

And for various reasons we never got beyond that level of normalization, but we had started the process of normalizing all of our book tax differences.

And then in the 2007 general rate case we filed that using a fully normalized level of accounting for deferred income taxes. And ultimately that was -- the decision on that was deferred until a future date.

And the Commission subsequently opened Docket No. 08-999-02 and 0 -- 09-035-03 to audit the Company's regulatory treatment and deferred income taxes and to analyze the effects of a future change to full normalization.

And essentially, as a result of that activity, we started working with the parties to explore normalization and. And we had, you know, multiple detailed discussions on the issues.

And ultimately reached agreement in this stipulation that the recommended policy on a go-forward basis on an ongoing basis by these -- by the parties to the stipulation would be for full normalization of all book tax differences. With the exception of AFUDC equity, which will be accounted for on a flow-through basis.

May I just state that this proposed regulatory policy is compliant with the normalization requirements of the Internal Revenue Code. So to recap that, the ongoing recommended regulatory policy is full normalization of all temporary book tax differences, and flow-through treatment of equity AFUDC.

And subject to any questions, I would now like to discuss the recent change in accounting method for income tax purposes.

Q. Okay. Please proceed.

A. On December 30, 2008, the Company filed for a change in accounting method with the Internal Revenue Service. This was done with an application. It's, it's a non-automatic change in accounting method. Meaning that we must get IRS approval before we can start accounting for the, the deductions. In this case the deductions associated with repairs under the new method of accounting.

We, we filed two Forms 3115 -- these are the applications for change in accounting method -- with the Internal Revenue Service. One with respect to generation assets. And one with respect to, to what we called network assets in the filing, which would be transmission and distribution.

And the new accounting method, which we called the repairs deductions -- and I'll, I'll try to refer to it as that going forward -- permits PacifiCorp and other companies to expense costs associated with the repair and maintenance of generation transmission and distribution assets in the accounting period in which they're paid or incurred.

And currently those costs -- or prior to this change in accounting method -- the accounting method, those costs were being capitalized for both book and tax purposes and recovered through depreciation. And the IRS granted consent to the Company's proposed change in accounting methods respectively on October 2nd and October 7th. Of 2009.

So an example, I just wanted to give a brief example of what this accounting method would allow. It really is tied to the concept of a, of a unit of property.

Taking, for example, an entire turbine being a unit of property. If the IRS would, would agree that the, that the turbine was a unit of property, then replacing a turbine blade would potentially qualify as a repair.

Even though the turbine blade itself could be quite expensive and maybe the repair itself could be quite expensive, under this new method of accounting, where we would have previously capitalized and depreciated that cost, we would now take that as a deduction in the year that we paid or incurred that cost.

And so that's kind of the general concept here. It's not a complex concept. But the issue of deductible versus capitalizable costs has long been a disputed area between the IRS and taxpayers.

And as a result of some new guidance that was issued by the IRS in the past year or two, this change in accounting method has presented itself. And taxpayers, including PacifiCorp, are taking the opportunity to review their method of accounting for these costs and change that method of accounting.

As I noted, we, we got the change in accounting method -- or the IRS granted consent for the change in accounting method on October 2nd and October 7th of 2009. We reflected the change in accounting method in our 2008 income tax return. And that was the year of change ultimately granted by the IRS in its consent.

So the Company's 2008 Federal Income Tax return contains two components for this change in method of accounting. One is known as an Internal Revenue Code 41A adjustment, and the other is the 2008 repairs deduction.

An Internal Revenue Code Section 41A adjustment essentially is a one-time catch up adjustment that is meant to, yeah, reflect your tax books as if you'd been on this new method of accounting since the inception of the Company.

And the idea of the adjustment is to make sure that you don't duplicate any of these costs that are associated with the change in method of accounting in a future tax return. And in this case it generated a one-time tax benefit or a tax deduction, a large one. And that entire tax deduction is taken in -- over a one-year period of time in the 2008 tax return.

The IRS did break our deduction into two pieces. We filed for -- yeah, we -- under the method that we filed with the IRS they would have -- we would have liked for them to issue just one consent. But they broke our consent out into a component that would be deemed to be the repairs deduction and a component that would be deemed to be the reversal of gains and losses on tax retirements.

And the tax retirements are an increase in taxable income under this change in method of accounting. And they're -- that's being taken into income over a four-year period of time. The tax benefits associated with the repairs deduction is taken over a one-year period in the 2008 tax returns. And we also have the 2008 repairs deduction in the tax return.

Sorry if that was long-winded. And I just note that the repairs deduction was not included in the, in the initial filing of the 2009 general rate case because at the time we weren't certain that we would receive consent from the Internal Revenue Service. And if we did receive consent, we weren't sure that we would receive consent in time to get it into our 2008 income tax return.

In fact we reported it in our income tax return, but received consent after it was filed. We made that decision after -- understanding that other taxpayers were, were receiving consent for this change in method of accounting.

And there's also significant uncertainty about how much of this new method of accounting will be sustained on, on ultimate exam by the IRS. And those, and those were the reasons that we didn't include it into -- in the current rate case originally.

Q. Thank you for that overview of the stipulation, Mr. Fuller. Now, can you get into the details and then describe the terms of the stipulation?

A. Sure. So the -- in the stipulation the parties agreed that the, the recommended ongoing regulatory policy for deferred income taxes in the Company's Utah jurisdiction would be the normalized treatment of all temporary book tax differences and the flow-through treatment of AFUDC equity.

And the parties request that the Commission approve the implemation -- implementation of this policy coincident with the test period in this -- in the docket beginning July 1, 2009.

The estimated amount of this adjustment would be a reduction to revenue requirement of $2.18 million at the Company's filed weighted average cost of capital. So that, that amount would be updated based on the weighted average cost of capital as decided by the Commission in this case.

Secondly, the parties would agree in the stipulation that the general rate case, Docket No. 09-035-23, should be updated to reflect the rate base deduction -- or reduction, I should say, for the new accounting method or the repairs deduction.

The estimated amount of this adjustment is $7.35 million reduction to revenue requirement, based on the Company's filed weighted average cost of capital. And again, this adjustment would be updated to reflect the weighted average cost of capital as decided by the Commission in this case.

There's two other terms I'd like to go through that have to do with the uncertainty of the estimates that we made for the repairs deduction in this filing, as well as the uncertainty that exists with respect to the, the ultimate amount of the deduction, the repairs deduction that will be sustained upon IRS examination.

In this stipulation the Company has reflected the full value of the tax benefits of the repairs deduction. This includes the, the one-time Internal Revenue Code Section 41A adjustment. It includes the 2008 repairs deduction. And it also includes estimates of the 2009 and 2010 repairs deductions.

And as I alluded to before, there, there is a significant amount of uncertainty with regards to how much of this adjustment will be sustained upon ultimate IRS examination. This is a new method of accounting. We're, we're in on the front wave of this.

And there's not a lot of experience with how the IRS will view this. Except to say it's my understanding that this will be implemented as what's known as a tier one issue before the Internal Revenue Service.

"Tier one" meaning it's coordinated nationally, so that they understand how the information is coming in from all taxpayers who have participated in this change in method of accounting.

So they'll be dedicating a significant amount of resources to auditing this adjustment.

And while we feel like we're on solid grounds with our filing, the IRS does have the ability to change its views of these things. And so while they've granted permission to make the change in the method of accounting, they haven't approved the amounts that we filed in our tax returns yet. And those are subject to audit. And that could -- we could receive substantive adjustments from the Internal Revenue Service.

Also, this method of accounting is performed on a facts-and-circumstances basis. So you have to go through your accounting records on a project-by-project basis and review each expenditure to determine whether or not it qualifies as a tax deduction under this new method of accounting, or the repairs deduction.

The Company has only done this for the initial change in method of accounting. It doesn't have significant experience with estimating or forecasting these amounts. And accordingly we forecasted these amounts in this, in this case for the 2009 and 2010 time frames for the forecast test period at the level that we took the deduction for the 2008 time period.

We won't know what those amounts actually are until we get into those years and actually look at these -- look at the expenditures incurred during that year. So as a result of those uncertainties the parties have agreed that the -- excuse me.

The parties have agreed that the regulatory asset or liability would estab -- be established for over or underestimates of the repairs deduction projected for 2009 and 2010. And that regulatory asset would be included in rate base. And would begin amortization of that regulatory asset in its next general rate case over a period not to exceed five years.

And finally, the parties have agreed in the stipulation that a regulatory asset or liability would be established for interest paid to or received from the IRS, with respect to audit adjustments made by the IRS, to only the repairs deduction for the IRC Section -- or the Internal Revenue Code Section 41A adjustment for 2008, '9, and '10 repairs deductions forecast in this case.

That, again, would be included in rate base and amortized in the next general rate case over a period not to exceed five years.

Q. Thank you Mr. Fuller. Can you go through the calculation of the $2.18 million to the Company's case by using Attachment 1 to the stipulation?

A. Yes. I don't know if the Commissioners have Attachment 1 to the stipulation in from of them. Thank you.

The first table in the -- in Attachment 1 describes those fee adjustments that are forecasted in our rate case. And this really represents the difference between -- it's called the flow-through variance.

And this, this really reflects the difference of moving from our prior regulatory precedent of 40 percent normalized/60 percent flow through. Moving from that to 100 percent normalized, with the exception of moving AFUDC equity to full flow through.

That would change the expense component, under the total column in that box, by $1.4 million. Excuse me. The $1.4 million would then need to be grossed up, for income taxes, at the Company's statutory tax rate.

So what you see in the second box is the $1.4 million being grossed up, at a gross-up factor of 1.6116, to arrive at a revenue requirement decrease of $2.3 million, roughly.

As a result of that -- the expense changing, that would also impact the accumulated deferred income taxes that are applied at a rate base reduction. And that rate base reduction would be decreased by $1.4 million, or on a beginning/ending average $700,000.

At the Company's weighted average cost of capital as filed in this case, and the pretax weighted average cost of capital of 11.979 percent, that would increase revenue requirement for the rate base component by $84,000.

Arriving at a total rate base reduction for that -- for this update of about $2.2 million, or $2.18 million as I noted previously.

Q. Mr. Fuller, I'll sorry, did you say that would increase or decrease the revenue requirement?

A. On a net basis it's a decrease to revenue requirement of 2.8 -- $2.18 million. The expense component generates a rate base reduct -- or revenue requirement reduction of $2.27 million, offset partially by a rate -- revenue requirement increase of $84,000 for the rate base impacts.

Q. And can you do the same thing for the $7.35 million adjustment?

A. Certainly, thank you. In the second

attachment to the stipulation the first box shows what the Utah allocated and accumulated deferred income tax liability is, on a Utah allocated basis, generated by the repairs deduction. And as you can see, it's a pretty significant rate base reduction.

The first column is with respect to the one-time Internal Revenue Code Section 41A adjustment. And that shows the accumulated deferred income tax liability, by year, through 2010.

Then you -- the next three columns establish the accumulated deferred income tax liability for the annual repairs deduction for 2008, 2009, and 2010, as forecasted for this rate, this rate case. Arriving at a total rate base reduction that was utilized for the purpose of this rate base reduction in this stipulation.

That annual activity was then broken into six-month periods, because the, the test period for this case was July 1, 2009, through June 30, 2010. And that necessitated us to break this out into slightly different accounting periods.

The second box shows the computation of the pre-tax weighted average cost of capital as filed in this case. The second-to-the-last column has that pre-tax cost at 11.979 percent.

And finally the, the third table is the revenue requirement calculation. The revenue requirement calculation shows the beginning balance as of June 30, 2009. The change in balance -- the ending balance as of June 30, 2010. These are based on the numbers generated on the -- in the first table.

We then took a beginning/ending average of that rate base reduction and applied the weighted average cost of capital of 11.979 percent, to arrive at a revenue requirement reduction for before pro -- before the pro rata percentage of $11.7 million.

Based on various factors, the parties agreed to a pro rata percentage of about 62.9 percent, to arrive at an agreed-upon rate base reduction of $7.35 million.

Q. Thank you Mr. Fuller. And do you have any final comments on the stipulation?

A. Yeah, I do. And I want to thank all the parties to the stipulation for their time and effort, and in listening to us on these arcane and sometimes complicated tax issues. And I want to restate the Company's support for the stipulation.

I think it was negotiated in good faith by all the parties to the stipulation. And I believe that the stipulation is in the public interest. And that it's all -- all of its terms and conditions, considered together as a whole, will produce fair, just, and reasonable Utah retail electric utility rates.

I recommend that the Commission approve the stipulation as filed. Thank you. And this concludes my comments.

CHAIRMAN BOYER: Thank you Mr. Fuller.

Are there questions for Mr. Fuller?

Anything further from you, Ms. Hogle?

MS. HOGLE: Yes.

CHAIRMAN BOYER: Okay.

MS. HOGLE: Thank you, your Honor. I would like now to turn the time over to Mr. Jeff Larsen. He has some additional items that he would like to cover.

CHAIRMAN BOYER: Very well.

Mr. Larsen?

MR. LARSEN: Yes. Just a, a couple of comments to follow up on Mr. Fuller. One point just to be clear on. The adjustments that we've reflected here resulting in a $9.5 million reduction to our case is based on the Company's requested weighted average cost of capital.

And so as the hearing and case proceeds, if there are any changes to what the Company's requested, that ultimately would factor through and impact the, the calculation and the rate base reduction component of this adjustment. It would just reflect the Commission's final decision on the rate of return incorporated into this case.

The other point that I would make is the repair deduction is a, a unique issue. It's got elements of an ongoing component with the 2 -- 2008 level. The 481A adjustment is a, a catch-up adjustment that reflects the deductibility of these repairs from 1999 through 2007. And so there's a, a prior-period aspect to it.

And so as the Company looked at this, the appropriate and fair way to treat it was moving forward on a fully-normalized basis. Which would avoid the, the arguments of whether it was a prior period, how much of it would be flow through, how much would be normalized. Because you would apply a 40 percent normalized/60 percent flow-through basis to it.

And by incorporating it into the overall approach of moving to a full normalization we're able to reflect the benefits of the entire adjustment for customers as a rate base deduction. And avoid those, those issues and arguments from prior period treatment of the catch-up adjustment. Because we think that also is, is a very compelling 4A move towards the full normalization.

And on that component, just to reiterate from somewhat of a layman's point of view as you look at the, the two items that are in play for full normalization. Currently we have equity AFUDC that's at 40 percent normalized, and we have all of our other temporary items that are 40 percent normalized.

What we're doing is moving the temporary items to 100 percent, moving equity AFUDC to zero, and the net effect is a benefit to customers of $2 million. By doing that and making those changes, that allows us to now implement the policy of moving to full normalization and providing that benefit to customers.

And in, in the past cases we brought forward the issue. And ultimately determined was -- moving to full normalization just on its own was a detriment to customers. Even though long-term policy basis it's a, a good policy to implement, it was also raising the revenue requirement.

But eliminating equity AFUDC and moving to a fully flow-through, or a zero percent normalization treatment, allows us to offset that benefit -- or offset the cost of implementing that appropriate policy of full normalization and provide customers with the benefit of it.

And so just with those follow-up comments, that completes my remarks.

CHAIRMAN BOYER: Okay. Thank you, Mr. Larsen.

Anything further, Ms. Hogle?

MS. HOGLE: Nothing further. Thank you.

CHAIRMAN BOYER: Are there any questions for Messrs. Fuller or Larsen?

Let's let the record reflect that Attorney Paul Proctor has joined us now, representing the Office of Consumer Services.

And now let's turn to Mr. Ginsberg from the Division.

MR. GINSBERG: The Division's witness will be Dr. Powell. And Mr. Dave Thomson is available to answer questions, but has no prepared statement.

CHAIRMAN BOYER: Very well. We've already sworn him if he does answer any of those questions.

MR. GINSBERG: Okay.

CHAIRMAN BOYER: Please proceed.

ARTIE POWELL,

called as a witness, having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. GINSBERG:

Q. So would you state your name for the record?

A. My name is Artie Powell.

Q. And you participated in all aspects of this stipulation and the issues of deferred taxes over the last couple years?

A. Yes, I have.

Q. Can you go ahead and -- well, state your position with the Division.

A. I'm the manager of the energy section for the Division of Public Utilities.

Q. Can you go ahead and present your statement in support of the stipulation?

A. Yes, I will. And I appreciate the opportunity to talk on behalf or in support of the stipulation this afternoon. Many of the comments that I had prepared here would be somewhat redundant to what Mr. Larsen and Mr. Fuller have already stated or explained, so I'll try to eliminate as much of that as I possibly can as I go through this statement.

I would like to say that the sta -- the tax stipulation before the Commission in this docket does settle up two tax issues that have been explained.

Namely the normalization of certain basis differences, and the tax treatment of routine repairs and maintenance expenditures. Or as been -- has been characterized as a repairs reduction. Or deduction, I should say.

The combination of these two issues decreases Rocky Mountain Power's revenue requirement in the current rate case by approximately $9.5 million. And as Mr. Larsen just explained, that amount in the reduction is based on the Company's filed cost of capital and capital structure.

As the Commission decides what the appropriate capital cost should be or the capital structure should be, that amount will change somewhat.

I did do some preliminary calculations as we were going through the stipulation or negotiating the stipulation. And the amount doesn't vary very much if, for instance, the Commission were to adopt the Division's position on capital structure and cost of capital.

Paragraphs 3 and 4 of the stipulation explain that, for certain property-related book tax differences, the Company treats the deferred income taxes as 40 percent normalized. As, as I understand it, the way -- or the way I understand it what that means is that the deferred income taxes are treated on a levelized basis. They're equal over the life of the asset. At least for 40 percent of those deferred income taxes.

The other 60 percent are treated under a flow through. And that is, the tax advantages are flowed through to current taxpayers. The Company is able to charge, for example, higher depreciation expense in the early years of the life of an asset than would be charged under, say, a straight line depreciation method.

The effect is to produce lower tax payments in the early years of the life under flow through that are offset by higher tax payments in the latter years. Many of these issues between tax normalization or flow through were discussed under Docket No. 09-035-03, the tax normalization docket.

And they were also discussed in the Division white paper that was filed under that docket, entitled "Normalization of Deferred Income Taxes for Rocky Mountain Power." Which was prepared by the Division's consultant, Mr. Edward Ferrar of the Garrett Group.

In the Division's opinion the flow-through treatment of deferred income taxes creates a mismatch between the tax expense and the benefits associated with the underlying assets, and thus creates an interger -- generational inequity.

Normalizing these tax effects better matches the benefits and the expenses over the life of the asset and eliminates this inequity. Excuse me. Thus the Division believes that moving to 100 percent normalization is good public policy, and is in the best interest of right -- ratepayers over the long run.

Because of the immediate rate impacts, however, the Division has been reluctant to recommend moving to full normalization on a short time period. In this case, for example, moving to full normalization would increase the Company's revenue requirement by approximately $6 million.

If I remember correctly, on a previous rate case that estimate was quite a bit larger. Something around $18 million. However, this impact in this case, the way the stipulation is put together, is offset by two other adjustments that are -- first was the AFUDC equity treatment that has been described by Mr. Fuller and Mr. Larsen, which would be done under a flow-through method.

The net effect of these two, moving to full normalization for the temporary differences and using -- or treating AFUDC as a flow through, is approximately $2 million, as explained in Attachment 1 and as detailed by Mr. Fuller.

It should be noted that the magnitude of these two items, the impact that the full normalization has and the impact that the AFUDC equity piece has on revenue requirement, will fluctuate from year to year.

Among other things, it will depend on the procurement of assets by the Company. However, the offsetting impacts of these two should go forward. Or in other words, the treatment of AFUDC equity on a flow-through basis should offer a mitigating effect of the full normalization going into the future.

So again, the Division believes that these two treatments together are in the public interest.

The second adjustment, as described in paragraphs 7 through 9 of the stipulation, deal with the repairs reduction -- deduction. This adjustment, which has several parts and involves a change in accounting treatment for certain routine repairs and maintenance costs.

The Company currently capitalizes these costs, but has petitioned and received permission from the IRS, as Mr. Fuller explained, to treat these costs as expenses in the year that they occur.

The stipulation -- or the parties to the stipulation have agreed, for purposes of this rate case, that the repairs reduction will be valued at $7,350,000. There's several parts to this repairs reduction that -- as explained in the stipulation and by Mr. Fuller.

The first part deals with the 481 -- 481A adjustment, which basically evaluates what would have happened if the Company had expensed the repair costs instead of capitalizing them over the years 1999 through 2007.

The other pieces of the repairs reduction are estimates for the -- of amounts for the calendar year 2008. And as was explained by the Company, both the 481A adjustment and that estimate for 2008 were deducted on the Company's tax return for 2008.

The other pieces deal with estimates for the repairs reductions for the years 2009 and 2010. And as explained in Attachment 2 of the stipulation, arrive at an estimate of the repairs reduction for the test year.

However, since the IRS has not completed an audit of the Company's 2008 return, and thus leaving a great deal of uncertainty as to the final amount of the repairs reduction that will ultimately be allowed by the IRS for both the test year and for the 2008 return, the stipulation specifies that the Company's end ratepayers will be held harmless for any adjustments that the IRS might make with resp -- with respect to these deductions.

For example, once the IRS completes its audit in 2 -- of the 2008 return it may determine that, say, 30 percent of the deductions taken by the Company as expenses should have been treated as capital additions.

As a consequence, the Company will be obligated to pay interest on that amount or that adjustment by the IRS. A similar IRS adjustment would also be expected for the repairs reduction taken by the Company on its 2009 and 2010 returns.

In paragraphs 12 and 13 of the stipulation it explains how each component of the repairs reduction will be treated once the IRS completes its audit of the 2008 return, and the IRS adjustment to the duct -- to the deducted amounts is known.

As specified in paragraph 13, any interest paid by the Company to the IRS will accrue. An account which the Company will amortize in its next general rate case over a period not to exceed five years.

Paragraph al -- 13 also specifies that the IRS disallowance ratio -- say that 30 percent that I was using as an example -- would be applied to the repairs deduction taken on the 2009 and 2010 returns. And the appropriate interest would accrue to the account for amortization in the, in the future.

Additionally, paragraph 12 specifies that any over or underestimate of the repairs deduction for purposes of this rate case, again as specified in Attachment 2, and the actual deductions taken by the Company on its 2009 and 2010 returns will accrue to the account for amortization.

Based on the Company's representations, the Division anticipates that the IRS will complete its audit of the 2008 return in the latter half of 2011. The full benefits of the reduction, as specified in Attachment 2, is approximately $11.7 million.

However, since the audit will not be completed for several years, and assuming that the IRS will make some adjustments to the return as filed by the Company, the stipulation weights this full benefit of the repairs reduction to arrive at the $7.35 million to the Company's revenue requirement.

The Division believes that the treatment of any IRS adjustments as outlined in the stipulation is fair and reasonable.

In conclusion I would just say again that the stipulation solves the two important tax issues. Namely the full normalization treatment of these temporary book tax differences, and the tax deduction for the routine repairs and maintenance costs.

Taken as a whole, the Division believes that the stipulation is reasonable and in the public interest, and therefore the Division recommends that the Commission adopt the stipulation. And that would conclude my summary remarks. Thank you for your time.

CHAIRMAN BOYER: Thank you, Dr. Powell.

Anything further, Mr. Ginsberg?

MR. GINSBERG: No, sir.

CHAIRMAN BOYER: Are there any questions for Dr. Powell?

Okay, very well. Let's turn now to the Office of Consumer Services. Mr. Proctor?

MR. PROCTOR: Thank you Mr. Chairman. I -- would this be the right time for me to humbly apologize for allowing myself to be delayed?

CHAIRMAN BOYER: No need.

MR. PROCTOR: Okay.

CHAIRMAN BOYER: Thank you.

MR. PROCTOR: Ms. Murray largely coordinated the Office's consideration of the stipulation in its proposal forms, and also spoke extensively with our outside expert consultant. But beyond the support for the stipulation that is stated within it and which the Office has signed, we would have nothing further.

CHAIRMAN BOYER: Thank you, Mr. Proctor.

Mr. Dodge?

MR. DODGE: We, we have no testimony. UAE signed and supports the stipulation.

CHAIRMAN BOYER: Thank you.

And Mr. Reeder?

MR. REEDER: We signed and support the stipulation. Thank you.

CHAIRMAN BOYER: Thank you.

And let's not overlook Mr. Mauss?

MR. MAUSS: Same. We signed and supported the stipulation.

CHAIRMAN BOYER: Very well, thank you.

Let's turn now to the Commissioners and see if they have any questions.

Commissioner Allen?

Commissioner Campbell?

COMMISSIONER CAMPBELL: Let me just ask a few. First to the Company. Does the Company, in any of the other states, have full normalization for AFUDC?

MR. FULLER: We -- yes. The answer to that is yes. And we've been changing that recently. In Oregon and in California we had flow-through AFUDC equity. In Washington we were on flow through for AFUDC equity. And in Idaho flow through. And then recently in, in Wyoming we proposed flow through of AFUDC equity. So we're --

COMMISSIONER CAMPBELL: So this was, this was a Company change. This wasn't a decision made just to arrive at this stipulation, but that the Company has made a policy decision on AFUDC equity?

MR. FULLER: Right. We believe this is the proper treatment of AFUDC equity.

MR. LARSEN: And if I could just add. In the recent Wyoming case we propose -- proposed that change. As I indicated in my initial remarks, the, the tax department had reviewed the treatment on all of the, the tax items.

And determined that basically what was occurring with A -- equity AFUDC is that the Company was getting a loan from customers that we were paying back to them over time at our rate of return, but there was no real tax consequence or payment to the

IRS.

And so looking at that we, we determined there's no real need to be normalizing that and taking that loan from customers through rates. And rather it should just be treated as a flow-through basement -- flow-through basis. So there's no money coming in from customers that we're holding on to and just returning back over time.

So we've made that change across all of our jurisdictions where it was being normalized.

COMMISSIONER CAMPBELL: Is, is that -- is this also one of the explanations for why your previous normalization number was so much higher than we're seeing now, is that, that previous number in the prior rate case included the AFUDC equity piece?

MR. FULLER: Yeah. I think they -- as we would have proposed it in the prior rate cases we would have moved AFUDC equity from 40 percent normalized to --

COMMISSIONER CAMPBELL: To a hundred?

MR. FULLER: -- 100 percent.

COMMISSIONER CAMPBELL: Okay. That helps understand that, that difference that we're seeing.

Let me ask as it relates to the repairs expense. Is, is the prior ex -- experience where you capitalized repair expense, was that just under -- on your tax books?

MR. FULLER: The prior treatment for income tax purposes followed book accounting. So to the extent that these costs were previously capitalized for book purposes, they were also capitalized and depreciated for tax purposes.

COMMISSIONER CAMPBELL: So under the current -- under the stipulation would not your repair expense increase?

MR. FULLER: Right. And so under the -- well. Under the accounting method change that we've made, that would allow us to deduct those expenses that were previously capitalized, for income tax purposes only, in the year that they were paid or incurred. It wouldn't change the book treatment at all.

COMMISSIONER CAMPBELL: So is what -- what is the book treatment for these repair expenses?

I mean, are --

MR. FULLER: Yeah.

COMMISSIONER CAMPBELL: Are they capitalized or are they?

MR. FULLER: Yeah, they're capitalized.

COMMISSIONER CAMPBELL: And you're not

changing that treat -- treatment at all?

MR. FULLER: Nope.

COMMISSIONER CAMPBELL: Why not?

MR. FULLER: Well, that treatment is covered by, um...

MR. LARSEN: GAAP?

MR. FULLER: GAAP and FERC. And this treatment that we're -- that we -- this method change is covered by the Internal Revenue Code and the interpretation.

COMMISSIONER CAMPBELL: So GAAP requires you to capitalize those repairs, whereas the IRS now is allowing you to expense those?

MR. FULLER: Yeah, that's right.

COMMISSIONER CAMPBELL: Is that a fair summary? Okay.

And then I guess my final question has to do with this pro rata percentage. And I first -- when I first saw that one I wondered how you arrived at that. And I guess my second thought is, does it really matter?

And then I guess that's my question. Does it matter, if the Company and customers are held harmless because of this uncertainty, if that pro rata were 70 percent or 50 percent would that matter in the long term? Or does it matter?

Is that just a judgment call that that -- that that will affect the actual amount customers pay?

MR. LARSEN: That, that amount was arrived at through negotiations. You know, ultimately, you know, we looked at the timing of it. The relationship to the, the test period. The timing of when the Company receives the actual cash from the IRS for the, for the deduction.

So it was a process of negotiation on where you end up and how that would be reflective of the test period in this case. The, the receipt of the dollars. And ultimately what would be used as a basis for the calculation on the benefits that customers received, and how we calculate that for trueing up to the no harm for customers or for the Company.

And so we would say it, it was a number that we arrived at or backed into when we agreed on the, the $7.35 million and determined that that percentage was the appropriate level that would be applied in the calculations for 2009 and '10.

COMMISSIONER CAMPBELL: Okay. Now I'd like to hear from the Division on that pro rata and how you came to that number.

MR. POWELL: Well, I think Mr. Larsen's

characterization of it is accurate. It was a negotiated amount. The parties first agreed on the $7.35 million. And then the question is, is how do you get from -- if you look at the Attachment 2, the box, it says 11 million -- $11.8 million.

And then you have the 60-some-odd percent. And then the 7.3. How do you get from those two numbers? And that's -- you're just backing into that prorated percent.

One way of looking at it, and the way that -- one way that the Division looks at it is that we know that the IRS is gonna make some adjustments once they've completed their audit of the 2008 return. And so that the Company will be liable for interest on whatever adjustments they have to make to the accounting treatment of these expenses that they've made on their -- for tax purposes.

And so it -- by reducing that 11.8 million down to 7.35 million it's kind of a little insurance, if you will, on what customers are going to -- or could ultimately be exposed to in terms of having to amortize their rates in the future.

COMMISSIONER CAMPBELL: So I, I guess my question is, what number is going to change based on the IRS audits? What numbers are gonna go up and what numbers are gonna go -- well, what numbers could go -- what number could go up or what number go down based on how the IRS evaluates the 2008 tax return?

MR. POWELL: I'm sure Mr. Fuller can address it in a lot more detail than I can. But if you look at Attachment 2, the repairs reduction, there's two pieces to it. There was the piece that the Company did as a catch up for the years 1997 through 2000 -- or excuse me, 1999 through 2007. And that's approximately $80 million that's reflected in that Attachment 2.

That's the piece that the IRS will be audit -- or that's part of the -- what the IRS will be auditing. And, and the example that I used in my statement was is let's say that the IRS decides that 30 percent of that should be treated as capitalized, or cannot be expensed under this change in the accounting treatment.

Then the Company would be liable for the interest that would accrue -- or that the IRS would charge based on that adjustment. And then there's also the estimate for the repairs reduction for the 2008 calendar year that the Company also deducted on its tax returns.

So those things -- those pieces will be

audited by the IRS.

MR. FULLER: I'll just say that, in terms of the updated calculation, I think what will end up being updated in this calculation anyway has been -- for the terms of the stipulation are the estimates that were made for 2009 and 2010. They would update this calculation.

So preserving the form of this calculation is important, because one of the terms of the stipulation says that we will update for the differences between the amount we forecasted for 2009 and 2010 in this case betw -- and what we actually file in our 2009 and 2010 income tax returns, which we don't know at this time.

That said, you know, as we -- as this process -- as we negotiated this amount there were various ways to compute the rate base reduction, in terms of the beginning/ending average and the timing of the establishment of the deferred tax liability. Which wouldn't have technically been established as of June 30, 2009, as this calculation implies, it would have occurred later on during the test period.

And so as the negotiations continue we, you know, I believe that the pro rata percentage kind of takes into account some of the stuff that Artie is talking about. But also takes into account that you could have started out with a begin -- either the beginning/ending average.

You could have started out with zero as your beginning accumulated deferred income tax liability. Or you could have done a, closer to a 13-month average, which might be closer to the 62.917 percent that we've backed into. But ultimately it was a number that was agreed upon.

COMMISSIONER CAMPBELL: You -- it was a judgment.

MR. FULLER: Yes.

COMMISSIONER CAMPBELL: That's why the negotiation for the parties --

MR. FULLER: Yeah, correct.

COMMISSIONER CAMPBELL: -- and that's where the judgement is in this. Okay. So my initial understanding was correct and my, my sub -- subsequent was incorrect.

So, so help me. I guess my final question is, the hold harmless piece, that just relates to the interest?

MR. FULLER: It relates to pieces. The hold harmless piece does. One is the interest incurred. Which will just be with respect to the amounts that we see -- or the, the tax years that we see in, in this case.

And then also the other hold harmless piece is for the amounts that we've estimated for 2009 and '10.

COMMISSIONER CAMPBELL: Okay. Thank you.

CHAIRMAN BOYER: Okay. Thank you. And Commissioner Campbell asked the one question I had.

Is there anything further from the proponents of the stipulation?

Okay, let's see if there -- are there any parties to this matter who oppose the stipulation? And I see none.

Let's -- we'll take a five-minute -- or a six-minute recess. We have another commitment at 3:00. And we'll reconvene in five or six minutes.

(A recess was taken from 2:45 to 2:53 p.m.)

CHAIRMAN BOYER: First of all I'd like to thank the witnesses for explaining these arcane issues to the, the one non-accountant on the Commission. Me. Moi.

We've deliberated and we have reviewed, of course, the stipulation prior to the hearing. And we've, we've determined to approve the stipulation as proposed.

And we'd like to ask Ms. Hogle to draft an order for us. Circulate it among counsel present before you file it. And we'll proceed from there.

Thank you all for your participation.

One more thing, Ms. Hogle?

MS. HOGLE: Yes. I'm not sure that anyone offered the stipulation into the record.

CHAIRMAN BOYER: Oh, let's -- yeah, let's do that. I mean, it's -- we filed it in the docket, but let's do. Let's make that motion now.

MS. HOGLE: Okay.

CHAIRMAN BOYER: Any objection to the stipulation being entered into the record?

MR. REEDER: No objection.

CHAIRMAN BOYER: Okay. It is admitted. Thank you.

(The hearing was concluded at 2:54 p.m.)

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 Certified Shorthand Reporter and Registered Professional Reporter 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 58, 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.

SIGNED ON THIS 10th DAY OF November, 2009.

____
Kelly L. Wilburn, CSR, RPR
Utah CSR No. 109582-7801