

PUBLIC SERVICE COMMISSION OF UTAH

Docket No. 20-035-04

CLOSING ARGUMENTS

December 04, 2020

ADVANCED REPORTING SOLUTIONS

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 REPORTING SOLUTIONS
ADVANCED

Closing Arguments
December 04, 2020

1 BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

2 -00-

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4 Application of Rocky Mountain)
Power for Authority to Increase)
5 its Retail Electric Utility)
Service Rates in Utah and for) Docket No. 20-035-04
6 Approval of its Proposed)
Electric Service Schedules and)
7 Electric Service-Regulations)
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13 VIDEO CONFERENCED PUBLIC HEARING - CLOSING ARGUMENTS

14 TAKEN THROUGH ADVANCED REPORTING SOLUTIONS VIA ZOOM

15 Taken on December 4, 2020

16 9:01 a.m. to 12:27 p.m.

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21 Reported by: Michelle Mallonee, RPR, CCR

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

2 -00-

3 CHAIRMAN LEVAR: Good morning. It is
4 December 4, 2020, and we are here for the Public Service
5 Commission of Utah hearing in Docket 20-35-4, application
6 of Rocky Mountain Power for authority to increase its
7 retail electric utility service rates in Utah and for
8 approval of its proposed electric service schedules and
9 electric service regulations.

10 Today is the day we've designated for closing
11 statements. And based on those who filed briefs -- and
12 again, closing statements were optional, so I don't know
13 if everyone who filed briefs is planning to participate
14 in closing statements. I would propose that we go in the
15 order of Stadion LLC; then ChargePoint, Incorporated;
16 then The Kroger Company; Utah Clean Energy; University of
17 Utah; Utah Association of Energy Users; Office of
18 Consumer Services; Division of Public Utilities; and
19 Rocky Mountain Power.

20 Does anyone object to that order of closing
21 statements, again, recognizing that some of the ones I
22 listed might not be presenting closing statements?

23 I'm not seeing or hearing any --

24 MR. RUSSELL: No objection from me,
25 Mr. Chairman. I might want to flip the order of UAE and

1 the University of Utah just because the order of that
2 presentation will likely be (inaudible) to combine those
3 statements together, if that's okay.

4 CHAIRMAN LEVAR: I lost part of what you said,
5 Mr. Russell. I'll just state that I had put those two
6 together so that you could be in charge of how you wanted
7 to handle them. If you needed to get what you just said
8 on the record, I don't think we got it in the transcript.

9 MR. RUSSELL: No, that's exactly how I wanted to
10 do it, so that's fine.

11 CHAIRMAN LEVAR: Okay. Thank you. I'm not
12 seeing any objection.

13 I'm going to do one thing out of order. I have
14 one question for Rocky Mountain Power that I'd like to
15 put the question to you at this point so that you might
16 be able to answer it as we get later in the day. It's
17 just a technical question about whether a specific number
18 remains confidential that was confidential in the
19 testimony. So let me share that. I've written a quick
20 summary of it. And let me just share that.

21 Are you seeing that screen, Mr. Moscon?

22 MR. MOSCON: Yes, it's -- yes, I see that. The
23 surrebuttal, October 29 -- that question. Yes, I see
24 that. Does that question -- does that number remain
25 confidential, the one you've got redacted?

1 Let me find out, and I will either tell you when
2 it becomes my turn, or do you need to know the answer to
3 that before I would start presenting?

4 CHAIRMAN LEVAR: No. I was just hoping to get
5 that answered sometime before we finish today.

6 MR. MOSCON: Okay. I will have an answer, and I
7 will tell you before I go on to my closing statement.

8 CHAIRMAN LEVAR: Okay. Do I need to leave this
9 on the screen any longer?

10 MR. MOSCON: No, thank you.

11 CHAIRMAN LEVAR: Okay. Thank you. Okay.

12 With that, I'll go first to Mr. Sanger, who
13 indicated that you do not intend to make any closing
14 statements.

15 Commissioner Clark, do you have any questions
16 for Mr. Sanger?

17 COMMISSIONER CLARK: I do not. Thank you very
18 much.

19 CHAIRMAN LEVAR: Okay. Thank you.

20 Commissioner Allen?

21 COMMISSIONER ALLEN: No questions. Thank you.

22 CHAIRMAN LEVAR: And I don't have any. So thank
23 you, Mr. Sanger.

24 MR. SANGER: Thank you very much.

25 CHAIRMAN LEVAR: I do not see on the participant

1 list anyone from ChargePoint. So unless someone states
2 differently, I think we are not going to have a closing
3 statement from ChargePoint.

4 Okay. With that, Mr. Boehm, would you like to
5 make a closing statement on behalf of The Kroger Company?

6 MR. BOEHM: Thank you, your Honor. Kroger filed
7 briefs in this case, and we will just submit our briefs
8 and not do a closing statement. Thank you.

9 CHAIRMAN LEVAR: Okay. Thank you, Mr. Boehm.

10 Commissioner Allen, do you have any questions
11 for Mr. Boehm?

12 COMMISSIONER ALLEN: No questions. Thank you.

13 CHAIRMAN LEVAR: Okay.

14 Commissioner Clark, do you?

15 COMMISSIONER CLARK: I have no questions. Thank
16 you, Mr. Boehm.

17 CHAIRMAN LEVAR: Okay. I don't have any,
18 either.

19 So, thank you for your brief you filed,
20 Mr. Boehm.

21 MR. BOEHM: Thank you, your Honor.

22 CHAIRMAN LEVAR: And I'll go next to Mr. Holman.

23 MR. HOLMAN: Good morning, Chair. I don't have
24 a closing statement prepared today, so I'm happy to
25 answer questions.

1 CHAIRMAN LEVAR: Thank you.

2 Commissioner Clark, do you have any questions
3 for Mr. Holman?

4 COMMISSIONER CLARK: No questions. Thank you,
5 Mr. Holman.

6 CHAIRMAN LEVAR: Okay. Thank you.

7 Commissioner Allen?

8 COMMISSIONER ALLEN: Thank you. No questions.

9 CHAIRMAN LEVAR: And I don't have any, either.

10 So thank you, Mr. Holman.

11 MR. HOLMAN: Thank you.

12 CHAIRMAN LEVAR: We'll go to Mr. Russell next,
13 then.

14 MR. RUSSELL: Thank you. Is my audio coming
15 through better than it was earlier?

16 CHAIRMAN LEVAR: I am hearing you clearly. If
17 anyone else isn't, please let us know.

18 COMMISSIONER CLARK: It's clearer for me.

19 MR. RUSSELL: Okay. Great. Thank you. I do
20 have some closing statements to make. I intend to make
21 them in the order of UAE's position with respect to
22 revenue requirement first. And then I will go to the
23 cost of service and rate design. As the testimony in the
24 briefs that we have submitted on behalf of UAE and the
25 University of Utah might indicate, there is some overlap,

1 and I intend to just make the discussion about Schedule
2 32, kind of combine it together. So that's how I intend
3 to proceed.

4 CHAIRMAN LEVAR: Mr. Russell, with that, I think
5 we will reserve questions from the Commission until
6 you're completed with everything. I don't think we'll
7 try to interrupt portions of that for questions.

8 MR. RUSSELL: However you would like to proceed.
9 If I'm saying something that bores you and you would like
10 to ask a question, please just interrupt me.

11 CHAIRMAN LEVAR: Okay. Well, if we have a
12 burning need to, we'll interrupt you. Thank you.

13 MR. RUSSELL: Okay. Great. I will start where
14 we started in UAE's post hearing brief on Rocky Mountain
15 Power's proposal for a two-step rate increase. And this
16 is tied to their -- the issue that they've had with
17 delays regarding portions of the TB Flats 2 in Pryor
18 Mountain Wind projects. What they're effectively asking
19 this Commission to do is to have a separate test period
20 for the delayed portions of those projects. Some portion
21 of those projects will be in service by December 31st of
22 this year, which is the first day of the 13-month average
23 rate base for the test period that this Commission
24 approved at Rocky Mountain Power's request. But some
25 portion of those -- that plant will not be in service as

1 of the first day of that test period, which means that
2 the full annualized costs of those projects will not be
3 included in rate base.

4 Rocky Mountain Power asked this Commission to
5 use a separate test period to include the full annualized
6 cost of the late portions of those -- of that plant in
7 rate base. As indicated in our briefs, we believe that's
8 inconsistent with Utah law and this Commission rule.

9 The Commission rules allow Rocky Mountain Power
10 in advance of filing its application to request a
11 particular test period and to submit testimony to support
12 the test period that will most reflect the rate effective
13 period. It did that, and the Commission approved the
14 test period of the 12 months ending December 31st, 2021,
15 with a 13-month average rate base.

16 Given the Commission's ruling, Rocky Mountain
17 Power could then -- and I'm going to read from
18 R746-700-10(B)(2), which allows the -- which says that
19 after the Commission approves a test period in advance of
20 the application, as it did here, quote, "the Applicant
21 may then submit an application using as the test period
22 for the case the test period previously approved by the
23 Commission." It did that.

24 But in the course of this case, it learned that
25 a portion of those -- the wind plant would be delayed.

1 And so instead of shifting the test period to account for
2 the full annualized cost of those, shifting the test
3 period for all costs, what Rocky Mountain Power proposes
4 to do is to use a separate test period for some portion
5 of the costs that are at issue. This is problematic
6 because it does not allow this Commission to look at the
7 full load of information that it would get about that
8 separate test period.

9 So consistent with this Commission's ruling,
10 approving a test period with the 12 months ending at the
11 end of 2021, the Company submitted forecasted test period
12 data for revenue requirement information, operating
13 capital budgets, labor costs, et cetera. It also
14 submitted a -- a cost-of-service study based on
15 forecasted data for the test period.

16 The request to use a separate test period for
17 isolated investments is inconsistent with the data that
18 it has already submitted. That separate test period is
19 also -- relies on forecasted data that is more than 20
20 months from the approved -- or from the application,
21 which is inconsistent with Utah Code Section 54-4-4(3),
22 which states that in establishing a test period, the
23 Commission may use a future test period that is
24 determined on the basis of projected data not exceeding
25 20 months from the date a proposed rate increase or

1 decrease is filed.

2 The use of a separate test period also
3 constitutes single-issue rate making. As I mentioned
4 before, there's all sorts of information that the Company
5 has to file so that the Commission gets a good sense of
6 what's going on in the test period. You can't then take
7 isolated investments and shift or use a different test
8 period for those without engaging in single-issue rate
9 making.

10 The Company asserts that the delays are a result
11 of COVID-related delays and that it's not the Company's
12 fault. All of that may be the case. There are
13 particular tools that the Company can use to address
14 these costs. But simply ignoring the law and ignoring
15 Commission rules isn't one of them.

16 One of the things that the Company can do is to
17 file a separate rate case later using a test period that
18 would include these costs. Another thing it can do, if
19 it qualifies, is to file for a major plant addition. The
20 Company says, you know, Don't make us do that. It's a
21 procedural hassle. But that's what the law requires.
22 And the Commission should not in this case utilize a
23 separate test period because it's not allowed to do so,
24 and there are tools at the Company's disposal. Simply
25 using a separate test period is not one of them.

1 The second issue I want to address is recovery
2 of the Pryor Mountain project, as indicated in our
3 testimony and in our brief. The recovery on that, if
4 it's allowed, should be limited to the \$26 per megawatt
5 hour that the avoided cost rate allowed at the time the
6 Company invested in the project. \$26 is supposed to be
7 the point at which customers are indifferent to whether
8 the Company procures generation on its own or acquires it
9 from others. The Company seeks recovery of more than
10 that \$26 per megawatt hour; and thus, the customers are
11 not indifferent.

12 So, if approved, the Power Mountain Wind project
13 should be a market resource where the Company gets to
14 recover \$26 per megawatt hour that it produces. It gets
15 to keep its PTCs and the recs that belong -- that would
16 then belong to the Company. And I will note that this
17 proposal would not require the Commission or the Company
18 to engage in the type of separate test period or other
19 procedural rate making because it would get the \$26 per
20 whatever megawatt hour is produced when it's produced for
21 the first 20 years.

22 I also want to address the issue that is at
23 issue in the depreciation case and in the rate case, and
24 that's the period of depreciation on the retired wind
25 assets.

1 The retired wind plant should be depreciated
2 over the remaining life of the repowered projects. The
3 retirement of the repowered wind plant enabled the
4 benefits from the repowering projects that will accrue to
5 customers over the next 30 years. The cost of the
6 retired wind plant should be paid for over that 30-year
7 period to align the costs of the projects with the period
8 in which the benefits would accrue.

9 The only party to disagree with this proposal is
10 the Division. The Division indicates that it would
11 prefer a 10-year depreciation period to align
12 depreciation with production tax credits. The Division
13 acknowledges that the PTCs are not the only benefits but
14 asserts that, well, they're the most valuable ones. I'm
15 not sure that they've actually demonstrated that point.
16 But in any event, aligning the depreciation period of the
17 retired wind assets with the PTCs does not eliminate
18 intergenerational equity, which is the point that the
19 Division wants to make.

20 The reason it doesn't eliminate
21 intergenerational equity -- or inequity is that the
22 customers in years '20 through '30 will have benefit of
23 the repowered projects. It won't have to pay to replace
24 the wind projects.

25 So the plant that was retired would have --

1 would have been in existence in service for the next 20
2 years. It had already been -- it had already been in use
3 for 10 years. The expectation was that it would go
4 another 20 and that it would be depreciated over another
5 20.

6 By retiring those wind assets and replacing them
7 with new assets in the repowering projects, we've
8 extended the life of the near zero marginal cost power
9 for customers for another 10 years, which means that
10 customers in that year 20 to 30 of the new repowering
11 projects get the benefit of having that near zero
12 marginal cost that they wouldn't have absent the
13 repowering projects.

14 But under the Division's proposal, those
15 customers who now no longer have to pay for the capital
16 improvements to replace that wind would not have to pay
17 for the retirement or the depreciation of the retired
18 wind assets. We think that results in intergenerational
19 inequity with customers in the next 10 years paying for a
20 benefit -- paying for customers in years 20 to 30 that
21 they don't pay for. So we think that the appropriate
22 depreciation period is 30 years.

23 We have also, on the issue of the retired wind
24 assets, we make two other recommendations, neither of
25 which I intend to touch on unless the Commission has

1 questions. One of them is for the depreciation of those
2 retired wind assets to continue from the date of
3 retirement, and the other relates to a 200 basis point
4 reduction in the return on the investments to better
5 align the balance of risks between the Company and its
6 customers.

7 One last point on revenue requirement relates to
8 the Company's annual incentive plan. As we indicated in
9 testimony and in our post hearing brief, the annual
10 incentive plan includes a portion that is tied to
11 financial goals, and we just ask that this Commission
12 affirm its long-standing position of declining to approve
13 portions of annual incentive plans that include
14 incentives that are based on financial goals. The
15 rationale for that has always been that the primary
16 beneficiary of such plans that are based on financial
17 goals are the shareholders, and it is the shareholders
18 who should pay for those types of incentive plans. And I
19 just want to reiterate we don't have a problem with the
20 Company including those types of incentives. Our point
21 is that the customer shouldn't pay for them because they
22 are not the primary beneficiary.

23 That's all I had on revenue requirement, and so
24 I will shift to cost of service and rate spread.

25 UAE supports the Company's proposed rate spread,

1 which reflects the results of the cost-of-service study
2 while employing gradualism to balance the impact of rate
3 increases across rate classes. In its post hearing
4 brief, Rocky Mountain Power cites Utah Code Section
5 54-3-1. And I think it bears repeating. That statute
6 states that utility rates and charges must be just and
7 reasonable, taking into consideration "the cost of
8 providing service to each category of customer, economic
9 impact of charges on each category of customer and on the
10 well-being of the state of Utah, methods of reducing wide
11 periodic variations in demand of such services, and means
12 of encouraging conservation of resources and energy."

13 We believe that the Company's rate spread
14 appropriately balances all of these considerations and
15 request that the Commission approve it.

16 Our post hearing brief includes some statements
17 with respect to -- or some arguments with respect to
18 adjustments that the Office had proposed to the embedded
19 cost-of-service study. I don't intend to repeat those
20 here. We spent a fair bit of time on them, but I'm happy
21 to answer any questions.

22 Finally, I will address the proposed rate design
23 for Schedule 32. UAE and the University of Utah proposed
24 to set the Schedule 32's delivery facilities charge at
25 the rate set for the corresponding full requirements rate

1 schedules. This is consistent with the Commission's
2 ruling in Docket No. 14-035-T02 in which the Commission
3 adopted UAE's proposal to set the delivery facilities
4 charge at a rate that ensures that Schedule 32 customers
5 do not pay different effective rates for delivery
6 services than their full requirement rate schedule
7 counterparts.

8 The Company's proposal is to set the delivery
9 facilities charge to recover the full amount of fixed
10 transmission costs identified in the cost-of-service
11 study for the full rate requirement schedules. This
12 results in an increase to that charge of approximately 30
13 percent for transmission voltage customers. This is the
14 same proposal that the Company advanced in Docket No. --
15 in that previous docket number that I mentioned,
16 14-035-T02, the docket in which this Commission adopted
17 Schedule 32.

18 The Commission declined to adopt Rocky Mountain
19 Power's proposal in that docket and should do so again
20 now.

21 It remains true that the Company's proposal, as
22 it did in the previous docket, would impose different
23 effective rates for delivery service on Schedule 32
24 customers than would be imposed on corresponding full
25 rates requirement schedules. It is also true, as the

1 Company states in its post hearing brief, that this
2 Commission takes many things into account in setting
3 rates. The cost-of-service study is one of them, but it
4 is not the only one.

5 The rate spread is intended to bring customers
6 closer to the cost of service, but it doesn't do that,
7 not perfectly. It doesn't align perfectly for any of the
8 full rate requirement schedules. So it doesn't make
9 sense to charge Schedule 32 customers a delivery
10 facilities charge based on the notion that they'll pay
11 full cost of service either. That's not how the
12 Schedules 6, 8, and 9 are set up, and it's not how
13 Schedule 32 should be set up.

14 The Company seeks to justify its position by
15 claiming that Schedule 32 has daily power charges that a
16 Schedule 32 customer could avoid; and therefore, that
17 Schedule 32 customers could underpay delivery charges.
18 But the Company has not demonstrated that there are
19 sufficient opportunities for a Schedule 32 customer to
20 avoid daily power charges that would result in an
21 underpayment of delivery charges.

22 As we note, as we've noted throughout this case,
23 the Company did not perform a cost-of-service study for
24 Schedule 32. It did not because there wasn't enough
25 information. It didn't have enough data from a single

1 Schedule 32 customer on that rate schedule to do so in
2 the base test period.

3 In addition to the fact that there is no
4 cost-of-service study on which the Company can rely to
5 support its position here, the fact remains that peak
6 hours stretch well into the nighttime. And so any
7 proposed Schedule 32 customer that intends to rely on
8 renewable energy that is intermittent will have a very
9 difficult time avoiding daily power charges in the way
10 that Rocky Mountain Power suggests.

11 The Company's claim that Schedule 32 customers'
12 ability to avoid delivery charges is also mitigated by
13 the fact that Schedule 32 has a 300-megawatt program cap.
14 As I mentioned, there's only one customer, and that's the
15 University of Utah. The rate schedule has been around
16 since 2015. The fact that there's a single customer
17 suggests that Schedule 32 is not some economic boon to
18 parties. It is available to parties like the University
19 of Utah who have zero carbon goals. But those customers
20 are not flocking to Schedule 32 to make a buck. They're
21 going to Schedule 32 because it's the only viable
22 schedule for them, for large customers, to meet the types
23 of sustainability goals that the University of Utah has.

24 The cap on this program, 300 megawatts, will
25 mitigate any impacts that there theoretically could be

1 from some future larger adoption of this program.

2 In our brief, we also pointed to the fact that
3 the Company treats Schedule 32 customers differently than
4 it treats Schedule 31 customers. We note that the
5 Commission in its order approving Schedule 32 drew some
6 parallels between these two rate schedules. They're both
7 partial requirements rate schedules. They both have
8 daily demand charges.

9 But the Company does not propose for Schedule 31
10 to set a facilities charge at the full rate requirements
11 cost-of-service revenue requirement for fixed
12 transmission costs. Instead, it sets the facilities
13 costs at a rate that's a fair bit closer to the full rate
14 requirements, Schedules 8 and 9, than even the current
15 Schedule 32 costs. And there is no evidence that
16 Schedule 31 customers have avoided their daily demand
17 charges in a way that shifts costs. And there isn't
18 any -- as I mentioned, that Schedule 32 customers would
19 result in the same -- would result in that underpayment
20 of delivery charges.

21 So, in short, the Company's proposal would treat
22 Schedule 32 customers differently than the full rate
23 requirement schedules. It would treat them differently
24 than other partial requirements customers. And we don't
25 think that there's any demonstration that this is a

1 necessary or a prudent proposal.

2 And we ask that the Commission approve the
3 proposal of UAE and the University of Utah because we
4 think it most closely adheres to the Commission's ruling
5 in Docket 14-035-T02.

6 One last point on the University of Utah. It
7 has some equities here that are unique to it given the
8 fact that it is the only Schedule 32 customer. As
9 mentioned in the testimony, it has entered into two
10 separate Schedule 32 contracts, one with a geothermal
11 project that began delivering power under Schedule 32 in
12 2019, another very recently it entered into a 20 megawatt
13 solar project that will not begin delivering power under
14 Schedule 32 until 2022. Those are long-term commitments.
15 These long-term commitments were made to make progress
16 towards the University's goal of carbon neutrality by
17 2050, but also because of the University's belief that
18 Schedule 32 customers would be treated equitably with
19 respect to the rates that they are to pay.

20 I mentioned that this Commission drew a parallel
21 with Schedule 31 when it adopted Schedule 32. And in
22 doing so, in the report and order in that prior case, it
23 indicated that, and I'm quoting here, "Additionally, we
24 recognize prospective customers will be using Schedule 32
25 to make long-term resource decisions. For these reasons,

1 we find it reasonable to adopt a rate design for Schedule
2 32 that both achieves the objectives of SB12 and
3 maintains a measure of consistency with the way currently
4 approved rates and schedules address demand charges."

5 The Company's proposal seeks to radically change
6 the way that Schedule 32 addresses demand charges. The
7 University of Utah's proposal would have the Commission
8 set those demand charges at the same rate as the full
9 rates requirements customers, which is, we believe, what
10 the Commission had intended with the prior order.

11 And I'll just note the University's position
12 here is similar to UAE's, but the University, as
13 indicated in the testimony of Mr. Christopher Benson, did
14 not enter into Schedule 32 to avoid demand charges.
15 That's not his point. In fact, its economic analysis of
16 Schedule 32 would be just about a break even, you know,
17 in getting into Schedule 32 versus getting power from
18 the -- from the Company. This is not designed in the way
19 that -- their intentions here are not to avoid those
20 delivery charges in the way that Rocky Mountain Power
21 proposes Schedule 32 customers would.

22 And with that, I will submit on behalf of UAE
23 and the University of Utah. And I'm happy to answer any
24 questions.

25 CHAIRMAN LEVAR: Thank you, Mr. Russell.

1 I'll go to Commissioner Allen first.

2 Do you have any questions for Mr. Russell?

3 COMMISSIONER ALLEN: No questions. Thank you.

4 MR. RUSSELL: Thank you.

5 CHAIRMAN LEVAR: Thank you.

6 Commissioner Clark?

7 COMMISSIONER CLARK: I have no questions. Thank
8 you, Mr. Russell.

9 CHAIRMAN LEVAR: Okay. Thank you. I have a
10 couple.

11 You briefly spoke about UAE's position on the
12 employee incentive plans, and you described your
13 interpretation of prior Commission precedent. And I just
14 want to clarify that.

15 Is it your interpretation that the previous
16 Commission orders on this issue stated that they would
17 disallow any portion of an employee incentive plan that
18 was focused on financial goals, or was the Commission
19 precedent that they would not allow an incentive plan
20 that was predominantly based on financial goals?

21 MR. RUSSELL: My understanding is that the
22 Commission's prior rulings on this point have, in fact,
23 approved annual incentive plans but only those portions
24 of the annual incentive plans that are not based on
25 financial goals.

1 In the 2008 case -- and I think this would be
2 found in the transcript of Mr. Higgins' live testimony on
3 redirect -- we cited to some of the positions that the
4 Company had proposed. And in the Commission's ruling
5 with respect to that annual incentive plan, there was a
6 portion of that annual incentive plan for executives. In
7 fact, there was the annual incentive plan for executives
8 I think that was primarily based on financial goals. And
9 the Company was not seeking recovery of those. But for
10 the employees, the nonexecutives, there was a portion of
11 that that was based on financial goals.

12 And my understanding of the Commission's ruling
13 there is that it approved only those portions that were
14 not based on financial goals.

15 I hope that answers your question. I don't
16 think that the Commission's prior rulings are based on
17 this notion that it has to be primarily based on
18 financial goals. The Commission has kind of siphoned off
19 those portions that are based on financial goals.

20 CHAIRMAN LEVAR: Okay. Thank you. That answers
21 my question.

22 MR. RUSSELL: Okay.

23 CHAIRMAN LEVAR: And then I have one more
24 question for you, and it's on Pryor Mountain. And I'll
25 recognize that UAE's testimony on this issue doesn't go

1 to my question as directly as some of the other parties.
2 But I want to give you, the Division, the Office, and
3 Rocky Mountain Power all the opportunity to answer the
4 same question.

5 So in your view with our statutory standards for
6 evaluating the prudence of Pryor Mountain, do we need to
7 see modeling that demonstrates it was beneficial to
8 ratepayers on a basis of comparing with or without Pryor
9 Mountain? Or do we need to see modeling that
10 demonstrates it was beneficial to ratepayers as compared
11 against all other reasonable, knowable alternatives?

12 MR. RUSSELL: It's a really good question. I
13 think the Company has in the past several years sought to
14 justify certain projects on the basis of their economics.
15 And we've been through this with the repowering projects
16 and with the new wind projects from EV2020, where they've
17 demonstrated, you know, here's our glide path. Here are
18 these projects. Here's what revenue requirement looks
19 like if we don't do these projects versus if we do them.

20 So the trouble that some of the customer groups
21 like UAE and others have had is that the assumption here
22 is that those are the only projects that are available.
23 And so -- and that's certainly just not the case. There
24 are other projects out there, as we've seen from the
25 current RFP.

1 I think it -- it is incumbent on the Company to
2 demonstrate when it's seeking to justify a project like
3 this one, particularly when it's a single project like
4 this one, that it is the best available project in that
5 there's some need.

6 Now, the Company is justifying this project not
7 because it needs the capacity or the energy, but because
8 it represents an opportunity for customers. In those
9 circumstances I think it is incumbent on the Company to
10 show, Look, it's a benefit to the customers, and it's --
11 there's not some better project out there that we could
12 have gone out and gotten a PPA on or something else that
13 would represent a better -- you know, better value for
14 customers.

15 So I think the answer to your question is yes,
16 they do need to show that, particularly in these
17 circumstances where it's purely based on an economic
18 opportunity rather than some need that's out there that
19 has, you know, kind of a ticking clock to it.

20 CHAIRMAN LEVAR: Thank you. That's all the
21 questions I had for you, Mr. Russell. So, thank you for
22 your time this morning.

23 MR. RUSSELL: Thank you.

24 CHAIRMAN LEVAR: I'll go to the Office of
25 Consumer Services next.

1 MR. MOORE: Hello, Commissioners. Can you hear
2 me and see me? This is Robert Moore.

3 CHAIRMAN LEVAR: I can see and hear you clearly.

4 MR. MOORE: If it is all right with the
5 Commission, the Office would like to divide the time
6 between myself and Mr. Snarr. I'll be doing the cost of
7 capital portion of the presentation and a little bit of
8 the revenue requirement, while Mr. Snarr finishes the
9 revenue requirement and does the cost of service.

10 CHAIRMAN LEVAR: Okay. Would you prefer that we
11 ask any questions of you one at a time, or would you
12 prefer that we let both of you finish everything, and
13 then we can ask any questions we have for either of you?

14 MR. MOORE: However is easiest for the
15 Commission.

16 CHAIRMAN LEVAR: Okay. Why don't you go
17 forward. If we need to stop and do questions after one
18 of you, we will; if not, we might just wait until you are
19 all finished.

20 MR. MOORE: Good morning, Commissioners.

21 I'd like first to address Rocky Mountain Power's
22 assertion made in their post hearing brief that recent
23 market conditions which are more volatile because of the
24 pandemic justify a higher ROE. This contention conflicts
25 both with the 2020 general rate cases for electric

1 utilities and Rocky Mountain Power's own economic
2 modeling.

3 First, the OCS agrees with Rocky Mountain Power
4 that current marketing conditions are a critical
5 consideration in determining ROE. However, any
6 pandemic-related volatility has been coupled with a low
7 interest rate environment. This low interest rate
8 environment is forcing ROEs lower rather than volatility
9 forcing ROEs higher. This is evidenced by the ROE
10 regulatory focus survey of general rate cases in the
11 first nine months of 2020, introduced by DPU Cross
12 Exhibit No. 1, which states that the average ROEs for
13 2020 is 9.44 percent.

14 The Office reports state: "ROEs ... are at the
15 lowest level ever witnessed in the industry, and with the
16 recent interest rate cuts by the U.S. Federal Reserve and
17 current pandemic-induced recession even lower authorized
18 returns may be on the horizon."

19 The report goes on to state that while "federal
20 fund rates do not move in lockstep with long term
21 treasuries and authorized ROEs do not move in lockstep
22 with interest rates, the expectation is that as interest
23 rates change, authorized ROEs change in a similar
24 fashion."

25 Moreover, the Federal Reserve has announced that

1 it plans to continue with its interventionist policies
2 and keep interest rates near zero right through 2023.
3 Therefore, while current market conditions are critical
4 factors to consider, the market conditions are dominated
5 by a lower interest rate environment and argue for lower
6 ROEs.

7 Second, the contention that recent market
8 conditions justify higher ROEs is inconsistent with Rocky
9 Mountain Power's own modeling. On page 3 of its post
10 trial brief, Rocky Mountain Power asserts utility
11 industries are underperforming. However, on page 25 and
12 26 of Ms. Bulkley's post-pandemic rebuttal testimony, she
13 claims the utility stocks are not underperforming but,
14 rather, are overvalued. This contention that utility
15 stocks are overvalued is necessary to explain her
16 disregard of Professor Woolridge's, Mr. Coleman's, and
17 ultimately her own DCF analysis.

18 Specifically, her DCF analysis is based on the
19 contention that DCF models should be not given much
20 weight because utility stocks are presently overvalued
21 and interest rates are too high -- too high -- too low,
22 and therefore, the results of the DCF's balances are
23 unreliable. Therefore --

24 CHAIRMAN LEVAR: Mr. Moore, I think we may need
25 you to repeat some of that. When you were turning pages,

1 it was causing noise. I don't know if Ms. Mallonee was
2 able to get everything you said. Maybe if you could
3 repeat a little bit of the last few sentences.

4 MR. MOORE: Certainly. Specifically -- is this
5 a good place to start? Well, let me start back up again.

6 The contention that utility stocks are overrated
7 is necessary to explain Ms. Bulkley's disregard for
8 Professor Woolridge's, Professor Coleman's, and
9 ultimately her own DCF analysis.

10 Specifically, her DCF analysis is based on the
11 contention that DCF models should not be given much
12 weight because utility stocks are presently overvalued
13 and interest rates are too low.

14 Therefore, the contention that more volatile
15 market conditions result in an underperforming utility
16 industry and justifies higher ROE conflicts with Rocky
17 Mountain Power's economic modeling. Again, as evidenced
18 in 2020 authorized ROEs, current market conditions are
19 dominated by lower interest rates, yields, and lower
20 ROEs.

21 Another factor arguing for lower ROEs is Rocky
22 Mountain Power's request for a capital structure of
23 53.67 percent equity. The OCS has demonstrated that this
24 level of equity is well above the proxy group's equity
25 percentage of approximately 44 percent and the equity

1 percentage of Rocky Mountain's parent, Berkshire
2 Hathaway, is approximately 42 percent.

3 As the Commission is well aware, capital
4 structure is interrelated with ROEs. They are two sides
5 of the same coin. That is because debt is riskier than
6 equity. As equity increases and debt decreases, risk
7 will decrease, leading to a lower ROE.

8 In addition, equity is more expensive than debt.
9 So if the equity percentage of the capital structure is
10 increased and the ROE remains constant, revenue
11 requirement will necessarily increase.

12 The impact of revenue requirement caused by
13 increased equity percentage can be dramatic. By way of
14 example, the OCS has taken the Washington settlement
15 capital structure of 49.1 percent equity and the
16 Washington settlement's ROE of 59.5 percent and the OCS
17 revenue requirement calculations and demonstrated that if
18 the capital structures in the settlement was increased to
19 Rocky Mountain's request of 53.67 percent equity, in
20 order to keep the revenue requirement and change, the ROE
21 would have to be reduced to 9 percent. This is
22 consistent with Mr. Woolridge's recommendations.

23 These two facts, that the ROE decreases and debt
24 goes down and the impact on the revenue requirement of
25 increasing equity, require regulatory commissions, when

1 faced with a request for higher equity position, do one
2 of two things: Lower the ROE or impute debt to a
3 hypothetical capital structure.

4 This is what the OCS has recommended. This
5 analysis is not directly contested. Rather, Rocky
6 Mountain Power argues that its equity position is not
7 high when compared to the equity position of the
8 operating companies in the proxy groups of holding
9 companies. However, this contention is an incorrect
10 approach.

11 The proper approach is to compare Rocky Mountain
12 Power's equity position with the actual proxy groups, the
13 holding companies because, one, the holding companies
14 have market information necessary to run the economic
15 modeling. And two, the interrelationship between capital
16 structure and ROE; that is, the risks associated with the
17 holding companies' ROE, reflects, in part, the holding
18 companies' lower equity percentages. If the holding
19 companies had the higher percentage, the operating
20 companies' risk would be reduced, and the ROEs would have
21 to be lowered.

22 Therefore, in order to reflect the risk
23 associated with the proxy companies used for the ROE
24 analysis, it is necessary to use the proxy companies'
25 capital structure in comparing the appropriate equity

1 position.

2 It is also of note that Rocky Mountain's
3 requested 53.67 equity is higher than its current
4 authorized capital structure of 51.43 percent equity,
5 Rocky Mountain's current actual equity percentage of 51
6 percent, and the equity percentage of Rocky Mountain
7 Power's Washington settlement of 49.1 percent, and the
8 average authorized capital structures of electric
9 utilities in general rate cases in 2020 of 49.37 percent.
10 Accordingly, if the Commission is supposed to grant Rocky
11 Mountain Power their requested equity position, because
12 of their higher-than-average capital structure, they must
13 be given a lower-than-average ROE.

14 A third element that justifies a lower ROE is
15 Rocky Mountain Power is less risky than the proxy group
16 companies, as evidenced by its superior credit rating.
17 Rocky Mountain Power S&P rating is A, two notches above
18 the average S&P rating of BBB+ of the proxy group
19 companies. And Rocky Mountain Power's Moody's rating is
20 A3, one notch above the average Moody's ratings of Baal
21 of the proxy companies.

22 Rocky Mountain Power nevertheless argues that it
23 is riskier in the industry because of the regulatory
24 environment in Utah, capital expenditures, generation
25 ownership, the Tax Act of 2017, et cetera. However, all

1 these factors, even the fact that Rocky Mountain Power is
2 a vertically integrated utility, was taken into
3 consideration by the rating agencies when they gave Rocky
4 Mountain Power a superior credit rating. Thus, Rocky
5 Mountain Power's argument regarding these risk factors
6 fails. And the fact that Rocky Mountain Power is less
7 risky in the industry also argues for a lower ROE.

8 Finally, Rocky Mountain Power's claims that
9 their proposed ROE of 9.8 percent is consistent with the
10 authorized ROEs is simply incorrect. As previously
11 stated, the ROEs in rate cases cited in the first nine
12 months of 2020 under current market conditions are the
13 lowest ever seen in the industry.

14 Today, for 2020, vertically integrated electric
15 utilities have average ROEs of 9.54 percent, and for all
16 electricity -- electric utilities, the average ROE is
17 9.44 percent with an average equity percentage of
18 49.37 percent. The higher average that Rocky Mountain
19 Power proposes -- to get the higher averages that Rocky
20 Mountain proposes, Rocky Mountain Power relies on stale
21 ROE analysis from 2008 and 2017 when interest rates were
22 higher and before the pandemic and before the Federal
23 Reserve actions that have taken place in 2020.

24 Taking recent market conditions into
25 consideration and the lower risks associated with high

1 equity position and the high credit rating, OCS's
2 position is consistent with the 2020 authorized ROEs.

3 The starting point for vertically integrated
4 utilities is 9.54 percent. This must be significantly
5 reduced because of Rocky Mountain Power's high equity
6 position, then reduce again because Rocky Mountain Power
7 is less risky, as evidenced by its credit rating. These
8 two reductions should bring the ROE down to a level the
9 OCS recommended of 9 percent. In any event, these
10 reductions must drive ROEs significantly below
11 9.5 percent to be comparable with authorized ROEs in
12 2020.

13 That's the end of the cost of capital portion of
14 the OCS's presentation. Would you like to ask any
15 questions now?

16 CHAIRMAN LEVAR: Commissioner Clark, would you
17 like to ask Mr. Moore any questions at this point about
18 cost of capital?

19 COMMISSIONER CLARK: No, I have no questions.
20 Thank you, Mr. Moore.

21 CHAIRMAN LEVAR: Okay. Thank you.

22 Mr. Allen -- I mean Commissioner Allen?

23 COMMISSIONER ALLEN: I have no questions either.
24 Thank you.

25 CHAIRMAN LEVAR: And I don't either about this

1 issue. So why don't you continue on, Mr. Moore.

2 MR. MOORE: Now I would like to touch briefly on
3 the pension issue in the revenue requirement portion of
4 these proceedings.

5 There are three issues to touch upon in
6 addressing pensions. One, the treatment of settlement
7 losses; two, the inclusion of revenue requirement and
8 prepaid pension assets and other post retirement assets;
9 and three, the alternative recommendation of a pension
10 balancing account.

11 First, with regard to the pension loss, the OCS
12 and UAE are recommending that RBM -- recommending that
13 Rocky Mountain Power amortize settlement losses or gains
14 over the remaining life expectancy of plan participants.
15 Under such an approach, the settlement losses or gains
16 will continue to be recognized in annual pension costs,
17 the same way they would have been recognized had the
18 recognition of the settlement loss or gain not been
19 triggered. This is consistent with the treatment of
20 Rocky Mountain Power's request in Docket 18-035-48. It
21 was recognized as a valid approach by Rocky Mountain
22 Power in the hearing and does not reasonably --
23 unreasonably inflate the revenue requirement.

24 Second, Rocky Mountain Power's recommendation to
25 include prepaid settlement assets into the revenue

1 requirement must be rejected. Rocky Mountain Power's
2 prepaid asset approach is a radical departure from past
3 practices, and Rocky Mountain Power has not provided any
4 new facts and rationale to justify this inconsistency, as
5 required by Utah Code 63G-4-403(4)(a)(iii).

6 While over the duration of these retirement
7 plans, the total amount of cash contributions to the
8 plans will ultimately equal the total amount of expenses
9 associated with the plans, it is unfair to charge
10 ratepayers a return now that the Company is in a net
11 prepaid position when ratepayers did not benefit through
12 a reduction to rate base during the many past years in
13 which the net -- an accrued liability existed.

14 While Rocky Mountain Power claims that its
15 shareholders have funded the net prepaid asset, it is
16 unable to support this claim. It cannot be determined if
17 the prepaid balance on Rocky Mountain Power's books was
18 funded by shareholders or ratepayers because many cases
19 were resolved in settlements. For these reasons, Rocky
20 Mountain Power's prepaid argument must be rejected.

21 Finally, the Commission must reject Rocky
22 Mountain Power's suggestion of establishing a pension
23 balancing account. This suggestion of a pension
24 balancing account was first mentioned by Rocky Mountain
25 Power in its rebuttal testimony approximately a month

1 before the hearing, and Rocky Mountain Power has not
2 adequately supported its new-found position.

3 Moreover, pension costs are not sufficiently
4 variable to justify a balancing account, and the
5 proliferation of balancing accounts is contrary to policy
6 considerations against single-issue rate making.

7 Mr. Snarr will continue with the OCS
8 presentation from here. Thank you very much,
9 Commissioners.

10 MR. SNARR: Thank you. I'd like to talk about
11 some of the other revenue requirements issues, and then
12 I'll move into some of the cost-of-service rate design
13 issues, if that will be all right.

14 First, I'd like to discuss the Pryor Mountain
15 project. The OCS recommends disallowance of the Pryor
16 Mountain costs because, first, it is not strictly needed
17 by Rocky Mountain in its resource requirements; second,
18 it is more expensive than other recent acquisitions, and
19 the Company has really made no comparison to other
20 alternatives; and thirdly, it is based on an affiliate
21 transaction that has not been fully justified.

22 The Company's testimony states that when the
23 Company made its decision to proceed with the Pryor
24 Mountain project, it ran its GRID model and found that
25 the system would be better off with the project than

1 without the project. Such analysis is incomplete. If
2 three projects passed the GRID test, would they add all
3 three? Or, if 15 projects passed their GRID test, would
4 they add all 15?

5 As a regulated utility, Rocky Mountain has an
6 obligation to consider whether another energy resource is
7 really needed. The Company has not demonstrated a need
8 for the project, given the availabilities of front office
9 transactions and the pending large solicitation for
10 renewable resources.

11 In addition, there are burdens that Rocky
12 Mountain must assume as a regulated entity that
13 demonstrate that its decision would meet a public
14 interest standard. Rocky Mountain was fully aware of the
15 need to demonstrate prudence in connection with, first,
16 the decision it made to proceed with the Pryor Mountain
17 project; second, the acquisition of wind turbine
18 components from an affiliate, including regulatory
19 scrutiny in acquiring the equipment at cost or market;
20 and lastly, the incurrence of actual cost overruns. This
21 awareness is demonstrated by the testimony of Joelle
22 Steward at the hearing.

23 Notwithstanding this awareness, the Company
24 failed to include any explanation or evidence in its rate
25 case application that addressed questions about

1 availability of comparable energy supplies or whether the
2 Pryor Mountain facility would be an energy source that
3 would produce energy at the lowest reasonable cost.

4 The OCS is not suggesting a different standard
5 for approval of Pryor Mountain because the Company chose
6 not to seek preapproval. Rather, since no review of
7 prudence has been made to date, a full prudence review of
8 both planning decisions and construction costs must take
9 place in this proceeding with the Company bearing the
10 burden of proof before this Commission -- before this
11 Commission can authorize a recovery in rates of Pryor
12 Mountain related costs.

13 While the Company chose to proceed without
14 seeking preapproval of the project, under Utah Code
15 Section 54-17-201, it cannot avoid prudency scrutiny as
16 it relates to the public policy that is embodied in that
17 statute requiring utilities to consider whether its
18 actions will most likely result in the acquisition,
19 production, and delivery of electricity at the lowest
20 reasonable costs to retail customers. That policy
21 remains a legitimate concern when considering whether a
22 utility's decision is prudent.

23 Our Utah Supreme Court has stated that the
24 utility bears the burden of presenting the evidence
25 necessary to support the Commission's essential findings.

1 In the 2003 case involving Committee of Consumer
2 Services versus the Commission, the Court specifically
3 stated, "In the regulation of public utilities by
4 governmental authority, a fundamental principle is the
5 burden rests heavily upon a Utility to prove it is
6 entitled to rate relief and not upon the Commission, the
7 Commission staff, or any interested party or protestant
8 to prove the contrary. The Utility must, therefore, put
9 forth substantial evidence to establish that its proposed
10 increase is just and reasonable. The Commission, in
11 turn, bears the responsibility for holding the Utility to
12 its burden."

13 Similarly, in a 1980 case before the Court, Utah
14 Department of Business Regulation versus Public
15 Utilities -- Public Service Commission, the Court stated,
16 "Ratemaking is not an adversary proceeding in which the
17 Applicant needs only to present a prima fascia case to be
18 entitled to relief. A state regulatory commission must
19 be informed of all relevant facts."

20 The Company's application also failed to include
21 any evidence showing the market value of the wind turbine
22 components it was acquiring from its Berkshire Hathaway
23 affiliate. Rocky Mountain provided no evidence of any
24 evaluation that the price paid was the lower of cost or
25 market for critical wind turbine components, the hubs and

1 the nacelles the Company decided to use from its
2 affiliate. Without that evidence, it appears that the
3 sale was an opportunity for an affiliate to offload wind
4 turbine components that were simply sitting in storage at
5 the time when their value was declining because PTCs were
6 expiring.

7 Commissioner Clark questioned Rocky Mountain's
8 witness, Mr. Van Engelenhoven, related to this market
9 value, and no evidence was presented as to the market
10 value in 2019 as it related to the purchases that had
11 been made by the affiliate in 2016 at book value.
12 Mr. Engelenhoven in the hearing discussed this, and when
13 pressed on cross, indicated that -- in response to a
14 question whether they had zero value, he could only state
15 that the wind turbine components had some value.

16 Mr. Hayet also addresses this in his hearing testimony.

17 Now, the Utah Commission has required utilities
18 to specifically address questions of prudence when
19 dealing with affiliate transactions. In a 1990 case
20 involving Mountain Fuel Supply, the Commission said, "The
21 Commission is of the view that transactions involving
22 affiliates place ratepayers at a disadvantage that can
23 never be entirely controlled or offset. For that reason,
24 it is generally appropriate to allow transfers of
25 property from affiliates to the utility at the lesser of

1 book or market and transfers going the other way at the
2 greater of book or market. We find that Mountain Fuel's
3 property transferred to an affiliate should be valued at
4 the greater of market or book, while that transferred
5 from an affiliate to Mountain Fuel should be valued at
6 the lesser of market or book."

7 Another concern has emerged as this case has
8 progressed. Cost overruns have been disclosed, and
9 there's been no evidence presented addressing the
10 prudence of such cost overruns. Specifically, look to
11 Mr. Link's hearing testimony when he addressed this in
12 questioning as well as Mr. Higgins's hearing testimony.

13 Contrary to the Company's assertion that OCS has
14 mischaracterized the burden of proof requirements that
15 Rocky Mountain must meet, we acknowledge that the
16 question of prudence is one that requires us to consider
17 evidence of prudence at the time the Company made its
18 decision to move forward with the Pryor Mountain project.
19 We submit, however, that the Company has failed to meet
20 its burden of proof in that there is no evidence showing
21 a need for the Pryor Mountain project, no evidence that
22 that might provide -- that it might provide energy at the
23 lowest reasonable price, and no evidence that the turbine
24 components requiring -- that the turbine components
25 acquired from the affiliate were acquired at the lower

1 cost or market.

2 In addition, in seeking to recover overrun costs
3 in this proceeding, the Company has failed to provide any
4 evidence to support a finding of prudence related to
5 those overrun costs. For these reasons, the OCS
6 maintains that the Company has failed to satisfy its
7 burden of proof demonstrating that it is entitled to
8 recover the costs in the Pryor Mountain project.

9 Some of the concerns we've expressed are similar
10 to the concerns that have been expressed by UAE in its
11 brief and in the hearing today. UAE, however, has
12 focused on the legality of an extended or separate test
13 year. That seems to bring into focus the questions about
14 costs and when those costs will be finally determined,
15 when they'll be known and measurable. The UAE has also
16 focused on the competitive price that was attached to the
17 project prior to Rocky Mountain acquiring it, which seems
18 to also focus on whether or not there was any comparable
19 studies made of other alternative supplies at the time
20 and whether this project might be one that will produce
21 energy at a lowest reasonable cost.

22 For these reasons, we submit that the Pryor
23 Mountain costs included in this case should be excluded
24 and based upon a failure of the Company to meet its
25 burden of proof.

1 We've also raised issues about the Lake Side 2
2 outage. In our brief, we've set forth our position. It
3 is unfortunate when outages occur. When they occur twice
4 in the same facility in similar ways and for similar
5 reasons, these outages need to stop. These facts leave
6 us with a mystery that must be solved by Rocky Mountain
7 before the next outage. The evidence demonstrates the
8 need for Rocky Mountain action. It does not meet the
9 burden of proof required to demonstrate prudence. The
10 DPU is aligned with the Office on this issue.

11 We have four other issues that we've addressed,
12 which I'll identify here: The transmission power
13 delivery, bad debt, generation overhaul expense, nonlabor
14 O&M escalation, and the Deer Creek Mine regulatory asset.
15 For each of these four issues, the OCS has presented
16 clear evidence through its witness, Donna Ramas,
17 demonstrating a basis for the suggested adjustments to
18 the Company's revenue requirement. We provided a factual
19 summary and legal basis for making these adjustments in
20 our legal brief.

21 I would note that UAE's witness, Kevin Higgins,
22 in his direct testimony at page 53 provides support for
23 the adjustment we suggest as it relates to the Deer Creek
24 Mine regulatory asset. Interestingly, Rocky Mountain has
25 chosen not to address these four issues in its post trial

1 brief.

2 I'd like to now turn to the AMI meters. This is
3 an issue that seems to have found its way into both the
4 revenue requirement section of the case as well as the
5 cost of service rate design. I'll address it once here.

6 The OCS recommends that the Company's Utah AMI
7 project be excluded from the test year as the benefits of
8 the project are largely not expected until 2023 when the
9 project is fully implemented. The purported benefits and
10 offsetting cost savings are not reflected in the test
11 year, and the project will not be fully used and useful
12 in the test year.

13 Actual amounts spent on the Utah AMI project
14 assets completed and being placed in service during 2020
15 are only expected to be less than about 2.5 million, as
16 indicated in Mr. Mansfield's hearing testimony. Without
17 the realization of significant benefits in the test year
18 or the inclusion of any of the purported benefits and
19 cost offsets in the test year, the recovery of the costs
20 should not be allowed in this rate case.

21 The Company's justification for the project has
22 been primarily focused on possible improvements to the
23 meter reading process. AMI meters can be a grid
24 modernization tool, but without proper analysis,
25 planning, transparency, and accountability, customer

1 benefits will not be realized, and the project will not
2 be cost effective.

3 The OCS recommends that Rocky Mountain develop
4 an advanced rate design roadmap to ensure that AMI
5 functionality provides benefits for ratepayers as soon as
6 is reasonable. The Division supports our position. UCE
7 supports our suggestion for further collaborative studies
8 with stakeholders. And WRA, while not filing a post
9 hearing brief, supports our suggestion as well.

10 I'd like to now turn to Rocky Mountain's
11 cost-of-service study. The OCS has examined Rocky
12 Mountain's cost-of-service study and found that the
13 Company's modifications to traditional cost-of-service
14 methods to incorporate subfunctionalization is fatally
15 flawed, inappropriate, and without transparency shifting
16 costs from energy to demand. Using the study could have
17 additional unintended consequences.

18 One of the guiding principles recognized by
19 regulatory authorities in designing rates for regulated
20 utilities is cost-causation. That principle has been
21 described in the U.S. Court of Appeals for the District
22 of Columbia as requiring that "all approved rates reflect
23 to some degree the costs actually caused by the customer
24 who must pay them."

25 In elaborating further on this cost-causation

1 principle, that Court explains: "In the context of
2 monopoly regulation, this principle helps ensure that
3 utilities produce revenues from each class of customers
4 which match, as closely as practicable, the costs to
5 serve each class or individual customer. That is, we
6 scrutinize a utility's rates to ensure a match between
7 cost-causation and cost-responsibility." That's from the
8 Black Oak Energy case cited in our brief.

9 Such cost-causation principles have been
10 followed in Utah regulatory proceedings where utilities
11 have been required to perform cost-of-service studies in
12 support of their proposed rate designs. And we cite in
13 our brief the PSC order of 1995 involving U.S. West.

14 In the cost-of-service study submitted by Rocky
15 Mountain, the Company claims to have followed traditional
16 steps of analysis where costs are first functionalized,
17 then classified, and finally allocated to inform rate
18 design. However, the technical mechanics of Rocky
19 Mountain's fixed and variable subfunctionalization and
20 changes made to facilitate unbundling are not an accepted
21 or recognized cost-of-service approach.

22 Rocky Mountain not only failed to provide
23 sufficient detail and support for its
24 subfunctionalization, but its methods are also highly
25 flawed, both technically and theoretically.

1 Subfunctionalization's purpose is to better reflect
2 cost-causation. But when it does not change the
3 classification and allocation of costs, costs cannot be
4 more accurately categorized into energy, demand, or
5 customer-related, nor split between customer classes.

6 In its legal brief, Rocky Mountain claims that
7 OCS has just misunderstood what Rocky Mountain was doing
8 to accomplish unbundling. A brief response to this
9 accusation may be in order.

10 In his direct testimony, Mr. Meredith states
11 that unbundling provides stakeholders with useful
12 information on how rates recover different aspects of the
13 utility service. This information can be helpful in
14 different rate making contexts, such as when designing
15 new programs for alternative generation sources.

16 In his rebuttal testimony, Mr. Meredith
17 introduces EBA clarity as a primary reason for
18 unbundling. Nowhere in his prefile testimonies does
19 Mr. Meredith mention anything about programs envisioned
20 by H.B. 411. However, in his witness statement presented
21 at hearing, Mr. Meredith, for the first time, mentions
22 that unbundling will allow delivery costs in rates to be
23 delineated from supply so that programs like those
24 envisioned in House Bill 411 can be designed.

25 Subsequent to Mr. Meredith's witness statement,

1 Rocky Mountain is now claiming in its legal brief that
2 unbundling is a necessary step to support programs that
3 have been envisioned by House Bill 411.

4 So, as OCS and others have been attempting to
5 follow the Company's ever-changing rationale for its
6 unbundling, Rocky Mountain suggests that we are all
7 confused. Rocky Mountain would also have us believe that
8 this ever-changing story somehow satisfies the Company's
9 burden of proof in proposing and justifying a new
10 procedure to be used in establishing rates.

11 Rocky Mountain's subfunctionalization proposal
12 is not transparent. In fact, it is an attempt to work
13 around the long-standing 75/25 demand and energy split
14 precedent for production and transmission classification.
15 To achieve the workaround, Rocky Mountain creates
16 unprecedented cost components referred to as "fixed and
17 variable supply."

18 According to the Company, cost-causation
19 principles would support recovery of fixed supply costs
20 through demand rates because of the fixed supply cost --
21 because the fixed supply cost component is greater than
22 the costs traditionally classified as "demand related"
23 within the embedded cost-of-service study. Rocky
24 Mountain's approach could be used to justify inflated
25 demand charges and lower kilowatt hour charges. Using

1 contrived cost components that do not follow cost of
2 service best practices is clearly a deviation from
3 traditional cost-based rate making. Simply stated, the
4 variable supply, or EBA costs are not the same as the
5 energy costs within the cost-of-service study that Rocky
6 Mountain uses the EBA costs to alter rate design.

7 EBA costs do not equal energy-related costs.

8 Even though Rocky Mountain characterized the changes as
9 being made to its cost of service as helpful for
10 unbundling, Rocky Mountain's proposed fixed and variable
11 cost subfunctionalization is technically unsound, creates
12 significant confusion through a lack of transparency, and
13 represents an unprecedented move away from cost of
14 service based rate making.

15 Various witnesses representing different parties
16 acknowledged reviewing Rocky Mountain's cost-of-service
17 study as part of their analysis presented in this case.
18 However, most of those witnesses also acknowledge that
19 the subfunctionalization step proposed by Rocky Mountain
20 presented confusion and should not result in changes to
21 the separate steps of functionalization classification,
22 and allocation of costs.

23 Witnesses also acknowledge the lack of
24 transparency and understanding as it relates to Rocky
25 Mountain's claim that it was necessary to make the change

1 to incorporate unbundling, a step that was not fully
2 explained, supported, or justified by the Company, unless
3 you're going to use their latest rationale stemming from
4 the witness statement at the time of the hearing and
5 their legal brief, as they're now contending.

6 Without providing clear evidence of the need for
7 the extra step of subfunctionalization, and without a
8 cogent explanation as to what was being accomplished by
9 the Company's unbundling change, the evidence presented
10 by Rocky Mountain fails to satisfy the Company's burden
11 of proof to support its proposed rate design. Thus, the
12 PSC should reject Rocky Mountain's proposal for unbundled
13 rates.

14 Now, the OCS does not oppose unbundling per se,
15 but submits that Rocky Mountain's specific proposal for
16 unbundling is not in the public interest, a conclusion
17 supported by several other parties in this proceeding.
18 Further, given the weaknesses of Rocky Mountain's
19 cost-of-service study along with additional evidence
20 presented by OCS, the PSC should give consideration to
21 factors other than just the Company's cost-of-service
22 study in deciding how to allocate costs to the various
23 customer classes. There's record evidence available for
24 the PSC to carefully review and consider the relative
25 performance of customer classes in providing revenues

1 compared to the costs that have been assigned to each
2 class. In that regard, please see Witness Nelson's
3 rebuttal testimony at page 26.

4 There is also evidence relating to likely
5 increases in residential revenues in light of the effects
6 of the pandemic that customers have been recently
7 experiencing. These facts, along with equitable
8 considerations associated with gradualism, can easily
9 form a framework from which the PSC can prescribe a fair
10 and equitable approach to be taken in the design of rates
11 as opposed to relying upon the flawed and unpersuasive
12 cost-of-service study that was submitted by Rocky
13 Mountain.

14 We would note that the UCE says that changes to
15 facilitate unbundling should be accomplished through a
16 collaboration with stakeholders. And Salt Lake City,
17 while they did not file a post hearing brief, generally
18 also supports this position.

19 Lastly, I'd like to just speak a little bit
20 about residential rates. Rocky Mountain's suggested
21 rates for residential service incorporate increases to
22 residential customer monthly service charges combined
23 with the elimination of the last rate tier, which
24 together result in an inequitable imposition of increased
25 rates for customers with lower and average levels of use.

1 The OCS examined Rocky Mountain's proposed rate design as
2 it might affect the rates of residential customers, with
3 particular focus of ensuring that no subset of the
4 customer class is burdened with an unreasonably high rate
5 shock.

6 While the OCS generally supports the Company's
7 suggestion to split the basic monthly service charge
8 between multi-family and single family customers, OCS
9 witness Ron Nelson demonstrated that the increase in
10 monthly service charges were not fully justified.

11 Mr. Nelson demonstrated that Rocky Mountain's proposal to
12 include demand-related transformer costs within the
13 customer charge was not supported theoretically and that,
14 instead, only customers' specific costs should be
15 collected through the customer charge.

16 Based on the evidence presented, the Office
17 specifically submits that the single-family basic monthly
18 service charge could be increased but not to exceed \$7.

19 The OCS also examined Rocky Mountain's proposal
20 to remove the last inclining block rate for residential
21 service. And while some witnesses have suggested that
22 the evidence is not compelling -- you can look at
23 Camfield and Wright's hearing testimony -- nevertheless,
24 the OCS decided that it would support the Company's
25 proposal to remove the inclining block rate so long as

1 the basic monthly service customer charge for
2 single-family customers would be limited to a fee of not
3 greater than \$7. The OCS believes that incorporation of
4 the Company's proposal without these limitations would
5 result in rates that would be unjustified and
6 inequitable, particularly when considering effects such
7 rates would have on low- and average-use residential
8 customers. We would note that UCE supports the
9 establishment of a working group of stakeholders to
10 consider any new changes to residential rate design.

11 Also, with respect to the revenue requirements
12 and the issues we've discussed here, possible rate
13 impacts for various adjustments to revenue requirements
14 are clearly shown in OCS Exhibit 3.3S, one of the
15 surrebuttal exhibits attached to Ms. Donna Ramas'
16 testimony. And we'll submit it on that basis. Thank
17 you.

18 CHAIRMAN LEVAR: Thank you, Mr. Snarr.

19 Commissioner Allen, do you have any questions
20 for Mr. Moore or Mr. Snarr?

21 COMMISSIONER ALLEN: No questions. Thank you.

22 CHAIRMAN LEVAR: Thank you.

23 Commissioner Clark?

24 COMMISSIONER CLARK: No questions. Thank you,
25 Mr. Snarr.

1 CHAIRMAN LEVAR: Okay. Thank you. I have a
2 couple.

3 Mr. Snarr, I think you probably heard my
4 question to Mr. Russell on modeling for Pryor Mountain.
5 I think you covered your position on that issue in your
6 presentation, but if you'd like to elaborate on that any
7 more, feel free to do so. If you need me to repeat the
8 question I asked earlier, I'd be happy to.

9 MR. SNARR: Let me -- I recall the question.
10 Let me address it.

11 We were concerned when we saw the Company make
12 the choice not to go with preapproval on this kind of a
13 project, when it's often been used before.

14 As we look at the statute that relates to the
15 preapproval process, there's a specific concern in the
16 statute which evidences a public policy of trying to make
17 sure that projects that are brought in for supplying
18 energy are done so at the lowest reasonable cost. And
19 what we determined was, while the Company has the
20 choice -- we don't argue with that -- to not bring a
21 project forward for preapproval, it still must
22 demonstrate prudence. And we believe that part of the
23 consideration of prudence would include some sort of
24 analysis or comparison to other alternative or available
25 energy supplies so that we don't just pursue a project

1 that might be higher than the other ones. That would be
2 inconsistent with prudence.

3 So, while we haven't suggested a particular
4 model or analysis, we do suggest that the consideration
5 must include whether or not this will bring about energy
6 that could be attributed at a lowest reasonable cost to
7 retail customers, and that that public policy announced
8 in the statute really can't just be totally ignored by
9 not availing themselves of using the preapproval process.

10 The question still is a part of prudence, and
11 the prudence issues are in this rate case, and we think
12 that it should be addressed.

13 CHAIRMAN LEVAR: Okay. Thank you, Mr. Snarr. I
14 appreciate that answer.

15 I'd like to ask you about one other issue, and
16 it's the last one you were speaking about, the proposed
17 customer charge for single- and multi-family homes. And
18 my question is a little bit convoluted, so I'll try to
19 walk you through what I'm asking.

20 Rocky Mountain Power has proposed a \$6 for
21 multi-family and \$10 for single-family customer charge,
22 and my understanding is that is intended to incorporate
23 both of those different types of customers' contribution
24 to fixed charges, including line transformers. Now, the
25 Office is proposing reducing the single-family but not

1 reducing the multi-family.

2 So my question is: Would that, then, require an
3 adjustment to Rocky Mountain Power's proposed energy
4 charge that would apply equally to multi- and
5 single-family? And then the second question is: Would
6 that end up having multi-family residents paying twice
7 for line transformers, once in the \$6 customer charge,
8 and then also in the adjusted energy charge that would
9 result from reducing the single-family?

10 MR. SNARR: You ask some good questions. Let me
11 respond in this way.

12 We looked at the incorporation of the
13 transformers and found that that tended to raise the
14 initial monthly charges. And we also looked at the
15 impact that might have on some of the residential
16 customers who are using less energy. And we were
17 concerned about that. That's why we zeroed in on that
18 issue.

19 Our primary concern, however, was with respect
20 to the residential single-family customers who would
21 otherwise see an increased charge up to \$10. And so
22 based upon our analysis, we thought that we ought to put
23 the brakes on that at \$7 and could support that.

24 There may need to be some equitable alignment
25 between the multi-family and the single-family charges,

1 and we acknowledge that. Our primary concern was not to
2 see that single-family monthly charge go above \$7. And
3 we presented arguments that would support ratcheting that
4 back down, or limiting it to \$7.

5 I understand the nature of your question. We'd
6 probably leave it to the Commission to decide how best to
7 equitably deal with the rationale so that it's fair to
8 both sets of parties. But we can't really tolerate well
9 anything more than \$7 for the single-family customers.

10 CHAIRMAN LEVAR: Thank you. I appreciate that
11 answer. And I don't have any other questions for you,
12 Mr. Snarr, so thank you for your oral argument this
13 morning.

14 I think with that, we'll take a 10-minute break
15 and then return and move to the Division of Public
16 Utilities. We'll be in a short recess.

17 (A break was taken from 10:19 a.m. to 10:30 a.m.)

18 CHAIRMAN LEVAR: We'll be back on the record,
19 and at this point we'll go to the Division of Public
20 Utilities.

21 MR. JETTER: Good morning, Chairman Levar and
22 Commissioners Clark and Allen. Thank you for this
23 opportunity to provide these closing thoughts on behalf
24 of the Division of Public Utilities.

25 The Division has presented an array of witnesses

1 on the various topics in this rate case. And we've
2 presented a fairly brief but comprehensive summary of our
3 position on the issues in our closing brief. And I'm not
4 going to try to repeat all of those this morning.

5 Briefly, I'd like to address a few issues, and
6 starting in the order that's been fairly consistent with
7 the other parties, we'll start with the rate of return.

8 Rocky Mountain Power has based a lot of their
9 rate of return testimony on this concept that there's
10 uncertainty and volatility in the capital markets and
11 that uncertainty and volatility is causing equity
12 investors to require higher returns on their equity for
13 common stock.

14 And that concept just hasn't been borne out. In
15 the markets, we're seeing record stock market values,
16 which is a simple mathematical relationship there that
17 dictates that those higher values tend to indicate that
18 investors are, in fact, requiring lower returns. And
19 that's also consistent with what we've seen in other
20 Commission orders on rate of return over the past year.
21 The averages for rate of return are right about
22 9.5 percent, as has been included and summarized in
23 Division witness Casey Coleman's testimony. And that
24 trend continues on a downward path.

25 With respect to the typical three models of the

1 capital asset pricing model, the discounted cash flow
2 model, and the risk premium method, Division Witness
3 Coleman used the standard methods of calculating those
4 with the common proxy companies, where appropriate, in
5 those models and the standard risk-free rates of return.
6 And those results remained in the ranges from 7 1/4 to
7 about 9.2 percent. And the Division Witness Coleman made
8 some professionally-based adjustment to that to recommend
9 the 9.25 percent rate of return.

10 Given the capital structure of Rocky Mountain
11 Power, that return is consistent with what returns have
12 been approved by other commissions throughout the United
13 States in recent months and in the recent year. And
14 what's important to recognize here is that the
15 calculation of those types of models by Ms. Bulkley from
16 Rocky Mountain Power, she makes unusual or nonstandard
17 adjustments or uses models, and all of those have been
18 pointed out in testimony. But those models are
19 inconsistent with the traditional models for those
20 calculations. And the result is, of course, a higher
21 rate of return.

22 And what I'd really like to focus just the
23 Commission on when they're making this determination is
24 that Division witness Casey Coleman used the standard
25 models in the standard way and recommended a rate of

1 return that is essentially unbiased and is a
2 representation of what a fair rate of return is in the
3 market today. I don't need to go into a lot more detail.
4 Mr. Coleman has explained that pretty thoroughly, both in
5 his testimonies prefilled as well as his testimony live.

6 I'd like to also address next the question of
7 the production tax credits. And the Division is out on
8 an island here a little bit. We're the only party that
9 has recommended a 10-year schedule on the depreciation of
10 the retired or removed-from-service wind turbine
11 equipment. And the Division continues to believe that
12 this is the most reasonable way to affect the least
13 amount of intergenerational transfer.

14 There will be some intergenerational inequities
15 no matter how this is broken up. But what we have is a
16 situation where you had wind turbines that were installed
17 approximately 2010-ish. They've been in service for
18 about 10 years out of approximately a 30-year useful life
19 and then are taken out of service and decommissioned
20 primarily for the benefit of a new round of production
21 tax credits. And a secondary justification was that
22 within 10 years, a number of the wind turbine equipment
23 facilities were starting to have higher maintenance and
24 repair costs.

25 And when we look at the value stream that comes

1 from the decision to do the replacement of those, we have
2 a set of customers that that will run from 2020 out to
3 around 2050. And the customers from 2020 to 2040 would
4 have been paying for depreciation of the prior existing
5 wind turbine equipment through that period and receiving
6 approximately the same amount of fuel-cost free energy
7 over that period as the same customers would with the new
8 equipment.

9 And so for those customers, the real benefit
10 that they receive from the replacement is the production
11 tax credits. And it seems unreasonable to the Division
12 to make, particularly the customers in the period from
13 2030 to 2040 -- so it would be the final 10 years of the
14 old equipment and the middle 10 years of the new
15 equipment -- continue to pay the depreciation rates for
16 equipment that was taken out of service in order to
17 receive a new round of production tax credits. And while
18 we recognize that there are -- this is a policy decision
19 for the Commission to make, we think that the most
20 reasonable policy decision to make is to depreciate the
21 out-of-service wind turbine equipment over the 10 years
22 that corresponds with the front-loaded benefit provided
23 by the production tax credit.

24 And we fully recognize that those out years,
25 years 2040 through 2050 approximately, would receive a

1 benefit that they would not pay -- potentially not pay
2 some or all for. But it's also important to recognize
3 that those customers in years 2040 to 2050 will continue
4 to pay the depreciation rates for the new wind turbine
5 equipment in those years. And so it's not as if they're
6 getting no benefit.

7 And additionally, if you run out this sort of
8 hypothetical where we take the old equipment out to its
9 final year in 2040, presumably if you replaced it in 2040
10 with new wind turbine equipment -- and I'm making a lot
11 of assumptions here -- but assuming the costs were
12 roughly the same, when we reach that 2040 mark, the new
13 depreciate rates for new wind equipment that might be
14 installed in 2040 would then be potentially in the same
15 ballpark of what -- the depreciation those customers now
16 will pay in 2040 through 2050. And I hope that all makes
17 sense clearly. And if not, please ask me some questions
18 about it.

19 The main point being that the Division believes
20 that the primary function and purpose of replacing that
21 wind turbine equipment was a new round of production tax
22 credits, and that that new round of production tax
23 credits would be best matched with the depreciation of
24 those wind turbine equipment that were retired early.

25 Moving on to, I guess my next issue would be the

1 production tax credits inclusion in the energy balancing
2 account. And this has been a little bit of a contentious
3 issue between the various parties. But the Division
4 firmly believes that the production tax credits are not a
5 power cost, and for that reason that they should not be
6 included in the energy balancing account. And that's
7 been addressed in our post hearing brief.

8 And the key points that we'd like to sort of
9 reemphasize again today is simply that those aren't power
10 costs, and they don't directly flow with other power
11 costs in the same way. And more importantly, they also
12 don't -- they don't represent the same problem that the
13 energy balancing account was created to resolve. You're
14 not going to see production tax credits double between
15 one rate case and the next. The only variation we'll see
16 is the generation output variation between projection and
17 actuals. Whereas, if you compare that to something like
18 a natural gas fuel cost, natural gas fuel cost has a high
19 amount of variability in the commodity itself, and then
20 there's a secondary variability in the amount that you
21 purchase during that period between rate cases. And at
22 least I believe that that -- there's a fair amount -- let
23 me back up.

24 The basis for the energy balancing account
25 between rate cases is to allow the utility to stabilize

1 its revenue in respect to those changing fuel costs. And
2 that was primarily for the commodity cost of the fuel
3 more so than the volume used. And for that reason, we
4 don't think that the production tax credit fits well in
5 addition to the fact that it's not an actual power cost.

6 For those reasons, the production tax credit
7 should be part of base rates without a true-up rather
8 than include it in the energy balancing accounts.

9 And then I'll briefly address the AMI metering
10 situation. This has been addressed in our brief and in
11 the briefs of other parties. And the core issue here for
12 the Division is we're not objecting to the installation
13 of AMI meters and understand the benefits of those and
14 that they have those benefits and they justify the costs
15 of installing them. The trouble is the timing of those
16 costs.

17 And under the traditionally used and useful
18 test, there's a little bit more than just being placed
19 physically in service for some part of it. There also
20 needs to be productive delivery of value that justifies
21 the cost of the assets put in service. And, as you've
22 seen in the testimonies, particularly in Rocky Mountain
23 Power Witness Mansfield's Phase I rebuttal testimony, the
24 real value that -- the productive value of those AMI
25 meters is not going to take place until, really, the year

1 2023. It will be towards the end of 2022. And that's
2 simply too far out and too far beyond the test year to be
3 recoverable in rates now. There has to be some type of a
4 cutoff of how far we project into the future and what
5 amount of utility investor capital becomes used and
6 useful for customers and included in rates.

7 And under the historic prior to a future test
8 year, it would not have been included in the past base
9 year we've used. And similarly in this case, Rocky
10 Mountain Power chose the future test year that it did,
11 and the AMI metering services that provide the value that
12 justify installing them will not be valuable during the
13 future test year. And it becomes a bit of a slippery
14 slope situation, where if we start allowing future
15 capital expenses beyond the future test year chosen into
16 rates, I'm not sure how far we go. Do we go one year
17 out? Two years out? Five years out? And that becomes a
18 very difficult situation for anyone to analyze whether
19 those individual capital assets that might come online in
20 those out years are offset by other cost savings that we
21 haven't analyzed.

22 And for those reasons, the AMI meters simply
23 don't meet the use and useful test because their date of
24 service -- and by that service, it's really the
25 productive service in delivering the values that justify

1 the costs of them. Those are simply too far out in time
2 to be included in the test year and should not be
3 included in the rates that are set based on that test
4 year.

5 And those are the issues that I had intended to
6 address directly in our closing statement that -- mostly
7 to focus on a few parts of our closing brief and our
8 testimony.

9 I think I can address the Pryor Mountain
10 question asked by Chairman Levar to the other parties.
11 And in addressing that, it is the Division's opinion that
12 the Company has a duty of prudence in its investments.
13 And part of that duty of prudence, making prudent
14 investments, is the lowest cost/lowest risk choice, and a
15 lower cost than what the utility might have otherwise
16 done rather than purchase that project. So the with and
17 without scenario doesn't really give us a full -- a full
18 vision of what the utility might have otherwise done.
19 And we can't say in that scenario that that would be a
20 least cost/least risk approach by simply doing something
21 that's less costly than doing nothing.

22 And for that reason, it's our opinion that a
23 prudent showing for this type of a facility where the
24 energy isn't necessarily needed, it's a cost saving
25 measure, we should choose the most cost-saving measure.

1 And in addition, there's a balance of risk which
2 we accept, so it's not necessarily the lowest cost of all
3 options, but the least cost/least risk of the available
4 options to the utility at the time that the decision is
5 made.

6 And so I think that that answers the question to
7 the best of my ability, which is that we need to consider
8 what alternatives were available in addition to just a go
9 or no go decision on an individual project. And we've
10 expressed some of those concerns in our closing brief
11 regarding how third parties, such as the Division, can
12 really evaluate whether the least cost/least risk
13 decision made without our preapproval processes, which
14 recognizing they're not mandatory.

15 We don't have perfect 20-20 hindsight in this
16 case. We can't go back and look at what else was
17 available and make a decision. And so we believe it's
18 incumbent on the utility to meet their burden of proof in
19 demonstrating not only that the cost was lower than not
20 doing the project, but also that that cost was lower than
21 the available alternatives to the utility at the time.

22 And that concludes my closing statement. I'm
23 happy to answer questions from the Commissioners.

24 CHAIRMAN LEVAR: Thank you, Mr. Jetter.

25 I'll go to Commissioner Clark first.

1 Do you have any questions for Mr. Jetter?

2 COMMISSIONER CLARK: I have no questions. Thank
3 you, Mr. Jetter.

4 CHAIRMAN LEVAR: Thank you.

5 Commissioner Allen?

6 COMMISSIONER ALLEN: Thank you. No questions
7 from me, either.

8 CHAIRMAN LEVAR: Okay. Thank you.

9 I have a few.

10 First, just from a legal basis, obviously we
11 have to struggle with what does the word "useful" mean in
12 the context of "used and useful," particularly on the AMI
13 issue. And 1 and 2 of the starting point is it means
14 something in between the word "used" because it has to
15 mean something different from "used." And on the other
16 extreme, it could be cost-effective. Does it have to be
17 cost-effective to be useful, or at least within the test
18 period issue we're talking about?

19 How would you suggest we define the word
20 "useful"? Does it mean that something is cost-effective?
21 And if it does, why do we have a different word than
22 cost-effective?

23 MR. JETTER: I can't say why it's a different
24 word from "cost-effective" necessarily. I think that I
25 would describe it as something like "used" and "prudent."

1 And the reason I think that is, is that you can have a
2 facility that -- maybe the AMI meter actually is a great
3 example, where it could be partially used but used in
4 such a way that would not justify the cost of installing
5 it. And in that case, at least in my view, it doesn't
6 meet the principle of "used and useful," that it's used
7 and useful in such a way that justifies the cost included
8 in rates.

9 Customers are going to be paying rates, and what
10 they should be paying for is utility investment that is
11 delivering the value to the customers that is typically
12 equal to or greater than the value that the customers are
13 compensating the utility for. And so in that respect, I
14 think that that translates to the capital investment by
15 the utility once it starts to be paid for by customers.
16 The customers need to be receiving the benefit for which
17 they're paying. And that would require, I guess in my
18 view, the utility to be in at least in enough service to
19 justify the cost that they're paying for.

20 CHAIRMAN LEVAR: Okay. Thank you.

21 MR. JETTER: That's a long answer. I don't know
22 if that answered your question.

23 CHAIRMAN LEVAR: It gave me -- I think I can get
24 it on that.

25 In your view, do we have enough in the record to

1 make any kind of estimate of how much of the AMI project
2 would be at least used, putting aside the useful portion,
3 but would be in operation and used during each month of
4 the test year? Can we make a reasonable estimate of that
5 from what we have in the record?

6 MR. JETTER: I don't know on a monthly basis. I
7 believe there is testimony from Mr. Mansfield that
8 approximately 34,000 meters will be, I guess, operational
9 and used in the function of metering electricity.

10 CHAIRMAN LEVAR: That's for the entire test
11 year, right?

12 MR. JETTER: Yeah. And I'm not sure that that's
13 providing a lot of meaningful value over the meters that
14 were there in the prior time, the AMR meters that would
15 be replaced during the test year. However, that's -- my
16 understanding is 34,000 is something along the lines of
17 20 percent of the total number of AMI meters that will be
18 installed.

19 I don't know how to estimate a used or useful
20 sort of quantitative value for the other components of
21 the system, so the software and the antennas and those
22 components of the system which are a significant portion
23 of the cost. And it's been testified that, I believe --
24 I'm recalling from memory -- somewhere in the range of
25 80 percent of those may be completed during the test

1 year, if my memory is correct of Mr. Mansfield's
2 testimony.

3 I don't know how to quantify a portion of that
4 that's useful if they're not fully functioning. I don't
5 know how to give an answer for that portion of the costs.

6 CHAIRMAN LEVAR: Thank you. I just want to ask
7 a couple more questions on production tax credits. The
8 first question is maybe an intuitive question.

9 But is there any potential that production tax
10 credits could ever exceed projections by any meaningful
11 amount in a given year? Or are the projections pretty
12 much the cap of where they could be, and we're only
13 looking at whether they might be lower in a particular
14 year?

15 MR. JETTER: They certainly could exceed the
16 projection by some amount. I think it's unlikely that
17 they would exceed it by a high amount. And the reason
18 for that is that the variation is going to be primarily
19 based on wind speeds and timing. And I think the
20 expectation is that is wind turbines will operate at full
21 capacity every hour that that wind is available to
22 generate.

23 And so I think the expectation is that there
24 will be some variation from the projections, but it won't
25 be more than a few percentage up or down in a given year,

1 with the exception of an unplanned outage.

2 CHAIRMAN LEVAR: Thank you. And I recognize
3 that might have been a better question to ask during the
4 evidentiary hearing of your witness than ask you in
5 closing arguments, so I apologize for that.

6 My next question, which is more of a -- relates
7 more to your closing statement is in terms of whether
8 they should go into the EBA as a net power cost. How
9 would you describe the similarities and the distinctions
10 between production tax credits and wheeling revenue?

11 MR. JETTER: I suppose I would say that wheeling
12 revenue is probably more similar to production tax
13 credits than natural gas prices as a commodity. Wheeling
14 revenue values are typically set mostly out of time. And
15 I suppose the closest thing I could differentiate those
16 two is that wheeling revenue is part of a direct power
17 cost to deliver energy to customers. And a production
18 tax credit is a tax credit that's separate that is
19 related to the generation output of the wind turbines,
20 but it's not part of a power cost in a traditional power
21 cost sense.

22 CHAIRMAN LEVAR: Okay. Thank you. That's --

23 MR. JETTER: I recognize they do have some
24 similarities.

25 CHAIRMAN LEVAR: Okay. Well, thank you. I

1 appreciate that. I don't have any other questions for
2 you, so thank you for your time this morning, Mr. Jetter.

3 MR. JETTER: Thank you, Mr. Chairman.

4 CHAIRMAN LEVAR: And with that, we will go to
5 Rocky Mountain Power.

6 MR. MOSCON: Thank you, Mr. Chairman. Just
7 since we haven't spoken, I'm assuming that you can hear
8 and see us and that there's not a significant echo. So
9 please let me know if there is.

10 Before I begin, the Commission asked a question
11 about whether a specific figure was confidential. So
12 before I get into my materials, I'd like to answer that
13 for the Commission.

14 The dollar amount that was put on the screen
15 from Dr. Zenger's testimony was actually an estimate of
16 what the Company thought the cost would be in June of
17 2019. Accordingly, because now we have the actual
18 number, which I'll note is significantly less, the actual
19 number is confidential, but that estimate is not
20 confidential. So, I don't know if that fully answers
21 your question, but that specific figure as now a historic
22 estimate is not confidential.

23 So with that, I'm going to proceed into my
24 closing. And I -- just because of the amount of material
25 to cover, I thought it would be helpful, if the

1 Commission will allow me, to do a presentation that could
2 share some of the exhibits and some quotes from testimony
3 to answer the questions that have been brought up today,
4 if that's okay.

5 Let's see. I want to share my entire screen.
6 What am I doing here? I'm going to get some help
7 already.

8 I'm going to assume unless someone goes off mute
9 and tells me otherwise that this is now being shared on
10 all screens as I move forward.

11 Before I get going into these materials, I'd
12 like to do two things. First, during some of the
13 arguments that we just heard, including from, I think
14 counsel for the OCS, a point was made that there was a
15 bit of disappointment that the Company hadn't briefed
16 every single issue. And I just would like to point out
17 for my client that just due to the limitations that the
18 Company, having to respond to all parties but having the
19 same page limitation, really did not have an ability to
20 do that. But the Commission should certainly know that
21 the Company views its case as being the testimony, not in
22 the briefs, not even what I'm about to say. So we do not
23 concede anything or by virtue of the fact that it -- just
24 fitting in with page limitations or time constraints for
25 closing, if something is not specifically highlighted

1 that that means the Company concedes a point.

2 And I'm going to begin, I think, with cost of
3 capital.

4 But before I do, I want to echo and recall for
5 the Commission the testimony of the Company's CEO,
6 Mr. Hoogeveen, who noted that the Company takes pride in
7 the fact that it has customers that are able to enjoy low
8 energy costs and the fact that the Company has not filed
9 a rate case in six years, and notes that even if all of
10 the increases sought here were allowed -- and we
11 recognize they may not be -- but even if that were to be
12 the case, that Mr. Hoogeveen pointed out that our
13 customers would still be both below national and local
14 averages in comparison.

15 And I just want that to be in the back of the
16 Commissioners' minds that the Company does not ask for
17 increases lightly or without a lot of thought. It's not
18 something that they just take carelessly. And I hope
19 that will stick in the back of everyone's mind as we
20 proceed forward.

21 First topic is cost of capital and specific
22 return on equity. I want to call attention to cases that
23 all parties have told the Commission are determinative in
24 this phase of the case, Hope and Bluefield. But no one,
25 and I have to concede not even my client in our briefs,

1 gave the Commission any context for what that means. So
2 I'd like to give you my thought on that.

3 This quote from the Bluefield case states that,
4 "The ascertainment of that value" -- and "that value," by
5 the way is the ROE, "is not controlled by artificial
6 rules. It is not a matter of formulas, but there must be
7 a reasonable judgment having its basis in a proper
8 consideration of all relevant facts."

9 The reason I highlight this is what I see going
10 on as a little bit of a battle of the experts about, You
11 didn't, you know, differentiate between the fed rate the
12 same way, and your forward-looking DCM model is not as
13 good as my kappa model. And I'm not trying to suggest
14 the Commission should not view that type of evidence.
15 Certainly it should. But I'm hopeful that the Commission
16 will, at the end of the day, step back and make a
17 judgment based on a totality of the circumstances,
18 totality of the market, what's in the best interest of
19 the customers, taking clues from what is happening across
20 the country, rather than simply being led to believe by
21 any parties that you must follow the dictates of a
22 specific model and being caught in the trap of saying,
23 Well, whose model is best?

24 The first topic I want to get into in depth is
25 market conditions. All parties agree that market

1 conditions impact the appropriate rate of return.
2 There's no question but that the market has
3 changed substantially between 2014 and 2020. And the way
4 it's changed is market conditions are far more volatile
5 now, and are expected to stay that way into 2021.

6 The reason I'm pointing this out is this
7 Commission in its recent Dominion order noted that it's
8 an appropriate analysis to make in this setting to look
9 at the utility's last rate case when the last ROE was
10 set, look at what's being requested now and compare what
11 was the market like then when we set that level, and
12 what's the market like now that we're being asked to
13 modify that level?

14 So one of the topics was volatility. And this,
15 which is taken from Ms. Bulkley's testimony, shows --
16 this line here where the last rate case was, showing that
17 unquestionably volatility is at a significantly higher
18 level now than it was at the Company's last rate case.
19 And, importantly, this slide, which was also in
20 testimony, indicates that going into the future that that
21 volatility is expected to continue through 2021, meaning
22 it's not just volatile now in the spring and summer of
23 2020, but that the indexes that all experts rely on
24 predict volatility to continue well into the test period.

25 The utility industry has underperformed and has

1 not recovered. And it is expected to struggle into the
2 future. Now, this is a point that we've heard a couple
3 of times this morning in closing arguments of the
4 different parties where we've heard, Hey, look, the
5 market has returned. I don't know why they're making an
6 issue of this because the stock market has bounced back.
7 We're now at record levels.

8 But what that ignores was this Cross Exhibit 7,
9 and the dashed line at the top is showing the actual S&P
10 500, which we can see here did take a dive in the spring
11 when we had the lockdowns. And it's been coming back up.

12 But this line, which is the utilities line, has
13 essentially remained flat through this level that it
14 reached back in May compared to the overall S&P which has
15 outpaced it now relatively significantly.

16 Now, what does that mean? The reason that's
17 important is it shows that historic views of utilities as
18 a safe haven for investors has gone away. If investors
19 see that the stock market generally is performing better
20 than utilities, investors are not going to want to sink
21 their dollars into utilities. Utilities need a higher
22 rate of return to attract those dollars because,
23 historically, it was this, where utilities were
24 outperforming the market, so investors wanted to put
25 their money in utilities. That has changed, and it is

1 expected to continue changed going into the future.

2 Now, the Duff & Phelps report is a document that
3 we discussed for quite a while at the hearing. It was
4 part of the cross-examination of DPU witness,
5 Mr. Coleman. It was relied upon them in coming up with
6 their calculations. And I want to highlight what we had
7 conceded to us during cross as to why the DPU's value
8 should be rejected by this Commission -- by "values," I
9 mean the ROE.

10 The report that they base their analysis on
11 supports an increased equity premium based on risk, and
12 that's the thing that I've been talking about. And we
13 just heard in argument that, Look, that really -- all
14 this volatility and risk doesn't mean you should raise
15 the ROE. That's not what the market is showing us. But
16 the Duff & Phelps report that their expert witness relies
17 upon completely says that you should specifically.

18 Furthermore, that report shows the same market
19 volatility that the Company's witness discusses while the
20 DPU did not adjust for market volatility.

21 Finally, the DPU did not change their
22 recommendation despite continued uncertainty going into
23 the future. Now, to show that what I'm saying is true,
24 this, you may recall, was an exhibit, and it highlighted
25 volatility and uncertainty. And Dr. Coleman had

1 conceded that what the -- or excuse me. I shouldn't say
2 Doctor. Mr. Coleman conceded that as both uncertainty
3 and volatility rise, the risk premium rises. And what
4 the risk premium, I'll remind everyone is, is the amount
5 that you would put on top of whatever your underlying
6 data would value their ROE to be.

7 This was in the testimony where here, at the
8 conclusion, "That's what it's showing, yes," where
9 Dr. Coleman -- I apologize. I keep saying that --
10 Mr. Coleman conceded that Duff & Phelps indicated that
11 there should be a premium awarded for increased
12 uncertainty and volatility.

13 Now, the data from Duff & Phelps interestingly
14 showed the same volatility that Company Witness Bulkley
15 identified. So it's not that Ms. Bulkley is coming up
16 with these unusual things that no one else in the
17 industry look at or relies upon, these slides taken
18 directly from the Duff & Phelps report that the DPU used
19 identify literally the same numbers that Ms. Bulkley
20 identified in her testimony.

21 Same with uncertainty. The same index was used
22 by Duff & Phelps that Ms. Bulkley was using. So again,
23 it is incorrect to say that she is doing something that
24 other experts in the field would not consider.

25 The conclusion on the market conditions that the

1 Commission should take is that the cost of equity has
2 increased, it has not decreased. Investors are going to
3 expect higher returns to account for market volatility
4 and risk. Now, this is common sense. If there is more
5 risk in the utility sector than there is in the overall
6 S&P market -- and we've shown slides indicating that is
7 the case -- they're not going to want to put their money,
8 their investments in the utilities unless the return is a
9 reward for that risk. And because the volatility and
10 uncertainty has increased compared to when the Company's
11 last rate case in 2014 was analyzed, that tells us as a
12 starting position that the return on equity should be
13 higher and not lower than it was in 2014.

14 So let's talk specifically about authorized ROEs
15 for vertically integrated utilities. Now, Company
16 Witness Bulkley and Mr. Chriss both showed an identical
17 median authorized ROE of 9.73 from the time frame of 2017
18 to 2020. I just heard -- I don't remember which entity
19 said that the Company was relying on stale data. And I'd
20 like to emphasize this is as current data as was possible
21 by the time that the hearing was had.

22 The vast majority of decisions for integrated
23 utilities, 47 out of 63, or 75 percent of decisions for
24 ROEs during this time period were between 9.5 and 10.5,
25 indicating that 25 percent is dragging down the average,

1 but the bulk of the decisions have 9.5 as the low going
2 up to 10.5.

3 The Company's proposed ROE of 9.8 is on the
4 lower half of that range; meaning, if you were to slice
5 this in the middle, you'd end up right at 10.0 on the
6 nose. And the Company's modified proposal of 9.8,
7 therefore, is on the lower half of this 3/4 majority of
8 decisions from the recent time frame of available data.

9 This figure highlights what I was just pointing
10 out that came from Ms. Bulkley. This is a very telling
11 exhibit that I hope the Commission will look at as it
12 makes its decision. This is Ms. Bulkley's recommendation
13 of 9.8. These dots are all of the decided vertically
14 integrated electric company decisions from beginning of
15 2018 through the date of the hearing. And there's a
16 spread that accounts for different issues.

17 The OCS recommendation here is a complete
18 outlier, and Mr. Coleman's recommendation here is an
19 outlier, all of them being well in the bottom. There's
20 only one decision out of all of them that is worse than
21 the -- meaning lower than Dr. Woolridge recommends.
22 There are only two decisions lower than the rate proposed
23 by Mr. Coleman; whereas, Ms. Bulkley's recommendation is
24 right in the middle of all of those decisions.

25 When we heard from Dr. Woolridge, he conceded

1 what I just said was true. When we pointed out to him
2 that his recommendation was well below the typical
3 authorized return, he had to concede that, in fact, that
4 correct. And more importantly, he pointed out that in
5 all of the cases that he's testified in -- and we're
6 going to look at a slide here in a minute -- that he
7 never, at least going back a number of years, proposed a
8 single ROE at above 9.0 percent. This is what I'm
9 talking about.

10 So this goes all the way back to 2012. This
11 dotted line are the proposed ROEs of Dr. Woolridge. The
12 line, and it's kind of hard to see here, but this line
13 here is the results in the cases that Dr. Woolridge was
14 the witness in. And this is the average authorized ROE
15 for all cases for that month and year.

16 What this shows us is that no Commission from
17 2012 through this time at 2020 in any type of case has
18 ever accepted the recommendation by Dr. Woolridge, and
19 his numbers are typically a full point and a half below
20 the actual decided ROE by the Commission. Again, this
21 goes to the point that I'm saying that the Commission
22 should look at a reasonable conclusion.

23 Significantly, the Office does not rely on its
24 own ROE calculated range. And the Office could not
25 reconcile the market data and volatility with their

1 recommendation. So the Commission should simply conclude
2 that that is not reasonable or reliable.

3 Similarly, Mr. Coleman did not use the range
4 that he calculated. He had to come up with a subjective
5 adjustment and admitted that the ROEs he used were not
6 limited to vertically-integrated utilities and conceded
7 that he did not exclude distribution-only utilities or
8 litigated cases.

9 So I wanted to put this in to simply call out
10 something that was in the briefs and a little bit here in
11 argument, which is that the Company is treating the
12 interest factor incorrectly. There was an argument made
13 that the Company is justifying ROE calculations by
14 arguing that interest rates will rise, but arguing that
15 they stay low in pension to justify its position. This
16 is untrue. The reason is, it's not the same interest
17 rate. And this is an issue that's in, you know, Ms.
18 Kobliha's area.

19 But essentially, the interest rate in the
20 pension expense is a historic interest rate that is
21 triggered by GAP and IRS rules at a certain time that an
22 expense occurs, and it is looking in the reverse; whereas
23 the interest that is being calculated for ROE purposes is
24 a forward-looking interest rate asking, What interest do
25 we need to attract investors? So it's a complete

1 different calculation with different drivers.

2 The next claim that we heard is that -- from the
3 post hearing brief of the Office that the Company is
4 ignoring the federal funds rate for purposes of ROE. And
5 the statement was just made that RMP does not dispute
6 this, but argues that changes in the federal funds rates
7 do not affect long-term interest rates, and therefore, do
8 not argue for lower ROEs. So the criticism is the
9 Company should not be believed because we're not changing
10 our recommendation based on this low federal reserve that
11 we just heard referenced also by the Division.

12 However, at the hearing, the intervention
13 witnesses agreed with what the Company is doing. This
14 quote came from Dr. Woolridge: "The fed -- the overnight
15 fed funds rate doesn't relate to ROEs ... [N]either
16 Ms. Bulkley or myself look at the feds fund rates and use
17 it in any way to estimate an ROE."

18 So the criticism that was just levied against
19 the Company for not -- you know, Hey, the interest rates
20 are now at zero, and they're going to be that way through
21 2023, all parties agree, at least their experts do, that
22 that is not something you look at in estimating an ROE.

23 We don't need to take a lot of time on this.
24 This was simply the authorized ROEs relied on by the
25 Division. But as the Commission will recall, it included

1 not just vertically-integrated utilities, but limited
2 issue rider plans, distribution-only companies, et
3 cetera. And in their brief, they spend a lot of time
4 talking about, well, the real average is 9 1/2. But it's
5 only 9 1/2 when you include states like Maine or Vermont
6 that we talked about that had decisions that were based
7 on a formula on a settlement, not on a litigated result.
8 The true mean of litigated cases from this time frame was
9 9.73 percent.

10 The Company's ROE analysis incorporates current
11 market data. It applies modeling procedures approved,
12 used by decades in commissions across the country.
13 Contrary to the arguments that have just been made, it
14 reflects market conditions and increased volatility. And
15 Ms. Bulkley's ROE range falls squarely within the range
16 of authorized returns for similar utilities across the
17 country during the relevant time frame. In fact, the
18 Company, by lowering its request to 9.8, is actually
19 seeking a lower return than is justified by data.

20 This, again, before we move on to the next
21 topic, I hope stays with the Commission. And going back
22 to the Hope and Bluefield cases. When you see this type
23 of spread, and you see that this is what commissions
24 across the country are determining is necessary to
25 attract investment for the benefit of customers in their

1 states and jurisdictions, the Commission should reject
2 argumentation that the returns should be put in such a
3 low bracket. That would be a completely outlier position
4 that would not be beneficial for Utah customers.

5 I want to move very briefly to capital
6 structure. This is an issue of the OCS. The Company's
7 position is that the common equity percentage has
8 consistently been above 51.49 percent for the last three
9 years. The proposal by the Office is below actual. And
10 we have this quote: "The Company's proposal is
11 consistent with the average of the five quarter-ending
12 balances spanning the test period." The Commission has
13 previously approved this approach.

14 So the Company's approach is not only following
15 Commission precedent, it is the actual thing. It is not
16 just an estimated or hypothetical number that is being
17 developed by an expert.

18 Finally, Dr. Woolridge's recommendation is based
19 on a proxy data group of holding companies and is not
20 based on utility operating companies themselves. And it
21 has an improper debt ratio that applies to non-utility
22 activities.

23 The proposed rate structure that the Office
24 asked the Commission to adopt is not reasonable. The
25 Company's proposal is well within the actual calculated

1 range. Dr. Woolridge did not provide a calculated range,
2 he simply picked a mid point between the Company's
3 proposed equity position and the average of his proxy
4 group. That just kind of randomly picking an average
5 between two, or median point, is not a way of saying,
6 This is what the range should be based on data.

7 Finally, the Company has shown in testimony that
8 it has significant capital spending requirements. It has
9 impacts of the Tax Cuts and Jobs Act. Both of these the
10 witness pointed out necessitate the equity percentage of
11 53.67 percent. There was no testimony by other parties
12 of how we can maintain our credit ratings if we go below
13 that.

14 There's been an argument that we already have
15 this rating, but there's been no evidence put forward
16 about whether we would be able to maintain that rating if
17 we went to such an artificially low capital structure.

18 Conclusion: Unopposed by any party besides the
19 Office, the Company's rate structure of 53.6 -- and it
20 should be 7 because there's .01 percent of, I think,
21 preferred stock -- the Company's position is based on
22 actual data, is necessary, fair, and reasonable.

23 I'm assuming -- I'm just going to go through the
24 entire presentation, but if the Commission would want to
25 stop and ask questions, I'm assuming it will do so.

1 Otherwise, I'm just going to move into revenue
2 requirement, unless somebody interrupts me otherwise.

3 One of the main topics that we just had
4 addressed in argument or certain questions was on
5 inclusion of PTCs in the EBA. The Company's proposal is
6 that net power cost forecast produced by the GRID model
7 forecasts wind generation volumes, so it is a forecast.

8 The PTC dollar estimate is calculated directly
9 from a model, the same model that's used for all of the
10 other net power costs that go into the EBA.

11 It's a better fit to include PTCs with the
12 variable net power costs in the EBA instead of in base
13 revenues because it has the same likelihood of volatility
14 or being higher or lower than projection, as net power
15 costs do.

16 And it would allow full benefits to be provided
17 annually and better match costs with benefits.

18 The DPU has opposed it, saying that it's not
19 called out for in the statute. However, they have
20 conceded that the statute's list is not exclusive. I
21 think we just heard a candid confession that the PTCs, in
22 fact, do share a common relationship with power costs and
23 that they vary based on generation output. And the
24 distinctions are unavailing.

25 PTCs vary in volume. This was a question that

1 the Chair just asked a short time ago: Is there any
2 significant variation with PTCs? And the answer is they
3 vary in volume and total value in the same way that --
4 just because they're based on production. Production
5 from these facilities varies. Is it going to be very
6 windy? Not very windy? A medium amount of wind? And so
7 these production credits are going to vary.

8 It's interesting that the Chair also had the
9 same question about wheeling revenue. Wheeling revenue
10 is not a cost. It is still included in the EBA. And so
11 we know that the legislature did not intend to limit what
12 goes into the EBA to simply hard costs. And PTCs are
13 going to vary year to year, just like fuel variations
14 occur. And so it just makes sense.

15 We'll finally note that other balancing accounts
16 exist for similar items. They're a balancing account for
17 recs and other items that are not hard costs. So it
18 makes absolute sense. I think there's a concession that
19 it made sense. There's only a question about is it
20 statutorily allowed?

21 Only thing on the statute I will note -- and I
22 apologize I don't have a slide for it. This wasn't in a
23 brief. I'm just kind of responding on the fly to the
24 comment that we just heard -- is that the energy
25 balancing account statute Section 1 is where the costs

1 are discussed.

2 But if you go down to Section 4, it points out,
3 which is kind of intuitive, that revenues also belong in
4 the balancing account because you can't just have costs
5 in there, you have to have revenues. It doesn't call out
6 all of the revenues, so there is not any kind of
7 subdetermination of the types of revenues. But to the
8 extent that the Commission wants to think of it this way:
9 A tax credit is tantamount to a revenue; meaning, you
10 would otherwise need revenue to pay a tax that you were,
11 instead, getting a credit for. And so I would argue in
12 addition to other similarities that we've seen here, that
13 Section 4 of that statute that allows for revenues to be
14 included would also allow for this type of inclusion of
15 PTCs in the EBA. Customers are going to get exact
16 benefits and costs. It is not about shifting risks.

17 Okay. Now, let's turn to the next big item,
18 which is Pryor Mountain. This is, I think, really the
19 reason we wanted to undertake this exercise, which I have
20 not seen anyone really address what the statute is and
21 what the standard is that the Commission must apply to
22 the Pryor Mountain decision.

23 The general rate case standard, which is not the
24 preapproval standard, is a prudence determination, and it
25 is important because all these words that we keep hearing

1 thrown about, "least cost," et cetera, do not appear in
2 the statute.

3 Rather, the standard of review of prudence is
4 that it is just and reasonable, and that it was
5 reasonable judged at the time that the action was taken
6 based on what the utility knew or reasonably should have
7 known at the time the action was taken. So this, not, Is
8 it the absolute lowest cost? Have they proven it's the
9 lowest cost? That is not the standard. The standard is
10 prudence, and is it just and reasonable?

11 I think it's important to be clear about the
12 Pryor Mountain opportunity. It was identified in October
13 2018. It was already, at that point, a late-stage
14 development. It already had an executed Large Generation
15 Interconnection Agreement.

16 An agreement to acquire development rights was
17 not executed until May of 2019, and the Company was, at
18 that point, not obligated to proceed if it wasn't
19 economic.

20 The Company entered into an agreement to sell
21 the recs generated by the project. That is now a
22 contractual agreement. It's not a proposal or a
23 forward-looking forecast. It's an actual contract.

24 The ability to acquire the generation equipment
25 from the affiliate, Berkshire Hathaway Energy Renewables,

1 is important, and I think we need to focus on a couple of
2 things.

3 The safe harbor equipment to qualify the project
4 for full PTC eligibility could not have been obtained
5 without having an affiliate transaction. And this is an
6 IRS rule because in the IRS -- you had to start
7 construction by 2016 to get this benefit. This
8 opportunity is not identified until 2018. But IRS rules
9 allow transactions between affiliates. So that if a
10 turbine or a generation piece is qualified for PTC
11 credit, it can be transferred between facilities -- or,
12 excuse me, subsidiaries and still retain that PTC
13 benefit. If you have eligible generation units of
14 5 percent of your project, it qualifies the entire
15 project for the PTC credits.

16 So, there's been a lot of discussion about, Gee,
17 was this just really done for the benefit of the
18 affiliate? But that just shows that this issue hasn't
19 been thought through. The only way that you can get the
20 significant PTC value is at this date and time, meaning
21 post 2016, to have an affiliate transaction to get the
22 safe harbor ability to transfer those credits.

23 Furthermore, these facilities -- these
24 generation pieces were in Colorado. That meant that
25 there was less risk in having to transport them across

1 international boundaries or all the way across the
2 country. They were very close to where they were going
3 to be installed, so there was a low-risk opportunity.

4 The Company did have a competitive bid for all
5 the follow-on equipment that it got outside of the amount
6 necessary to get the PTC eligibility and for the
7 construction contracts.

8 The economic analysis that Mr. Link describes in
9 his testimony to justify it is the same methodology that
10 was both used and approved in the EV2020 docket, so we
11 don't have a concern that the Company is just using some
12 new analysis to its benefit here. It's the same analysis
13 that has been used and approved.

14 Finally -- and this was a point that where
15 Dr. Zenger agreed that, Okay, I didn't know that. That
16 removes my concern -- is, in addition to all of this, the
17 Company itself had to do an internal review and get its
18 parent company to approve this purchase, showing the
19 economic benefits and showing that there were risk
20 mitigation strategies.

21 This is a slide from Mr. Link's testimony. And
22 I think it's important to focus on this for a minute
23 because there's been a lot of talk or argument about the
24 fact that, Hey, we don't know if customers are really
25 going to get a benefit here.

1 Again, the statute showed us that the Commission
2 should say, At the time the opportunity was presented,
3 did the Company make an appropriate decision? And this
4 is what the economic analysis showed us.

5 The parentheticals are benefits to customers in
6 millions of dollars. And the one item here is a cost.
7 So we have a range of possibly \$82 million beneficial to
8 customers weighing against a risk of possibly only
9 1 million -- or excuse me, \$82 million benefit that
10 you're weighing against possibly only 1 million of cost.
11 And this 1 million of cost comes, again, in the low
12 natural gas price, low to no carbon cost scenario, which
13 the Company said is the most conservative, least likely
14 scenario.

15 So the question the Commission needs to ask
16 itself is: Presented with this analysis that was done in
17 a method that's been approved previously, does it make
18 sense to say that three of the four possible scenarios
19 show benefits to our customers, possibly significant
20 benefits to our customers? There is only one that shows
21 risk, and that risk is small. The risk-benefit analysis
22 would show it was prudent to make this decision.
23 Furthermore, as we've heard already in testimony, there
24 was a need that needed to be met.

25 So I want to address very quickly, because I

1 think there was a bit of a concession in closing of the
2 idea of, Was preapproval required? And I think it's now
3 been conceded it is not required, it is something that
4 the Company may do. But the fact that it chose not to do
5 something -- and again, in a time-limited circumstance --
6 that is optional is not something that this Commission
7 should weigh against the Company.

8 I want to address this argument that this is not
9 the least cost/least risk decision to be made. First,
10 again, by putting this slide up here, I don't want the
11 Commission to think we are conceding this is the
12 standard. That is the standard for the preapproval
13 statute. This is not the standard for a general prudence
14 review.

15 But even if it were, absolutely the Company put
16 on testimony and met its burden to show that this was the
17 least cost/least risk path that the Company could take.

18 At the hearing, not just in direct testimony,
19 but at the hearing subject to cross-examination, Mr. Link
20 stated, "The Pryor Mountain economic analysis shows that
21 system costs are expected to be lower than otherwise
22 would be the case if the Company did not build that wind
23 facility. The analysis shows that Pryor Mountain is a
24 lower cost than other resource alternates, which includes
25 energy efficiency, demand response, other generating

1 assets of all different types, technologies, and the
2 potential for FOTs," or front office transactions.

3 We today heard speculation that the Company only
4 did an analysis of this first half, that it's better
5 doing it than it is not doing it, but that there was no
6 analysis comparing it to other ways of meeting the
7 capacity need. And that is incorrect.

8 Here, Mr. Link is expressly stating that it was
9 compared to all of these other possible ways to meet the
10 need. And it's not in this slide, but my colleague
11 handed me a transcript from the hearing in which there
12 are, if the Commission is interested, at least six
13 different pages of when Mr. Link was on the stand when
14 this second half of this analysis was discussed, showing
15 analysis of other energy response items, other ways of
16 filling the capacity need, and how Pryor Mountain was,
17 according to their analysis, the best choice.

18 Again, on the affiliate transaction equipment,
19 Mr. Van Engelenhoven testified that the Company had an
20 opportunity to acquire these components that were already
21 manufactured at the affiliate's cost, which was the
22 competitive market price at their time of purchase in
23 2016.

24 So, the point is that they're saying, We haven't
25 proven that we are at the -- you know, that this was at

1 cost or better, and that this is -- you know, is it
2 market, or is it better than market?

3 Go back to the point that was made about the
4 IRS. There is no market, per se, for safe harbor
5 turbines because you can't transfer them other than
6 through an affiliate. If you went out on the market and
7 just bought these turbines from another entity, you would
8 lose the safe harbor provision.

9 We know that when the renewables entity
10 purchased these in 2016 that it was bought at market
11 price. And we know from testimony of Mr. Van
12 Engelenhoven that there was no mark-up, that these were
13 bought at cost. So the Company did meet its burden to
14 show that these were at market or better because, again,
15 the only market is between affiliates. And there was no
16 mark-up whatsoever. It was bought at the affiliate's
17 cost.

18 Again, I don't want to take the time to read
19 this, but there were additional places in the hearing in
20 testimony describing how there was no ability to go
21 elsewhere. There was a lot of market pressure. And
22 explaining how the Company considered the location, the
23 storage, et cetera, the reduction of risk of going
24 forward with this affiliate transaction.

25 I want to turn to cost overruns. There's been

1 some, I guess, statement that, Well, maybe it was a good
2 idea at the time, but because of the pandemic there are
3 now cost overruns, so that may be a reason why the
4 Commission shouldn't allow this. And it is true that the
5 Company received notices from suppliers and contractors
6 that, due to the pandemic that caused interruption to the
7 global supply chain, that they would have overruns.

8 However, what has been established in this
9 testimony is that the project is beneficial to customers
10 even with or regardless of those overruns.

11 Significantly, there's no evidence from any party that
12 any of the overruns were caused by the Company or that
13 the pandemic should have been foreseen in spring 2019
14 when this was acquired.

15 And, furthermore, the Company has taken
16 mitigation efforts here to over -- excuse me -- taken
17 actions to mitigate these cost overruns. Again, go back
18 to -- mentally, I won't click us back there -- but to the
19 statute that says when we're looking at prudence, we're
20 looking at the time the decision was made.

21 So the question for the Commission is: At the
22 time that the decision was made, was Pryor Mountain a
23 prudent decision? Not, Should we penalize the Company
24 after the fact because the COVID pandemic interrupted
25 supply chains that raised some prices?

1 I want to address the QF pricing raised by UAE.
2 This is, I'm going to note, a novel argument because
3 Pryor Mountain is going to be like every other generation
4 resource of the Company. It is a utility-owned
5 generation resource. It's not different than a
6 gas-powered plant or a coal fired power plant. It is a
7 generation resource owned by a utility. There is no
8 precedent anywhere, no case, no reason, no rationale for
9 treating this one owned generation resource like a QF
10 while treating others as typical plants in service.

11 The point that the UAE appears to be making is,
12 hey, back when this was being looked at by a potential QF
13 developer, you gave an indicative price, and the price
14 that customers are going to have to pay now is higher.
15 And so the UAE doesn't like that, and they say make the
16 Company stick to the proposed indicative price.

17 But as Mr. Link testified, that qualifying
18 developer did not execute a contract at that price
19 because they, you know, knew, doing the math, that it
20 wouldn't and couldn't pencil out by the time it actually
21 came around or time to develop the project.

22 The Commission may recall that during the
23 hearing this is when we had a bit of a, I think, hoped to
24 be a smoking-gun moment where we went into confidential
25 session, and Mr. Higgins said that he was aware of other

1 projects at that same price that had been contracted.
2 But what was conceded on cross, or at least he, I think
3 said he couldn't refute the point, was that those
4 contracts had all been canceled by the developer at their
5 discretion as they're able to do so. So that,
6 importantly, no other project has been developed at the
7 price that the UAE suggested control in this matter.

8 So not only is there no precedent for treating a
9 Company-owned resource like a QF, but the price that they
10 want to use for the QF price is not a valid QF price
11 point anyway because no developer has been able to bring
12 to market a generation resource at that price point. So
13 it's unfair to say, well, customers are now going to pay
14 more than what that predicted indicative price point was
15 because that was a price that was too low to put a
16 resource online in 2019, 2020, 2021.

17 I want to move to the two-step rate increase.
18 Delayed portions of the TB Flats in Pryor Mountain, the
19 Company is asking that the annualized revenue requirement
20 align with the in-service dates in 2021. I want to
21 emphasize that the Company is not for a separate test
22 period. And the reason I say that is a test period is
23 when a commission looks at the time frame in which costs
24 must be incurred, and we're only going to put into base
25 the costs that are actually incurred or believed that

1 will be incurred during that test period.

2 Significantly, all of the costs for Pryor
3 Mountain and TB Flats that are at issue here will have
4 been incurred during the approved test period. So we are
5 not asking for an exception to the test period because
6 all of the costs that the Company is seeking to put into
7 base will have been incurred during the test period.

8 The Company's proposal aligns cost recovery with
9 the net power cost and the PTC benefits. Absent a
10 two-step rate increase, the combined projects would
11 qualify as a major plant addition in 2021. A two-step
12 rate increase is the same as a cost recovery for a major
13 plant addition under the code.

14 I want the Commission to have some ease that
15 statutorily the legislature has given it the ability to
16 do just this, where it has indicated that the Commission
17 can approve any method of rate regulation or any
18 mechanism that it thinks is going to be just and
19 reasonable or in customers' best interest.

20 And finally, and there's only one highlight
21 here, the Commission has previously approved step-rate
22 increases in the past. I've put in this slide one
23 docket, but I will note that in the testimony of
24 Ms. Steward -- this was her rebuttal testimony on
25 page 11, lines 213 and down, and then at the bottom of

1 page 12 if the Commission cares to look -- she recites
2 various examples of times when the Company has had
3 multiple-step rate increases in the past. So this is not
4 a novel idea. This is something that has happened in the
5 past that the statute allows the Commission to do.

6 Lake Side outage. Very quickly on this, there
7 is an argument in the briefs that the Company has failed
8 to prove that the costs of the outage were prudent and
9 that's because the root cause analysis didn't conclude
10 what caused the outage. No one knows exactly what
11 happened. Did something break? What happened?

12 And the Office's position is that well, in that
13 case, that goes to the shareholder, that the customers
14 are not going to pay for that.

15 The argument that the Office puts forward has
16 been rejected by this Commission previously. This is the
17 March 4, 2020, order on Blundell Unit 2. And it was the
18 exact same scenario, where there was an inability of the
19 root cause investigators to determine what caused the
20 outage.

21 And so instead, the Commission looked at whether
22 there was evidence that the Company had handled the
23 situation improperly. Did it, you know, mishandle the
24 installation of the facilities? Did it not maintain the
25 equipment? Did it somehow fail in its job? And because

1 there was no evidence that it had not done so -- and, in
2 fact, the evidence was that it had acted prudently -- the
3 Commission indicated that it would then, because the
4 Company acted prudently in dealing with the equipment, it
5 was going to allow the costs for the outage. It is
6 exactly the same scenario here today, and the Office's
7 argument has already been rejected once.

8 Let's turn to pension costs. There's two things
9 that we want to talk about. The settlement losses. No
10 party is disputing that the Company is entitled to
11 recover these losses, the question is how.

12 The Company is recommending that this
13 expenditure be recovered like any other similar
14 expenditure through rates. Or alternatively, the Company
15 has said it proposes a balancing account, an account that
16 would true-up annually the difference between the actual
17 and expected level of net periodic benefit cost of the
18 Company's pension and other post retirement plans,
19 including losses and any other curtailment gains or
20 losses.

21 And Office and UAE's proposal to amortize
22 settlement losses and delay recovery over 20 years
23 unnecessarily, unduly, and without good reason prejudices
24 the Company because it simply delays recovery of costs
25 that the Company will actually incur during the test

1 period. And again there's no dispute that the Company is
2 going to actually incur these costs during the test
3 period.

4 So prepaid pension expense, the problem, as Ms.
5 Kobliha explained, this also is something that I want to
6 harken back to a comment made during a closing argument
7 of the Office, where there was an indication that this is
8 this dramatic departure, and why is the Company doing
9 this? This is not the way we've done it before. This is
10 important for the Commission to understand.

11 Changes in ERISA, including the Pension
12 Protection Act, changes in law are what now require the
13 Company to have these increased contributions that cannot
14 be immediately expensed under accounting rules. So it is
15 incorrect for the Office to contend that we have not
16 explained why we are doing this. Those laws took place
17 earlier in the 2000s. The Company in its 2014 rate case
18 put the same pension treatment in the case. The case was
19 settled, so the Commission did not have to decide the
20 issue.

21 But this is not a new and novel theory that the
22 Company is coming up with in 2020. It is coming up
23 because of a change in law, and the Company has
24 previously in its last rate case indicated that it now
25 has these costs that it has to account for.

1 The legal requirement of the Company results in
2 the Company having to finance contributions, just as it
3 finances other rate-based items but without the ability
4 to recover the financing costs associated with the net
5 prepaid expense. That is all the Company is seeking to
6 recover.

7 So the solution is including its cumulative net
8 prepaid and other post-retirement assets in rate base
9 based on the 13-month average of its net prepaid pension
10 and other post-retirement assets, earning a return equal
11 to the Company's weighted average cost of capital.

12 The Company's proposal is just and reasonable,
13 which is the standard for prudence.

14 The Company is required by law to make these
15 contributions. The resulting contribution is the same as
16 any other rate base items that the Company must finance
17 for which it would be allowed recovery.

18 And the Company's contribution benefits
19 customers because the return on plan assets reduce future
20 pension costs, it allows for favorable tax deductions,
21 and it avoids premium increases.

22 Going to turn to, very quickly, Cholla and see
23 what costs -- unrecovered materials and supply costs are
24 recoverable. This is not a Utah case, but I just, for
25 the Commission's sake, want to call out this case which

1 has held a utility is permitted to amortize and recover
2 amounts for unused materials and supplies necessary for
3 the operation of a plant that is scheduled to be
4 decommissioned. So again, there is precedent for what
5 the Company is asking for.

6 The M&S costs at issue consist of supplies
7 purchased to maintain and operate the plant prior to the
8 decision being made that it was more profitable to close
9 the plant. And therefore, because the supplies were
10 prudently incurred in the first instance, and now because
11 the Company is making the prudent decision to close
12 Cholla, it should be allowed to recover those costs under
13 this precedent for doing so.

14 CWIP. Unexpensed CWIP costs remaining at the
15 time of the plant closure are unrecoverable. I won't
16 read all of these, but again, there is ample precedent
17 for this, saying that unexpensed CWIP costs when a plant
18 closes should be recoverable.

19 And furthermore, I highlight this bottom quote
20 here saying that if you don't allow this recovery, you're
21 going to incent your utilities to not -- you know,
22 they're going to be nervous about it. They're not going
23 to keep their plants safe because they're going to keep
24 things at the bare bones.

25 In this slide, before we turn from revenue

1 requirement to the final topic of cost of service, I want
2 to simply note that there were many other items that were
3 not addressed in our brief or that I haven't covered here
4 simply because of time and page limitations. But again,
5 it's not because the Company does not think that they're
6 important.

7 I'm going to call out a couple of things that
8 were discussed in other parties' closing arguments. So,
9 for instance, the retired wind repowering assets. The
10 Company should recover for these assets just as it would
11 for any other regulatory asset. Just because there is a
12 favorable outcome to some customers by forcing the
13 Company to amortize it over a long period of time does
14 not mean that it is the fair or equitable result that the
15 Commission should do.

16 Property tax, the actual property tax estimate
17 should be used, not a multi-year average. There was good
18 cross-examination on this point that the average is
19 incorrect because it's not capturing the new -- all the
20 additions that have gone into the Company's asset
21 portfolio. So if you're looking at backward year
22 average, you're going to lose the things that are driving
23 taxes up.

24 Transmission power delivery and bad debt expense
25 is appropriate. Overhaul expense, the O&M escalation,

1 and mine royalties, all of these things are covered in
2 testimony. And again, I don't want the Commission to
3 think that by not giving them a lot of treatment here
4 means that the Company is abandoning its position.

5 Because the incentive plan was talked about at
6 some length, I'm going to take a minute to note that a
7 little bit. And it's because the Commission, the Chair,
8 asked a question about it. The Chair asked the right
9 question, which is: Do our past decisions say that no
10 incentive plans that are in any way tied to financial
11 performance should go into base, or only those that are
12 significantly based on financial reward?

13 And, contrary to what we heard, the answer to
14 the question is, in fact -- as I assume that the Chair
15 knows -- that it only is inappropriate to put into base
16 if the primary objective is the financial goal. That was
17 decided in the U.S. West Communications case that was a
18 Cross Exhibit B that was discussed with Mr. Higgins. The
19 cite is 1995 Westlaw 798880, and I will just read one
20 quote because it was a question. The quote is, "The
21 Commission reiterates its policy that an acceptable
22 incentive compensation plan to be recoverable in rates
23 must have as its primary objective customer service goals
24 not financial goals."

25 So that is the standard: Is the primary

1 objective customer service? Or is the primary goal
2 financial?

3 So that's the question for this Commission. And
4 does the Commission have any evidence to base that on?
5 The answer is yes. I'm going to call the Commission's
6 attention to the cross-examination (inaudible).

7 (Court reporter interruption.)

8 MR. MOSCON: Sorry. And thank you for
9 interrupting me.

10 The cross-examination of UAE witness,
11 Mr. Higgins, and specifically on page 238 and a question
12 starting at line 3, and then the answer goes through line
13 19. And I'll only read a part of it.

14 Mr. Higgins agreed, and I quote, "I agree that
15 the large majority" -- and he's speaking to the incentive
16 plan -- "does not relate to financial performance." So
17 that's a concession that Mr. Higgins already made, which
18 based on the appropriate standard from the U.S. West
19 case, means that the incentive plan should come in. And,
20 again, I don't mean to overemphasize that compared to the
21 rest of these items, it's just something that there was a
22 question on previously.

23 So finally, I'm going to turn to cost of
24 service. And let's talk about AMI because there were a
25 lot of questions about AMI and used and useful.

1 And hitting that topic head on, the meters and
2 the supporting system will be used and useful for
3 customers.

4 Now, first I wanted to talk about what the
5 appropriate standard is. Again, the Commission is not in
6 a vacuum here. This has been analyzed in this state
7 before. In the Terra Utilities case, the question was:
8 What happens when you have a project that is only
9 partially used? And the answer is that the project does
10 not have to be fully complete and benefiting all
11 customers to recover for the used and useful portions.

12 So what that means is if you have a plant or a
13 project that is partially used and partially useful, you
14 can get in base the actual cost for those portions that
15 are being used and that are useful to customers.

16 So that's the question for the Commission is,
17 okay, for AMI, of the amount that the Company is seeking,
18 how much of that is going to be in service during the
19 test period or those expenses will incur, and are they
20 going to be useful for customers?

21 And the answer to a question that was also, I
22 think, raised, and I think I heard DPU's counsel very
23 correctly pointing this out, is that the transcript shows
24 80 percent of the system and at least 35,000 meters will
25 be fully operational within the test period. And

1 customers with meters will have access to 100 percent of
2 the benefits of the AMI meters during the test period.

3 I would also point out, and this was testified
4 by Mr. Mansfield, that the Company is not seeking to put
5 in rates costs for any meters or other equipment that
6 will not be installed and used during the test period.

7 So we are not putting the full AMI costs in this case.

8 The only AMI costs in this case are those costs that are
9 going to be used and useful to customers during the test
10 period. So the fact that the entire AMI system is not
11 fully operating, that is not a reason to deny recovery,
12 and that is the Terra Utilities case, which says to the
13 extent that you have a part of your system in service and
14 it is being useful, then the Commission should allow
15 recovery for that expense.

16 And this is just what I've already said. We're
17 limiting the costs that have been accrued and that will
18 benefit customers.

19 I will note for the Commission if you're going
20 to buy, for instance, a software system or a licensing
21 fee that's going to apply for, you know,
22 100,000 meters -- and I'm making these numbers up -- you
23 incur that expense for the first meter but then it
24 applies equally for other meters.

25 So the costs of some of the facilities, as

1 Mr. Mansfield explained, have had to necessarily occur in
2 this order that are now in place, and they will -- those
3 costs will continue to serve additional meters that come
4 online. That's going to that 80 percent of the system.
5 That system has not fully been built out, but we're only
6 seeking to recover the part of the system that is going
7 to be built out and used in the test period.

8 Moving to rate design, specifically the proposal
9 to eliminate the third summer tier. Company's testimony
10 shows that tiered rates cause artificially high bills and
11 unfairly impact larger households, which is a significant
12 thing in this state. More people in a house tend to use
13 more electricity. Also, electric vehicle owners who
14 charge at home -- another thing that the State of Utah is
15 trying to encourage -- these are the types of customers
16 that are being unfairly impacted by the current design.

17 There's no economic justification for these
18 tiered rates because overall customer usage in a monthly
19 period does not make it more expensive for the utility to
20 produce the next kilowatt hour of electricity between
21 tiers. And therefore, it's not cost justified and is
22 overcharging the customer that moves from the second to
23 the third tier.

24 There was a point made that the proposal does
25 not result -- or results in inequitable bill impacts.

1 That is not correct. This table from Mr. Meredith's
2 rebuttal shows that that is the case, that the low-usage
3 customers actually see less of an increase than
4 high-usage customers, and the high-usage customers will
5 see the highest increase compared to the average
6 customer. So the proposal is not going to have an
7 inequitable impact on the low-use customers.

8 Let's turn to the customer service charge. The
9 proposed single family charge of \$10 is necessary to
10 cover costs of service. Line transformers should be
11 included in customer charge. The cost of the transformer
12 is unaffected by usage, and the Office's argument that
13 transformers should be recovered through a volumetric
14 component does not make sense.

15 The cost of transformer does not increase
16 proportionally based on customer size.

17 Line transformers generally serve small
18 customers and are located geographically close to the
19 customers served.

20 Let's move to 6A, the proposed redesign of 6A.
21 The proposal is declining kilowatt per hour for Schedule
22 6A customers. The first 50 kilowatts for each kilowatt
23 of demand will be charged a higher rate, and all
24 additional will be charged at a lower rate.

25 No party opposes the creation of this redesign

1 rate, but several parties argue that the current 6A
2 should be retained as well. That would create a revenue
3 deficiency for the Company that could be as high as
4 \$2 million. Keeping the old 6A at the same time that you
5 do the new 6A simply creates a revenue deficiency.

6 MR. MOORE: Excuse me, I'm going to apologize
7 here, but I'm going to object to the continuation of the
8 closing statement. Rocky Mountain Power is over their 60
9 minutes allotted time, from the OCS calculations. Thank
10 you.

11 MR. MOSCON: I'll respond if you want,
12 Mr. Chairman. It's probably true, and the reason is, is
13 because I've been answering the questions kind of that
14 came up now. I guess I could have, and perhaps should
15 have just done the presentation and then answered the
16 questions that, of course, weren't tracked against
17 anyone's time.

18 I will note that we only have a few slides
19 remaining, but it is certainly the Commission's
20 discretion, and I will do as indicated by the Chair. But
21 that's, I think, the reason for the time discretion.

22 CHAIRMAN LEVAR: I do understand both the
23 objection and the explanation you just gave.

24 Is wrapping up in maybe one or two minutes
25 possible, Mr. Moscon?

1 MR. MOSCON: I am trying to look to tell you
2 exactly how many slides I have left. But I think it's --
3 well, I think we only have two topics left, so yes.
4 Let's just move quickly.

5 Schedule 32, the delivery facilities charge
6 would recover from customers the fixed costs. It ensures
7 that these customers pay their fair share of distribution
8 and transmission costs.

9 There's one clarification note that I wanted to
10 make, and that is that the Schedule 31 and 32 customers
11 are different because the service they receive is
12 different, and generation from an on-site resource is
13 fundamentally different than generation from an off-site
14 resource. These are different concepts that shouldn't be
15 conflated.

16 Just because of time, I may skip some of this,
17 although I don't want, again, the Commission to feel like
18 we don't have responses to these things.

19 The facilities charge will not discriminate
20 against Schedule 32 customers. We are ensuring that
21 Schedule 32 customers are not able to avoid costs of the
22 distribution and transmission system that they should
23 pay, and it's a modest increase.

24 So again, I pointed out treating 32 like 31
25 doesn't make sense because they are different, and it is

1 an unfair benefit to 32 customers.

2 I'll quickly refer the Commission to Table 6,
3 showing that there is no discrimination for Schedule 32
4 customers. That was already in the record.

5 Unbundling is the last thing that I'll spend
6 time on, then. Unbundling would break prices into
7 functional components so the prices listed would show the
8 categories. It allows costs to be delineated from supply
9 to increase the accuracy of the EBA. It's necessary to
10 support the programs envisioned by H.B. 411. It supports
11 transparency. And to accomplish unbundling, it is
12 necessary to subfunctionalize production of transmission
13 functions, meaning production and transmission would be
14 broken into additional subfunctions in the cost of
15 service study.

16 The Company rejects the Office's argument
17 because it conflates the demand and energy classification
18 with fixed supply and variable cost components.

19 And I'll just end with this summary: Contrary
20 to their belief, it "is not a secret plan to conflate
21 that which is considered energy related with variable
22 supply. Besides the subscriber solar delivery charge,
23 unbundling does not influence the Company's overall total
24 rate design calculations. It does not make demand
25 charges higher or energy charges lower. It merely slices

1 these categories up for convenience. It doesn't change
2 the total price."

3 Thank you. I know I rushed through those final
4 slides because I understand the objection as well, and
5 the Company was not trying to take advantage. But thank
6 you. If the Commission has questions, I'm going to try
7 and remove this and go back to regular screen now.

8 CHAIRMAN LEVAR: Thank you, Mr. Moscon. Why
9 don't we take a 10-minute break, and then we'll move to
10 questions from the Commission for Mr. Moscon.

11 MR. MOSCON: Thank you.

12 (A break was taken from 12:04 p.m. to 12:15 p.m.)

13 CHAIRMAN LEVAR: Commission Allen, do you have
14 any questions for Mr. Moscon?

15 COMMISSIONER ALLEN: Thank you. I do not have
16 any questions.

17 CHAIRMAN LEVAR: Commissioner Clark?

18 COMMISSIONER CLARK: Yes, thank you. I have a
19 question or two.

20 First, with regard to the Pryor Mountain
21 project. I believe the evidence is that a total of 78
22 wind turbine generators were purchased from BHER, which
23 constitutes, I think, a substantial majority of the
24 generators that are part of the Pryor Mountain project.

25 And is it Rocky Mountain Power's position that

1 all of those 70-plus needed to be purchased in order to
2 acquire the safe harbor protection for the project?

3 MR. MOSCON: Thank you, Commissioner Clark. I
4 think that there is in Mr. Van Engelenhoven's testimony
5 an answer that I'll try and parrot. But if I get it
6 wrong, it should be there.

7 "No" is the answer to the question. I think
8 there was 50-plus that needed to be acquired. I think
9 that he talked about the analysis of all of them being
10 right there nearby, low-risk because you didn't have to
11 transport them, the cost, et cetera. But the position
12 was not that you had to acquire every single one of them
13 to get the safe harbor provision.

14 COMMISSIONER CLARK: I appreciate the reference.
15 I was frantically looking for that during the break, and
16 I couldn't find it. But I'll -- if I know it's there
17 somewhere, I am looking for that piece of information.
18 So, thank you.

19 Entirely separate subject now.

20 MR. MOSCON: By the way if it helps, I'll tell
21 you that it's in the November 3rd transcript. Sorry. Go
22 ahead.

23 COMMISSIONER CLARK: Oh, thank you. Okay.

24 Regarding AMI, I think from a statement of one
25 of the prior counsel -- I think actually Mr. Jetter -- at

1 least if I understood him correctly, indicated that the
2 34,500 AMI meters that would be installed sometime during
3 2021 and reaching that number by the end of the year
4 would be replacing AMR meters.

5 Is that your understanding as well?

6 MR. MOSCON: So meaning -- okay. So some are,
7 not all are. So some meters are coming -- well, I think
8 the point is in addition to those, there are the new
9 meters coming on. So I don't know if this is answering
10 your question.

11 I think, yes, that number reflects the
12 replacement. But in addition to those, there is some new
13 construction, new metering that is going to come online
14 as well. That is my understanding. Again, I hope I'm
15 not stating it incorrectly. But this, I think, was
16 testified to by Mr. Mansfield, but that is my
17 understanding, that that is the number that are replacing
18 the AMRs, I think.

19 COMMISSIONER CLARK: Okay. And will those new
20 AMI meters that replace existing AMR meters be performing
21 any task in the test year that the AMR meters did not
22 perform?

23 MR. MOSCON: Yes. And I don't pretend to know
24 the detail as well as Mr. Mansfield. But yes, they do.

25 There is an ability of customers to be able to

1 ascertain or understand -- I'll just give you an example.
2 I'm not saying this is the highest and best use.

3 But if a customer called up and said, My power
4 bill skyrocketed, and I'm trying to figure out why. With
5 the new technology, they'd be able to get a level of
6 detail that otherwise is not.

7 The power company could look and say, Well, it
8 looks like every Wednesday evening your power is spiking
9 up.

10 And someone could say, Well, that's -- oh, my
11 son comes home and uses the hot tub that day. I mean,
12 I'm just making up a facetious example. But it would
13 allow them to understand the drivers behind their bill in
14 a way that is not -- you're not able to do with the old
15 technology. Where before, you could say, Yeah, so far
16 this month you've used X power, but you can't
17 differentiate it in that way.

18 Now, that's just an example. I'm not saying
19 that's the whole reason behind the AMI. But I'm saying,
20 yes, there are benefits in addition to those that are
21 already in existence with the AMR meters.

22 COMMISSIONER CLARK: And so the IT portion of
23 the project will be functional to that extent, that it
24 will allow these additional capabilities even though it
25 won't be completed by the end of the year?

1 MR. MOSCON: So, again, I don't want -- I want
2 to be careful and not overstate.

3 My understanding is that, yes, that even though
4 that the -- I'm calling it the system, not the meters --
5 is going to be 80 percent complete, but the software
6 function is either going to be entirely complete or
7 sufficiently complete that that type of information is
8 going to be ascertainable.

9 I think that there are other software benefits
10 that involve meshing when communities get built out and
11 these meters can talk to each other and do different
12 things that may not have come online yet or will be
13 coming online as this system grows. And the different
14 benefits for having this mesh network and meters talking
15 directly to each other you may not see until the system
16 is further built out.

17 But that ability of interface between the
18 Company and its customer, my understanding is yes, that
19 is going to be used and useful.

20 COMMISSIONER CLARK: That concludes my
21 questions. Thank you, Mr. Moscon.

22 MR. MOSCON: Thanks.

23 CHAIRMAN LEVAR: Thank you. I just have maybe
24 one or two follow-ups.

25 Is there a way that we could estimate based on

1 what's in the record, of these 35 AMIs that are estimated
2 to be in by the end of the test year, should we just
3 assume it's an approximate 1/12 of them going in each
4 month of the test year, or do we have anything else on
5 the record --

6 MR. MOSCON: No. No.

7 CHAIRMAN LEVAR: -- more specific than that?

8 MR. MOSCON: It goes against everything that I
9 was educated to do in law school. I think I have to say
10 I don't know the answer to your question, and I just
11 don't want to give you wrong information. It's something
12 that I can find out if the Commission wants to take a
13 one-minute break, but I just truly don't know if that's
14 in the record or not.

15 CHAIRMAN LEVAR: Moving more to a legal
16 question.

17 As we look at test-year issues for both AMI and
18 Pryor Mountain, it is the case, isn't it, don't you
19 agree, that we have to look at amortization over the
20 portion of the test year that that facility is in, not
21 just that if it's in by the end of test year it's
22 considered having been in for the entire test year,
23 right?

24 MR. MOSCON: No dispute. I'm looking at the
25 result of that. So the Company is not in any way trying

1 to capture an entire year of costs for a portion of a
2 year of use. And I'll talk to the -- for instance,
3 that's the rationale for this two-step approach for Pryor
4 Mountain, for instance, which is that we're not going to
5 put that into rates until that is online and useful and
6 providing benefits to customers. The cost has all
7 occurred during the test year.

8 And I don't know if this is a helpful analogy to
9 answer the question that you have, and I'm probably going
10 to highlight my own limitations here. But if you'd
11 had -- and just because it divides out, I'll use a
12 \$60 million project because that's \$5 million per month
13 for a year.

14 If you had a \$60 million expense and you had it
15 all year long, and you had a \$5 million per month in
16 service charge compared to waiting until something
17 becomes available on July 1st and you have \$10 million
18 per month charge, the total net for the year is the same,
19 meaning the cost is the same but customers are only
20 paying for the benefits as and when they are used. And
21 that, I think, is just a soft analogy. And it's so
22 simple that, of course, you can come up with all kinds of
23 problems with it, but I'm trying to demonstrate that the
24 Company is not seeking to avoid that average or to
25 recover costs when there is not a use of the product.

1 CHAIRMAN LEVAR: Thank you. I think for the
2 most part, any other questions I had left were covered in
3 your presentation.

4 Although, you did -- you answered the question I
5 posed at the beginning about whether that number from
6 Dr. Zenger's testimony remains confidential. And you
7 alluded to a file number that is still confidential. We
8 have not been able to identify that that's in the record,
9 that final number that you stated still remains
10 confidential.

11 If you're aware of it being in the record, could
12 you direct us to anything? But our quick-and-dirty
13 search kind of indicates that it may not be in the
14 record.

15 MR. MOSCON: Just because of when all this
16 stuff -- you know, how this -- looking back to when the
17 decision was made and was based on that estimated number,
18 I think I'm going to guess that the Chair is correct. I
19 don't know, as I'm sitting here, that that number is in
20 the record. And again, I hope I'm not misspeaking. But
21 I'm saying that I think there is an actual known number,
22 but that may not have been there when the testimony was
23 filed. So the Chair may be correct. And if that's
24 something that it wants supplemented, I just don't want
25 to, again, tell you, Oh, sure, Mr. Link talked about it.

1 Because I'm not sure that it is there. I think the Chair
2 is correct.

3 CHAIRMAN LEVAR: Okay. No, I just wanted to
4 give you the chance if you were aware of it being in the
5 record somewhere to tell us. But I appreciate that
6 answer. And that's all the questions I have.

7 And so with that, unless anyone else has
8 anything else for us, I think we're completed for the
9 day. I'll give a moment, if anyone has something else,
10 to unmute yourself and state it.

11 MR. MOSCON: Do you mind if I correct one thing?
12 I was told I misstated something, and I just don't want
13 the record to be unclear.

14 I, in the cost of service, referred to
15 Mr. Meredith's Table 2, talking about the impacts on
16 customers. And I believe my characterization may have
17 indicated that Table 2 is analyzing customers by high and
18 low use. And I am told that that is not correct, that it
19 is based on the decile by percentage of category of
20 customers. And if I knew enough about cost of service to
21 distinguish between the two, I would elucidate. But I
22 don't, and I'm not. I'm just telling you the Company is
23 not trying to mislead the Commission through counsel's
24 ignorance on the subject.

25 CHAIRMAN LEVAR: Okay. Thank you, Mr. Moscon.

1 Anything further from anyone else?

2 I'm not seeing or hearing anything, so we are

3 adjourned. Thank you.

4 (The matter concluded at 12:27 p.m.)

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1 CERTIFICATE
2
3 State of Utah)
4 County of Salt Lake)
ss.

5 I, Michelle Mallonee, a Registered
Professional Reporter in and for the State of Utah, do
6 hereby certify:

7 That the proceedings of said matter was
reported by me in stenotype and thereafter transcribed
8 into typewritten form;

9 That the same constitutes a true and correct
transcription of said proceedings so taken and
10 transcribed;

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

13 WITNESS MY HAND at Salt Lake City, Utah,
14 this 16th day of December, 2020.

15
16 
17

18 Michelle Mallonee, RPR, CCR
Utah CCR #267114-7801
Expires May 31, 2022
19
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Closing Arguments
December 04, 2020

Index: \$10..300-megawatt

\$	12 10:14 11:10 106:1 12:04 121:12 12:15 121:12 13-month 9:22 10:15 109:9 14-035-T02 18:2,16 22:5 15 40:3,4 18-035-48 37:20 19 113:13 1980 42:13 1990 43:19 1995 49:13 112:19	2017 34:25 35:21 84:17 2018 85:15 95:13 96:8 2019 22:12 43:10 76:17 95:17 102:13 104:16 2020 4:4 28:25 29:11,13 31:18 34:9 35:12,14,23 36:2,12 47:14 64:2,3 80:3,23 84:18 86:17 104:16 106:17 108:22 2021 10:14 11:11 80:5,21 104:16,20 105:11 123:3 2022 22:14 68:1 2023 30:2 47:8 68:1 88:21 2030 64:13 2040 64:3,13,25 65:3,9, 12,14,16 2050 22:17 64:3,25 65:3, 16 213 105:25 238 113:11
0		2
01 91:20	2 9:17 46:1 71:13 106:17 2.5 47:15 20 11:19,25 13:21 14:22 15:1,4,5,10,20 22:12 73:17 107:22 20-20 70:15 20-35-4 4:5 200 16:3 2000s 108:17 2003 42:1 2008 25:1 35:21 2010-ish 63:17 2012 86:10,17 2014 80:3 84:11,13 108:17 2015 20:16 2016 43:11 96:7,21 100:23 101:10	2050 22:17 64:3,25 65:3, 16 213 105:25 238 113:11 25 30:11 84:25 26 30:12 54:3 29 5:23 3
1		3 3 30:9 113:12 3.3S 56:14 3/4 85:7 30 14:5,22 15:10,20,22 18:12 30-year 14:6 63:18 300 20:24 300-megawatt 20:13
1		
1 29:12 71:13 93:25 98:9, 10,11		
1/2 89:4,5		
1/4 62:6		
10 15:3,9,19 63:18,22 64:13,14,21		
10-minute 60:14 121:9		
10-year 14:11 63:9		
10.0 85:5		
10.5 84:24 85:2		
100 115:1		
100,000 115:22		
10:19 60:17		
10:30 60:17		
11 105:25		

31 21:4,9,16 22:21 119:10,24	53 46:22 53.6 91:19 53.67 31:23 32:19 34:3 91:11 54-17-201 41:15 54-3-1 17:5 54-4-4(3) 11:21 59.5 32:16	9.0 86:8 9.2 62:7 9.25 62:9 9.44 29:13 35:17 9.5 36:11 61:22 84:24 85:1 9.54 35:15 36:4 9.73 84:17 89:9 9.8 35:9 85:3,6,13 89:18
32's 17:24		6
34,000 73:8,16		A
34,500 123:2	6 19:12 120:2	
35,000 114:24	60 118:8	a.m. 60:17
3rd 122:21	63 84:23	A3 34:20
	63g-4-403(4)(a)(iii) 38:5	abandoning 112:4
4	6A 117:20,22 118:1,4,5	ability 20:12 70:7 77:19 95:24 96:22 101:20 105:15 109:3 123:25
4 4:4 94:2,13 106:17		absent 15:12 105:9
411 50:20,24 51:3 120:10	7	absolute 93:18 95:8
42 32:2	7 62:6 81:8 91:20	absolutely 99:15
44 31:25	70-plus 122:1	accept 70:2
47 84:23	75 84:23	acceptable 112:21
49.1 32:15 34:7	75/25 51:13	accepted 49:20 86:18
49.37 34:9 35:18	78 121:21	access 115:1
	798880 112:19	accomplish 50:8 120:11
5		accomplished 53:8 54:15
5 96:14		account 11:1 19:2 37:10 38:23,24 39:4 66:2,6,13, 24 84:3 93:16,25 94:4 107:15 108:25
50 117:22	8 19:12 21:14	accountability 47:25
50-plus 122:8	80 73:25 114:24 116:4	accounting 108:14
500 81:10		
51 34:5	9 19:12 21:14 32:21 36:9 89:4,5	
51.43 34:4		
51.49 90:8		

accounts 39:5 67:8 85:16 93:15	add 40:2,4	advantage 121:5
accrue 14:4,8	addition 12:19 20:3 32:8 40:11 45:2 67:5 70:1,8 94:12 97:16 105:11,13 123:8,12 124:20	adversary 42:16
accrued 38:13 115:17	additional 48:17 53:19 101:19 116:3 117:24 120:14 124:24	affect 55:2 63:12 88:7
accuracy 120:9	additionally 22:23 65:7	affiliate 39:20 40:18 42:23 43:2,3,11,19 44:3, 5,25 95:25 96:5,18,21 100:18 101:6,24
accurately 50:4	additions 111:20	affiliate's 100:21 101:16
accusation 50:9	address 12:13 13:1,22 17:22 23:4 28:21 43:18 46:25 47:5 57:10 61:5 63:6 67:9 69:6,9 94:20 98:25 99:8 103:1	affiliates 43:22,25 96:9 101:15
achieve 51:15	addressed 40:25 44:11 46:11 58:12 66:7 67:10 92:4 111:3	affirm 16:12
achieves 23:2	addresses 23:6 43:16	agencies 35:3
acknowledge 44:15 52:18,23 60:1	addressing 37:6 44:9 69:11	agree 79:25 88:21 113:14
acknowledged 52:16	adequately 39:2	agreed 88:13 97:15 113:14
acknowledges 14:13	adheres 22:4	agreement 95:15,16,20, 22
acquire 95:16,24 100:20 122:2,12	adjust 82:20	agrees 29:3
acquired 44:25 102:14 122:8	adjusted 59:8	ahead 122:22
acquires 13:8	adjustment 46:23 59:3 62:8 87:5	align 14:7,11 16:5 19:7 104:20
acquiring 40:19 42:22 45:17	adjustments 17:18 46:17,19 56:13 62:17	aligned 46:10
acquisition 40:17 41:18	admitted 87:5	aligning 14:16
acquisitions 39:18	adopt 18:18 23:1 90:24	alignment 59:24
Act 34:25 91:9 108:12	adopted 18:3,16 22:21	aligns 105:8
acted 107:2,4	adoption 21:1	Allen 6:20,21 7:10,12 8:7,8 24:1,3 36:22,23 56:19,21 60:22 71:5,6 121:13,15
action 46:8 95:5,7	advance 10:10,19	allocate 53:22
actions 35:23 41:18 102:17	advanced 18:14 48:4	allocated 49:17
activities 90:22		allocation 50:3 52:22
actual 33:12 34:5 40:20 47:13 67:5 76:17,18 81:9 86:20 90:9,15,25 91:22 95:23 107:16 111:16 114:14		allotted 118:9
actuals 66:17		

allowed 12:23 13:4,5 47:20 78:10 93:20 109:17 110:12	analyzed 68:21 84:11 114:6	approves 10:19
allowing 68:14	announced 29:25 58:7	approving 11:10 21:5
alter 52:6	annual 16:8,9,13 24:23, 24 25:5,6,7 37:16	approximately 18:12 31:25 32:2 38:25 63:17, 18 64:6,25 73:8
alternates 99:24	annualized 10:2,5 11:2 104:19	area 87:18
alternative 37:9 45:19 50:15 57:24	annually 92:17 107:16	argue 30:5 57:20 88:8 94:11 118:1
alternatively 107:14	answering 118:13 123:9	argues 33:6 34:22 35:7 88:6
alternatives 26:11 39:20 70:8,21	answers 25:15,20 70:6 76:20	arguing 31:21 87:14
AMI 47:2,6,13,23 48:4 67:9,13,24 68:11,22 71:12 72:2 73:1,17 113:24,25 114:17 115:2, 7,8,10 122:24 123:2,20 124:19	antennas 73:21	argument 35:5 38:20 60:12 82:13 87:11,12 91:14 92:4 97:23 99:8 103:2 106:7,15 107:7 108:6 117:12 120:16
amortize 37:13 107:21 110:1 111:13	anyone's 118:17	argumentation 90:2
amount 18:9 38:7,8 63:13 64:6 66:19,20,22 68:5 74:11,16,17 76:14, 24 83:4 93:6 97:5 114:17	apologize 75:5 83:9 93:22 118:6	arguments 17:17 60:3 75:5 77:13 81:3 89:13 111:8
amounts 47:13 110:2	Appeals 48:21	array 60:25
ample 110:16	appears 43:2 103:11	artificial 79:5
AMR 73:14 123:4,20,21 124:21	Applicant 10:20 42:17	artificially 91:17 116:10
AMRS 123:18	application 4:5 10:10,20, 21 11:20 40:25 42:20	ascertain 124:1
analysis 23:15 30:17,18 31:9,10 33:5,24 35:21 40:1 47:24 49:16 52:17 57:24 58:4 59:22 80:8 82:10 89:10 97:8,12 98:4,16,21 99:20,23 100:4,6,14,15,17 106:9 122:9	applies 89:11 90:21 115:24	ascertainment 79:4
analyze 68:18	apply 59:4 94:21 115:21	aspects 50:12
	approach 33:10,11 37:15,21 38:2 49:21 51:24 54:10 69:20 90:13, 14	assertion 28:22 44:13
	appropriately 17:14	asserts 12:10 14:14 30:10
	approval 4:8 41:5	asset 38:2,15 46:14,24 62:1 111:11,20
	approve 16:12 17:15 22:2 97:18 105:17	assets 13:25 14:17 15:6, 7,18,24 16:2 37:8,25 47:14 67:21 68:19 100:1 109:8,10,19 111:9,10
	approved 9:24 10:13,22 11:20 13:12 23:4 24:23 25:13 48:22 62:12 89:11 90:13 97:10,13 98:17 105:4,21	

assigned 54:1	avoid 19:16,20 20:12 23:14,19 41:15 119:21	30:18 31:10 39:20 45:24 52:14 55:16 59:22 61:8 69:3 74:19 79:17 82:11 88:10 89:6 90:18,20 91:6,21 92:23 93:4 95:6 109:9 112:12 113:18 117:16
Association 4:17	avoided 13:5 21:16	basic 55:7,17 56:1
assume 40:12 77:8 112:14	avoiding 20:9	basis 11:24 16:3 26:8,14 46:17,19 56:16 66:24 71:10 73:6 79:7
assuming 65:11 76:7 91:23,25	avoids 109:21	battle 79:10
assumption 26:21	awarded 83:11	BBB+ 34:18
assumptions 65:11	aware 32:3 40:14 103:25	bearing 41:9
attached 45:16 56:15	awareness 40:21,23	bears 17:5 41:24 42:11
attempt 51:12	B	began 22:11
attempting 51:4	Baa1 34:20	begin 22:13 76:10 78:2
attention 78:22 113:6	back 31:5 60:4,18 66:23 70:16 78:15,19 79:16 81:6,11,14 86:7,10 89:21 101:3 102:17,18 103:12 108:6 121:7	beginning 85:14
attract 81:22 87:25 89:25	backward 111:21	behalf 7:5 8:24 23:22 60:23
attributed 58:6	bad 46:13 111:24	belief 22:17 120:20
audio 8:14	balance 16:5 17:2 38:17 70:1	believed 88:9 104:25
authorities 48:19	balances 17:14 30:22 90:12	believes 56:3 65:19 66:4
authority 4:6 42:4	balancing 37:10 38:23, 24 39:4,5 66:1,6,13,24 67:8 93:15,16,25 94:4 107:15	belong 13:15,16 94:3
authorize 41:11	ballpark 65:15	beneficial 26:7,10 90:4 98:7 102:9
authorized 29:17,21,23 31:18 34:4,8 35:10 36:2, 11 84:14,17 86:3,14 88:24 89:16	bare 110:24	beneficiary 16:16,22
availabilities 40:8	base 9:23 10:3,7,15 20:2 38:12 67:7 68:8 82:10 92:12 104:24 105:7 109:8,16 112:11,15 113:4 114:14	benefit 14:22 15:11,20 27:10 38:11 63:20 64:9, 22 65:1,6 72:16 89:25 96:7,13,17 97:12,25 98:9 107:17 115:18 120:1
availability 41:1	based 4:11 11:14 16:14, 16 19:10 24:20,24 25:8, 11,14,16,17,19 27:17	benefiting 114:10
availing 58:9		benefits 14:4,8,13 47:7, 9,17,18 48:1,5 67:13,14 92:16,17 94:16 97:19
average 9:22 10:15 29:12 34:8,18,20 35:15, 16,17,18 54:25 84:25 86:14 89:4 90:11 91:3,4 109:9,11 111:17,18,22 117:5		
average-use 56:7		
averages 35:19 61:21 78:14		

98:5,19,20 105:9 109:18 115:2 124:20	brakes 59:23
Benson 23:13	break 23:16 60:14,17 106:11 120:6 121:9,12 122:15
Berkshire 32:1 42:22 95:25	briefed 77:15
BHER 121:22	briefly 24:11 37:2 61:5 67:9 90:5
bid 97:4	briefs 4:11,13 7:7 8:24 10:7 67:11 77:22 78:25 87:10 106:7
big 94:17	bring 19:5 36:8 45:13 57:20 58:5 104:11
bill 50:24 51:3 116:25 124:4,13	broken 63:15 120:14
bills 116:10	brought 57:17 77:3
bit 17:20 21:13 28:7 31:3 54:19 58:18 63:8 66:2 67:18 68:13 77:15 79:10 87:10 99:1 103:23 112:7	buck 20:20
Black 49:8	budgets 11:13
block 55:20,25	build 99:22
Bluefield 78:24 79:3 89:22	built 116:5,7
Blundell 106:17	bulk 85:1
Boehm 7:4,6,9,11,16,20, 21	Bulkley 62:15 83:14,15, 19,22 84:16 85:10 88:16
bones 110:24	Bulkley's 30:12 31:7 80:15 85:12,23 89:15
book 43:11 44:1,2,4,6	burden 41:10,24 42:5,12 44:14,20 45:7,25 46:9 51:9 53:10 70:18 99:16 101:13
books 38:17	burdened 55:4
boon 20:17	burdens 40:11
bores 9:9	burning 9:12
borne 61:14	Business 42:14
bottom 85:19 105:25 110:19	buy 115:20
bought 101:7,10,13,16	
bounced 81:6	
boundaries 97:1	
bracket 90:3	
	case 7:7 10:22,24 12:12, 17,22 13:23 19:22 22:22 25:1 26:23 40:25 42:1, 13,17 43:19 44:7 45:23 47:4,20 49:8 52:17 58:11 61:1 66:15 68:9 70:16

72:5 77:21 78:9,12,24	change 23:5 29:23 32:20 50:2 52:25 53:9 82:21 108:23 121:1	claim 20:11 38:16 52:25 88:2
79:3 80:9,16,18 84:7,11	changed 80:3,4 81:25 82:1	claiming 19:15 51:1
86:17 94:23 99:22 103:8	changing 67:1 88:9	claims 30:13 35:8 38:14 49:15 50:6
106:13 108:17,18,24	characterized 52:8	clarification 119:9
109:24,25 112:17 113:19	charge 5:6 17:24 18:4,9, 12 19:9,10 21:10 38:9 55:7,13,15,18 56:1 58:17,21 59:4,7,8,21 60:2 116:14 117:8,9,11 119:5,19 120:22	clarify 24:14
114:7 115:7,8,12 117:2	charged 117:23,24	clarity 50:17
cases 28:25 29:10 34:9	Chargepoint 4:15 7:1,3	Clark 6:15,17 7:14,15 8:2,4,18 24:6,7 36:16,19 43:7 56:23,24 60:22 70:25 71:2 121:17,18 122:3,14,23 123:19 124:22
35:11 38:18 66:21,25	charges 17:6,9 19:15,17, 20,21 20:9,12 21:8,17,20 23:4,6,8,14,20 51:25 54:22 55:10 58:24 59:14, 25 120:25	class 49:3,5 54:2 55:4
78:22 86:5,13,15 87:8	choice 57:12,20 69:14 100:17	classes 17:3 50:5 53:23, 25
89:8,22	Cholla 109:22 110:12	classification 50:3 51:14 52:21 120:17
Casey 61:23 62:24	choose 69:25	classified 49:17 51:22
cash 38:7 62:1	chose 41:5,13 68:10 99:4	Clean 4:16
categories 120:8 121:1	chosen 46:25 68:15	clear 46:16 53:6 95:11
categorized 50:4	Chriss 84:16	clearer 8:18
category 17:8,9	Christopher 23:13	click 102:18
caught 79:22	circumstance 99:5	client 77:17 78:25
caused 32:12 48:23	circumstances 27:9,17 79:17	clock 27:19
102:6,12 106:10,19	cite 49:12 112:19	close 97:2 110:8,11 117:18
causing 31:1 61:11	cited 25:3 35:11 49:8	closely 22:4 49:4
CEO 78:5	cites 17:4	closer 19:6 21:13
cetera 11:13 34:25 89:3	City 54:16	closes 110:18
95:1 101:23 122:11		closest 75:15
chain 102:7		closing 4:10,12,14,20,22 6:7,13 7:2,5,8,24 8:20 60:23 61:3 69:6,7 70:10,
chains 102:25		
Chair 7:23 93:1,8 112:7, 8,14 118:20		
Chairman 4:3,25 5:4,11 6:4,8,11,19,22,25 7:9,13, 17,22 8:1,6,9,12,16 9:4, 11 23:25 24:5,9 25:20,23 27:20,24 28:3,10,16 30:24 36:16,21,25 56:18, 22 57:1 58:13 60:10,18, 21 69:10 70:24 71:4,8 72:20,23 73:10 74:6 75:2,22,25 76:3,4,6 118:12,22 121:8,13,17		

22 75:5,7 76:24 77:25 81:3 99:1 108:6 111:8 118:8	84:1 85:11 86:16,20,21 87:1 88:25 89:21 90:1, 12,15,24 91:24 94:8,21 98:1,15 99:6,11 100:12 102:4,21 103:22 104:23 105:14,16,21 106:1,5,16, 21 107:3 108:10,19 111:15 112:2,7,21 113:3, 4 114:5,16 115:14,19 119:17 120:2 121:6,10, 13	companies' 33:17,18,20, 24 company 4:16 7:5 11:11 12:4,10,13,16,20 13:6,8, 9,13,16,17 16:5,20 18:14 19:1,14,18,23 20:4 21:3, 9 23:18 25:4,9 26:13 27:1,6,9 38:10 39:19,23 40:7,23 41:5,9,13 43:1 44:17,19 45:3,6,24 49:15 51:18 53:2 57:11,19 69:12 76:16 77:15,18,21 78:1,6,8,16 83:14 84:15, 19 85:14 87:11,13 88:3, 9,13,19 89:18 91:7 95:17,20 97:4,11,17,18 98:3,13 99:4,7,15,17,22 100:3,19 101:13,22 102:5,12,15,23 103:4,16 104:19,21 105:6 106:2,7, 22 107:4,10,12,14,24,25 108:1,8,13,17,22,23 109:1,2,5,14,16 110:5,11 111:5,10,13 112:4 114:17 115:4 118:3 120:16 121:5 124:7
Coleman 62:3,7,24 63:4 82:5,25 83:2,9,10 85:23 87:3		
Coleman's 30:16 31:8 61:23 85:18	Commissioner 6:15,17, 20,21 7:10,12,14,15 8:2, 4,7,8,18 24:1,3,6,7 36:16,19,22,23 43:7 56:19,21,23,24 70:25 71:2,5,6 121:15,17,18 122:3,14,23 123:19 124:22	
Colorado 96:24	Commissioners 28:1,20 39:9 60:22 70:23	
Columbia 48:22	Commissioners' 78:16	Company's 12:11,24
combine 5:2 9:2	commissions 32:25 62:12 89:12,23	16:8,25 17:13 18:8,21 20:11 21:21 23:5 39:22
combined 54:22 105:10	commitments 22:14,15	42:20 44:13 46:18 47:6, 21 48:13 51:5,8 53:9,10, 21 55:6,24 56:4 78:5
comment 93:24 108:6	Committee 42:1	80:18 82:19 84:10 85:3,6 89:10 90:6,10,14,25
commission 4:5 9:5,19, 23 10:4,8,9,13,19,23 11:6,23 12:5,15,22 13:17 15:25 16:11 17:15 18:2, 16,18 19:2 21:5 22:2,20 23:7,10 24:13,16,18 25:18 28:5,15 32:3 34:10 38:21 41:10,11 42:2,6,7, 10,15,18 43:17,20,21 60:6 61:20 62:23 64:19 76:10,13 77:1,20 78:5,23 79:1,14,15 80:7 82:8	commodity 66:19 67:2 75:13	91:2,19,21 92:5 105:8 107:18 109:11,12,18 111:20 116:9 120:23
	common 61:13 62:4 84:4 90:7 92:22	Communications 112:17
		Company-owned 104:9
	companies 33:8,9,13,19, 23 34:16,19,21 62:4 89:2 90:19,20	comparable 36:11 41:1 45:18
		compare 33:11 66:17 80:10

compared 26:10 33:7 54:1 81:14 84:10 100:9 113:20 117:5	concerned 57:11 59:17	consistent 11:9 18:1 32:22 35:9 36:2 37:19 61:6,19 62:11 90:11
comparing 26:8 33:25 100:6	concerns 45:9,10 70:10	consistently 90:8
comparison 39:19 57:24 78:14	concession 93:18 99:1 113:17	constant 32:10
compelling 55:22	conclude 87:1 106:9	constitutes 12:3 121:23
compensating 72:13	concludes 70:22	constraints 77:24
compensation 112:22	conclusion 53:16 83:8, 25 86:22 91:18	construction 41:8 96:7 97:7 123:13
competitive 45:16 97:4 100:22	conditions 28:23 29:4 30:3,4,8 31:15,18 35:12, 24 79:25 80:1,4 83:25 89:14	Consumer 4:18 27:25 42:1
complete 85:17 87:25 114:10	confession 92:21	contend 108:15
completed 9:6 47:14 73:25 124:25	confidential 5:18,25 76:11,19,20,22 103:24	contending 53:5
completely 82:17 90:3	conflate 120:20	contention 28:24 30:7, 14,19 31:6,11,14 33:9
component 51:21 117:14	conflated 119:15	contentious 66:2
components 40:18 42:22,25 43:4,15 44:24 51:16 52:1 73:20,22 100:20 120:7,18	conflates 120:17	contested 33:5
comprehensive 61:2	conflicts 28:24 31:16	context 49:1 71:12 79:1
concede 77:23 78:25 86:3	confused 51:7	contexts 50:14
conceded 82:7 83:1,2,10 85:25 87:6 92:20 99:3 104:2	confusion 52:12,20	continuation 118:7
concedes 78:1	connection 40:15	continue 16:2 30:1 37:1, 16 39:7 64:15 65:3 80:21,24 82:1 116:3
conceding 99:11	consequences 48:17	continued 82:22
concept 61:9,14	conservation 17:12	continues 61:24 63:11
concepts 119:14	conservative 98:13	contract 95:23 103:18
concern 41:21 44:7 57:15 59:19 60:1 97:11, 16	consideration 17:7 29:5 35:3,25 53:20 57:23 58:4 79:8	contracted 104:1
	considerations 17:14 39:6 54:8	contractors 102:5
	considered 101:22 120:21	contracts 22:10 97:7 104:4
	consist 110:6	contractual 95:22
	consistency 23:3	contrary 39:5 42:8 44:13 89:13 112:13 120:19
		contribution 58:23

109:15,18	12,13 49:11,14,21 51:23 52:5,16 53:19,21 54:12	COVID 102:24
contributions 38:7 108:13 109:2,15	cost-responsibility 49:7	COVID-RELATED 12:11
contrived 52:1	cost-saving 69:25	create 118:2
control 104:7	cost/least 69:20 70:3,12 99:9,17	created 66:13
controlled 43:23 79:5	cost/lowest 69:14	creates 51:15 52:11 118:5
convenience 121:1	costly 69:21	creation 117:25
convoluted 58:18	costs 10:2 11:3,5,13 12:14,18 14:7 18:10 21:12,13,15,17 37:16 39:3,16 41:8,12,20 45:2, 5,8,14,23 47:19 48:16,23 49:4,16 50:3,22 51:19,22 52:4,5,6,7,22 53:22 54:1 55:12,14 63:24 65:11 66:10,11 67:1,14,16 69:1 74:5 78:8 92:10,12,15, 17,22 93:12,17,25 94:4, 16 99:21 104:23,25 105:2,6 106:8 107:5,8,24 108:2,25 109:4,20,23 110:6,12,14,17 115:5,7, 8,17,25 116:3 117:10 119:6,8,21 120:8	credit 34:16 35:4 36:1,7 64:23 67:4,6 75:18 91:12 94:9,11 96:11
core 67:11	counsel 77:14 114:22 122:25	credits 14:12 63:7,21 64:11,17 65:22,23 66:1, 4,14 74:7,10 75:10,13 93:7 96:15,22
correct 74:1 86:4 117:1	counterparts 18:7	Creek 46:14,23
correctly 114:23 123:1	country 79:20 89:12,17, 24 97:2	critical 29:4 30:3 42:25
corresponds 64:22	couple 24:10 57:2 74:7 81:2 96:1 111:7	criticism 88:8,18
cost 8:23 10:6 11:2 13:5 14:5 15:8,12 16:24 17:7 19:6,11 28:6,9 36:13,18 40:19,20 41:3 42:24 44:8,10 45:1,21 47:5,10, 19 48:2 51:16,20,21 52:1,9,11,13 57:18 58:6 66:5,18 67:2,5,21 68:20 69:15,24 70:2,19,20 72:4,7,19 73:23 75:8,17, 20,21 76:16 78:2,21 84:1 92:6 93:10 95:1,8,9 98:6, 10,11,12 99:24 100:21 101:1,13,17,25 102:3,17 105:8,9,12 107:17 109:11 111:1 113:23 114:14 116:21 117:11,15 120:14,18 122:11	cross 29:11 43:13 81:8 82:7 104:2 112:18	
cost-based 52:3	court 41:23 42:2,13,15 48:21 49:1 113:7	cross-examination 82:4 99:19 111:18 113:6,10
cost-causation 48:20,25 49:7,9 50:2 51:18	cover 76:25 117:10	cumulative 109:7
cost-effective 71:16,17, 20,22,24	covered 57:5 111:3 112:1	current 21:14 26:25 29:4, 17 30:3 31:18 34:3,5 35:12 84:20 89:10 116:16 118:1
cost-of-service 11:14 17:1,19 18:10 19:3,23 20:4 21:11 39:12 48:11,		curtailment 107:19
		customer 16:21 17:8,9 19:16,19 20:1,7,14,16 22:8 26:20 47:25 48:23 49:5 50:5 53:23,25 54:22 55:4,13,15 56:1 58:17,21 59:7 112:23 113:1 116:18,22 117:6,8,11,16 124:3
		customer-related 50:5

customers 13:7,10 14:5, 22 15:9,10,15,19,20 16:6 18:4,13,24 19:5,9,17 20:19,22 21:3,4,16,18, 22,24 22:18,24 23:9,21 27:8,10,14 41:20 49:3 54:6,25 55:2,8 56:2,8 58:7 59:16,20 60:9 64:2, 3,7,9,12 65:3,15 68:6 72:9,11,12,15,16 75:17 78:7,13 79:19 89:25 90:4 94:15 97:24 98:5,8,19,20 102:9 103:14 104:13 106:13 109:19 111:12 114:3,11,15,20 115:1,9, 18 116:15 117:3,4,7,18, 19,22 119:6,7,10,20,21 120:1,4 123:25	11	delay 107:22
customers' 20:11 55:14 58:23 105:19		delayed 9:20 10:25 104:18
cutoff 68:4		delays 9:17 12:10,11 107:24
cuts 29:16 91:9		delineated 50:23 120:8
CWIP 110:14,17		deliver 75:17
<hr/>		
D		delivering 22:11,13 68:25 72:11
daily 19:15,20 20:9 21:8, 16		delivery 17:24 18:3,5,8, 23 19:9,17,21 20:12 21:20 23:20 41:19 46:13 50:22 67:20 111:24 119:5 120:22
dashed 81:9		demand 17:11 21:8,16 23:4,6,8,14 48:16 50:4 51:13,20,22,25 99:25 117:23 120:17,24
data 11:12,15,17,19,24 19:25 83:6,13 84:19,20 85:8 86:25 89:11,19 90:19 91:6,22		demand-related 55:12
date 11:25 16:2 41:7 68:23 85:15 96:20		demonstrate 27:2 40:13, 15 46:9 57:22
dates 104:20		demonstrated 14:15 19:18 26:17 31:23 32:17 40:7,21 55:9,11
day 4:10 5:16 9:22 10:1 79:16 124:11		demonstrates 26:7,10 46:7
DCF 30:17,18,19 31:9,10,		demonstrating 45:7 46:17 70:19
		demonstration 21:25
		deny 115:11
		Department 42:14
		departure 38:2 108:8
		depreciate 64:20 65:13
		depreciated 14:1 15:4
		depreciation 13:23,24 14:11,12,16 15:17,22

16:1 63:9 64:4,15 65:4, 15,23	difficult 20:9 68:18	Division 4:18 14:10,12, 19 26:2 48:6 60:15,19, 24,25 61:23 62:2,7,24 63:7,11 64:11 65:19 66:3 67:12 70:11 88:11,25
depth 79:24	direct 46:22 50:10 75:16 99:18	Division's 15:14 69:11
describe 71:25 75:9	directly 26:1 33:5 66:10 69:6 83:18 92:8	docket 4:5 18:2,14,15, 16,19,22 22:5 37:20 97:10 105:23
describes 97:8	disadvantage 43:22	Doctor 83:2
describing 101:20	disagree 14:9	document 82:2
design 8:23 17:22 23:1 39:12 47:5 48:4 49:18 52:6 53:11 54:10 55:1 56:10 116:8,16 120:24	disallow 24:17	dollar 76:14 92:8
designated 4:10	disallowance 39:15	dollars 81:21,22 98:6
designed 23:18 50:24	disappointment 77:15	dominated 30:4 31:19
designing 48:19 50:14	disclosed 44:8	Dominion 80:7
designs 49:12	discounted 62:1	Donna 46:16 56:15
detail 49:23 63:3 123:24 124:6	discretion 104:5 118:20, 21	dots 85:13
determination 62:23 94:24	discriminate 119:19	dotted 86:11
determinative 78:23	discrimination 120:3	double 66:14
determine 106:19	discuss 39:14	downward 61:24
determined 11:24 38:16 45:14 57:19	discussed 43:12 56:12 82:3 94:1 100:14 111:8 112:18	DPU 29:11 46:10 82:4, 20,21 83:18 92:18
determining 29:5 89:24	discusses 82:19	DPU's 82:7 114:22
develop 48:3 103:21	discussion 9:1 96:16	dragging 84:25
developed 90:17 104:6	disposal 12:24	dramatic 32:13 108:8
developer 103:13,18 104:4,11	dispute 88:5 108:1	drew 21:5 22:20
development 95:14,16	disputing 107:10	drive 36:10
deviation 52:2	disregard 30:16 31:7	drivers 88:1 124:13
dictates 61:17 79:21	distinctions 75:9 92:24	driving 111:22
difference 107:16	distribution 119:7,22	due 77:17 102:6
differentiate 75:15 79:11 124:17	distribution-only 87:7 89:2	Duff 82:2,16 83:10,13,18, 22
differently 7:2 21:3,22,23	District 48:21	duration 38:6
	dive 81:10	
	divide 28:5	

duty 69:12,13	eligible 96:13	ensuring 55:3 119:20
E	eliminate 14:17,20 116:9	enter 23:14
earlier 8:15 57:8 108:17	elimination 54:23	entered 22:9,12 95:20
early 65:24	embedded 17:18 51:23	entire 73:10 77:5 91:24
earning 109:10	embodied 41:16	96:14 115:10
ease 105:14	emerged 44:7	entitled 42:6,18 45:7
easiest 28:14	emphasize 84:20 104:21	107:10
easily 54:8	employee 24:12,17	entity 40:12 84:18 101:7,
EBA 50:17 52:4,6,7 75:8	employees 25:10	9
92:5,10,12 93:10,12	employing 17:2	environment 29:7,8 30:5
94:15 120:9	enabled 14:3	34:24
echo 76:8 78:4	encourage 116:15	envisioned 50:19,24
economic 17:8 20:17	encouraging 17:12	51:3 120:10
23:15 27:17 29:1 31:17	end 11:11 36:13 59:6	equal 38:8 52:7 72:12
33:14 95:19 97:8,19 98:4	68:1 79:16 85:5 120:19	109:10
99:20 116:17	123:3 124:25	equally 59:4 115:24
economics 26:14	ending 10:14 11:10	equipment 40:19 63:11,
effective 10:12 18:5,23	energy 4:16,17 17:12	22 64:5,8,14,15,16,21
48:2	20:8 27:7 40:6 41:1,2,3	65:5,8,10,13,21,24 95:24
effectively 9:18	44:22 45:21 48:16 49:8	96:3 97:5 100:18 106:25
effects 54:5 56:6	50:4 51:13 52:5 57:18,25	107:4 115:5
efficiency 99:25	58:5 59:3,8,16 64:6 66:1,	equitable 54:7,10 59:24
efforts 102:16	6,13,24 67:8 69:24 75:17	111:14
elaborate 57:6	78:8 93:24 95:25 99:25	equitably 22:18 60:7
elaborating 48:25	100:15 120:17,21,25	equities 22:7
electric 4:7,8,9 28:25	energy-related 52:7	equity 14:18,21 31:23,
34:8 35:14,16 85:14	engage 13:18	24,25 32:6,8,9,13,15,19,
116:13	engaging 12:8	25 33:1,6,7,12,18,25
electricity 35:16 41:19	Engelenhoven 43:8,12	34:3,4,5,6,11 35:17 36:1,
73:9 116:13,20	100:19 101:12	5 61:11,12 78:22 82:11
element 34:14	Engelenhoven's 122:4	84:1,12 90:7 91:3,10
eligibility 96:4 97:6	enjoy 78:7	ERISA 108:11
	ensure 48:4 49:2,6	escalation 46:14 111:25
	ensures 18:4 119:6	essential 41:25
		essentially 63:1 81:13
		87:19

establish 42:9	exceeding 11:24	expensive 32:8 39:18 116:19
established 102:8	exception 75:1 105:5	experiencing 54:7
establishing 11:22 38:22 51:10	exclude 87:7	expert 82:16 90:17
establishment 56:9	excluded 45:23 47:7	experts 79:10 80:23 83:24 88:21
estimate 73:1,4,19 76:15,19,22 88:17 92:8 111:16	exclusive 92:20	expiring 43:6
estimated 90:16	excuse 83:1 96:12 98:9 102:16 118:6	explain 30:15 31:7
estimating 88:22	execute 103:18	explained 53:2 63:4 108:5,16 116:1
EV2020 26:16 97:10	executed 95:14,17	explaining 101:22
evaluate 70:12	executives 25:6,7	explains 49:1
evaluating 26:6	exercise 94:19	explanation 40:24 53:8 118:23
evaluation 42:24	exhibit 29:12 56:14 81:8 82:24 85:11 112:18	expressed 45:9,10 70:10
evening 124:8	exhibits 56:15 77:2	expressly 100:8
event 14:16 36:9	exist 93:16	extended 15:8 45:12
ever-changing 51:5,8	existed 38:13	extent 94:8 115:13 124:23
everyone's 78:19	existence 15:1 124:21	extra 53:7
evidence 21:15 40:24 41:24 42:9,21,23 43:2,9 44:9,17,20,21,23 45:4 46:7,16 53:6,9,19,23 54:4 55:16,22 79:14 91:15 102:11 106:22 107:1,2 113:4 121:21	existing 64:4 123:20	extreme 71:16
evidenced 29:9 31:17 34:16 36:7	expect 84:3	<hr/> F <hr/>
evidences 57:16	expectancy 37:14	faced 33:1
evidentiary 75:4	expectation 15:3 29:22 74:20,23	facetious 124:12
exact 94:15 106:18	expected 47:8,15 80:5, 21 81:1 82:1 99:21 107:17	facilitate 49:20 54:15
examined 48:11 55:1,19	expenditure 107:13,14	facilities 17:24 18:3,9 19:10 21:10,12 63:23 93:5 96:11,23 106:24 115:25 119:5,19
examples 106:2	expenditures 34:24	facility 41:2 46:4 69:23 72:2 99:23
exceed 55:18 74:10,15, 17	expense 46:13 87:20,22 108:4 109:5 111:24,25 115:15,23	fact 20:3,5,13,16 21:2 22:8 23:15 24:22 25:7

35:1,6 51:12 61:18 67:5 77:23 78:7,8 86:3 89:17 92:22 97:24 99:4 102:24 107:2 112:14 115:10	file 12:5,17,19 54:17 filed 4:11,13 7:6,19 12:1 78:8 filings 10:10 48:8 filling 100:16 final 64:13 65:9 111:1 121:3 finally 17:22 35:8 38:21 45:14 49:17 82:21 90:18 91:7 93:15 97:14 105:20 113:23 finance 109:2,16 finances 109:3 financial 16:11,14,16 24:18,20,25 25:8,11,14, 18,19 112:10,12,16,24 113:2,16 financing 109:4 find 6:1 23:1 44:2 122:16 finding 45:4 findings 41:25 fine 5:10 finish 6:5 28:12 finished 28:19 finishes 28:8 -fired 103:6 firmly 66:4 fit 92:11 fits 67:4 fitting 77:24 fixed 18:9 21:11 49:19 51:16,19,20,21 52:10 58:24 119:6 120:18	Flats 9:17 104:18 105:3 flawed 48:15 49:25 54:11 flip 4:25 flocking 20:20 flow 62:1 66:10 fly 93:23 focus 29:10 45:13,18 55:3 62:22 69:7 96:1 97:22 focused 24:18 45:12,16 47:22 follow 51:5 52:1 79:21 follow-on 97:5 forcing 29:8,9 111:12 forecast 92:6,7 95:23 forecasted 11:11,15,19 forecasts 92:7 foreseen 102:13 form 54:9 formula 89:7 formulas 79:6 forward 28:17 44:18 57:21 77:10 78:20 91:15 101:24 106:15 forward-looking 79:12 87:24 95:23 FOTS 100:2 found 25:2 39:24 47:3 48:12 59:13 frame 84:17 85:8 89:8,17 104:23 framework 54:9 frantically 122:15
fails 35:6 53:10 failure 45:24 fair 17:20 21:13 54:9 60:7 63:2 66:22 91:22 111:14 119:7 fairly 61:2,6 falls 89:15 family 55:8 117:9 fascia 42:17 fashion 29:24 fatally 48:14 fault 12:12 favorable 109:20 111:12 fed 79:11 88:14,15 federal 29:16,19,25 35:22 88:4,6,10 feds 88:16 fee 56:2 115:21 feel 57:7 119:17 field 83:24 figure 76:11,21 85:9 124:4	flat 81:13	

free 57:7 64:6	gains 37:13,15 107:19	governmental 42:4
front 40:8 100:2	GAP 87:21	gradualism 17:2 54:8
front-loaded 64:22	gas 66:18 75:13 98:12	grant 34:10
fuel 43:20 44:5 66:18 67:1,2 93:13	gas-powered 103:6	great 8:19 9:13 72:2
Fuel's 44:2	gave 35:3 72:23 79:1 103:13 118:23	greater 44:2,4 51:21 56:3 72:12
fuel-cost 64:6	Gee 96:16	grid 39:24 40:2,3 47:23 92:6
full 10:2,5 11:2,7 17:25 18:6,9,11,24 19:8,11 21:10,13,22 23:8 41:7 69:17 74:20 86:19 92:16 96:4 115:7	general 28:25 29:10 34:9 94:23 99:13	group 34:15,18 56:9 90:19 91:4
fully 39:21 40:14 47:9,11 53:1 55:10 64:24 74:4 76:20 114:10,25 115:11 116:5	generally 43:24 54:17 55:6 81:19 117:17	group's 31:24
function 65:20 73:9	generate 74:22	groups 26:20 33:8,12
functional 120:7 124:23	generated 95:21	guess 65:25 72:17 73:8 102:1 118:14
functionality 48:5	generating 99:25	guiding 48:18
functionalization 52:21	generation 13:8 34:24 46:13 50:15 66:16 75:19 92:7,23 95:14,24 96:10, 13,24 103:3,5,7,9 104:12 119:12,13	<hr/>
functionalized 49:16	generators 121:22,24	H
functioning 74:4	geographically 117:18	H.B. 50:20 120:10
functions 120:13	geothermal 22:10	half 85:4,7 86:19 100:4, 14
fund 29:20 88:16	give 26:2 53:20 69:17 74:5 79:2 124:1	handed 100:11
fundamental 42:4	giving 112:3	handle 5:7
fundamentally 119:13	glide 26:17	handled 106:22
funded 38:15,18	global 102:7	happened 106:4,11
funds 88:4,6,15	goal 22:16 112:16 113:1	happening 79:19
future 11:23 21:1 68:4,7, 10,13,14,15 80:20 81:2 82:1,23 109:19	goals 16:11,14,17 20:19, 23 24:18,20,25 25:8,11, 14,18,19 112:23,24	happy 7:24 17:20 23:23 57:8 70:23
<hr/>	good 4:3 7:23 12:5 26:12 28:20 31:5 59:10 60:21 79:13 102:1 107:23 111:17	harbor 96:3,22 101:4,8 122:2,13
gain 37:18		hard 86:12 93:12,17
		harken 108:6
		hassle 12:21
		Hathaway 32:2 42:22

95:25	103:14 117:23 120:25	house 50:24 51:3 116:12
haven 81:18	higher-than-average 34:12	households 116:11
Hayet also 43:16	highest 117:5 124:2	hubs 42:25
head 114:1	highlight 79:9 82:6 105:20 110:19	hypothetical 33:3 65:8 90:16
hear 28:1,3 76:7	highlighted 77:25 82:24	<hr/> I <hr/>
heard 57:3 77:13 81:2,4 82:13 84:18 85:25 88:2, 11 92:21 93:24 98:23 100:3 112:13 114:22	highlights 85:9	idea 99:2 102:2 106:4
hearing 4:5,23 8:16 9:14 16:9 17:3,16 19:1 28:22 37:22 39:1 40:22 43:12, 16 44:11,12 45:11 47:16 48:9 50:21 53:4 54:17 55:23 66:7 75:4 82:3 84:21 85:15 88:3,12 94:25 99:18,19 100:11 101:19 103:23	highly 49:24	identical 84:16
heavily 42:5	hindsight 70:15	identified 18:10 83:15,20 95:12 96:8
held 110:1	historic 68:7 76:21 81:17 87:20	identify 46:12 83:19
helpful 50:13 52:9 76:25	historically 81:23	ignores 81:8
helps 49:2 122:20	hitting 114:1	ignoring 12:14 88:4
hey 81:4 88:19 97:24 103:12	holding 33:8,13,17,18 42:11 90:19	immediately 108:14
Higgins 46:21 103:25 112:18 113:11,14,17	Holman 7:22,23 8:3,5,10, 11	impact 17:2,9 32:12,24 59:15 80:1 116:11 117:7
Higgins' 25:2	home 116:14 124:11	impacted 116:16
Higgins's 44:12	homes 58:17	impacts 20:25 56:13 91:9 116:25
high 30:21 33:7 35:25 36:1,5 55:4 66:18 74:17 116:10 118:3	Honor 7:6,21	implemented 47:9
high-usage 117:4	Hoogeveen 78:6,12	important 62:14 65:2 81:17 94:25 95:11 96:1 97:22 108:10 111:6
higher 28:24 29:9 30:8 31:16 33:1,19 34:3 35:18,19,22 58:1 61:12, 17 62:20 63:23 80:17 81:21 84:3,13 92:14	hope 25:15 65:16 78:18, 24 85:11 89:21,22 123:14	importantly 66:11 80:19 86:4 104:6
	hoped 103:23	impose 18:22
	hopeful 79:15	imposed 18:24
	hoping 6:4	imposition 54:24
	horizon 29:18	improper 90:21
	hot 124:11	improperly 106:23
	hour 13:5,10,14,20 51:25 74:21 116:20 117:21	improvements 15:16 47:22
	hours 20:6	

impute 33:2	incorporation 56:3 59:12	inequitable 54:24 56:6 116:25 117:7
in-service 104:20	incorrect 33:9 35:10 83:23 100:7 108:15 111:19	inequities 63:14
inability 106:18	incorrectly 87:12 123:15	inequity 14:21 15:19
inappropriate 48:15 112:15	increase 4:6 9:15 11:25 18:12 32:11 42:10 55:9 104:17 105:10,12 117:3, 5,15 119:23 120:9	inflate 37:23
inaudible 5:2 113:6	increased 32:10,13,18 54:24 55:18 59:21 82:11 83:11 84:2,10 89:14 108:13	inflated 51:24
incent 110:21	increases 17:3 32:6 54:5,21 78:10,17 105:22 106:3 109:21	influence 120:23
incentive 16:8,10,13,18 24:12,17,19,23,24 25:5, 6,7 112:5,10,22 113:15, 19	increasing 32:25	inform 49:17
incentives 16:14,20	incumbent 27:1,9 70:18	information 11:7,12 12:4 19:25 33:14 50:12,13 122:17
inclining 55:20,25	incur 107:25 108:2 114:19 115:23	informed 42:19
include 10:5 12:18 16:13 37:25 40:24 42:20 55:12 57:23 58:5 67:8 89:5 92:11	incurred 104:24,25 105:1,4,7 110:10	initial 59:14
included 10:3 45:23 61:22 66:6 68:6,8 69:2,3 72:7 88:25 93:10 94:14 117:11	incurrence 40:20	installation 67:12 106:24
includes 16:10 17:16 99:24	index 83:21	installed 63:16 65:14 73:18 97:3 115:6 123:2
including 16:20 40:18 58:24 77:13 107:19 108:11 109:7	indexes 80:23	installing 67:15 68:12 72:4
inclusion 37:7 47:18 66:1 92:5 94:14	indicating 84:6,25	instance 110:10 111:9 115:20
incomplete 40:1	indication 108:7	integrated 35:2,14 36:3 84:15,22 85:14
inconsistency 38:4	indicative 103:13,16 104:14	intend 6:13 8:20 9:1,2 15:25 17:19 93:11
inconsistent 10:8 11:17, 21 30:8 58:2 62:19	indifferent 13:7,11	intended 19:5 23:10 58:22 69:5
incorporate 48:14 53:1 54:21 58:22	individual 49:5 68:19 70:9	intends 20:7
Incorporated 4:15	industries 30:11	intentions 23:19
incorporates 89:10	industry 29:15 31:16 34:23 35:7,13 80:25 83:17	Interconnection 95:15
		interest 29:7,16,22 30:2, 5,21 31:13,19 35:21 40:14 53:16 79:18 87:12, 14,16,19,20,23,24 88:7, 19 105:19
		interested 42:7 100:12

interesting 93:8	island 63:8	51:24 67:14 68:12,25
interestingly 46:24 83:13	isolated 11:17 12:7	72:4,19 87:15 97:9
intergenerational 14:18, 21 15:18 63:13,14	issue 9:16 11:5 13:1,22, 23 15:23 24:16 25:25 37:1,3 46:10 47:3 57:5 58:15 59:18 65:25 66:3 67:11 71:13,18 77:16	justifying 27:6 51:9 87:13
intermittent 20:8	81:6 87:17 89:2 90:6 96:18 105:3 108:20 110:6	K
internal 97:17	issues 37:5 39:11,13 46:1,11,15,25 56:12 58:11 61:3,5 69:5 85:16	kappa 79:13
international 97:1	item 94:17 98:6	Keeping 118:4
interpretation 24:13,15	items 93:16,17 100:15 109:3,16 111:2 113:21	Kevin 46:21
interrelated 32:4	J	key 66:8
interrelationship 33:15	Jetter 60:21 70:24 71:1, 3,23 72:21 73:6,12 74:15 75:11,23 76:2,3 122:25	kilowatt 51:25 116:20 117:21,22
interrupt 9:7,10,12	job 106:25	kilowatts 117:22
interrupted 102:24	Jobs 91:9	kind 9:2 25:18 27:19 57:12 73:1 86:12 91:4 93:23 94:3,6 118:13
interrupting 113:9	Joelle 40:21	knew 95:6 103:19
interruption 102:6 113:7	judged 95:5	knowable 26:11
interrupts 92:2	judgment 79:7,17	Kobliha 108:5
intervention 88:12	June 76:16	Kobliha's 87:18
interventionist 30:1	jurisdictions 90:1	Kroger 4:16 7:5,6
introduced 29:11	justification 47:21 63:21 116:17	L
introduces 50:17	justified 39:21 53:2 55:10 89:19 116:21	labor 11:13
intuitive 74:8 94:3	justifies 31:16 34:14 67:20 72:7	lack 52:12,23
invested 13:6	justify 19:14 26:14 27:2 28:24 30:8 38:4 39:4	Lake 46:1 54:16 106:6
investigators 106:19		large 20:22 40:9 95:14 113:15
investment 72:10,14 89:25		largely 47:8
investments 11:17 12:7 16:4 69:12,14 84:8		larger 21:1 116:11
investor 68:5		lastly 40:20 54:19
investors 61:12,18 81:18,20,24 84:2 87:25		late 10:6
involving 42:1 43:20,21 49:13		late-stage 95:13
IRS 87:21 96:6,8 101:4		

latest 53:3	light 54:5	looked 59:12,14 103:12 106:21
law 10:8 12:14,21 108:12,23 109:14	lightly 78:17	lose 101:8 111:22
laws 108:16	likelihood 92:13	loss 37:11,18
leading 32:7	limit 93:11	losses 37:7,13,15 107:9, 11,19,20,22
learned 10:24	limitation 77:19	lost 5:4
leave 6:8 46:5 60:6	limitations 56:4 77:17,24 111:4	lot 61:8 63:3 65:10 73:13 78:17 88:23 89:3 96:16 97:23 101:21 112:3
led 79:20	limited 13:4 56:2 87:6 89:1	113:25
left 119:2,3	limiting 60:4 115:17	low 29:6,7 30:21 31:13 78:7 85:1 87:15 88:10 90:3 91:17 98:11,12 104:15
legal 46:19,20 50:6 51:1 53:5 71:10 109:1	lines 73:16 105:25	low- 56:7
legality 45:12	Link 97:8 99:19 100:8,13 103:17	low-risk 97:3 122:10
legislature 93:11 105:15	Link's 44:11 97:21	low-usage 117:2
legitimate 41:21	list 7:1 92:20	low-use 117:7
length 112:6	listed 4:22 120:7	lower 29:8,17 30:5 31:19, 21 32:7 33:2,18 34:14 35:7,25 42:24 44:25 51:25 54:25 61:18 69:15 70:19,20 74:13 84:13 85:4,7,21,22 88:8 89:19 92:14 99:21,24 117:24 120:25
lesser 43:25 44:6	literally 83:19	lower-than-average 34:13
Levar 4:3 5:4,11 6:4,8, 11,19,22,25 7:9,13,17,22 8:1,6,9,12,16 9:4,11 23:25 24:5,9 25:20,23 27:20,24 28:3,10,16 30:24 36:16,21,25 56:18, 22 57:1 58:13 60:10,18, 21 69:10 70:24 71:4,8 72:20,23 73:10 74:6 75:2,22,25 76:4 118:22 121:8,13,17	litigated 87:8 89:7,8	lowered 33:21
level 29:15 31:24 36:8 80:11,13,18 81:13 107:17 124:5	live 25:2 63:5	lowering 89:18
levels 54:25 81:7	LLC 4:15	lowest 29:15 35:13 41:3, 19 44:23 45:21 57:18 58:6 69:14 70:2 95:8,9
levied 88:18	load 11:7	
liability 38:13	local 78:13	
licensing 115:20	located 117:18	
life 14:2 15:8 37:14 63:18	location 101:22	
	lockdowns 81:11	
	lockstep 29:20,21	
	long 29:20 55:25 72:21 111:13	
	long-standing 16:12 51:13	
	long-term 22:14,15,25 88:7	
	longer 6:9 15:15	

M		
M&s 110:6	116:1 123:16,24	measurable 45:15
made 22:15 28:22 39:19, 23 40:16 41:7 43:11 44:17 45:19 49:20 52:9 62:7 70:5,13 77:14 87:12 88:5 89:13 93:19 99:9 101:3 102:20,22 108:6 110:8 113:17 116:24	Mansfield's 47:16 67:23 74:1	measure 23:3 69:25
main 65:19 92:3	manufactured 100:21	mechanics 49:18
Maine 89:5	March 106:17	mechanism 105:18
maintain 91:12,16 106:24 110:7	marginal 15:8,12	median 84:17 91:5
maintains 23:3 45:6	mark 65:12	medium 93:6
maintenance 63:23	mark-up 101:12,16	meet 20:22 40:13 44:15, 19 45:24 46:8 68:23 70:18 72:6 100:9 101:13
major 12:19 105:11,12	market 13:13 28:23 30:3, 4,7 31:15,18 33:14 35:12,24 40:19 42:21,25 43:8,9 44:1,2,4,6 45:1 61:15 63:3 79:18,25 80:2,4,11,12 81:5,6,19, 24 82:15,18,20 83:25 84:3,6 86:25 89:11,14 100:22 101:2,4,6,10,14, 15,21 104:12	meeting 100:6
majority 84:22 85:7 113:15 121:23	marketing 29:4	megawatt 13:4,10,14,20 22:12
make 6:13 7:5 8:20 9:1 12:20 14:19 15:24 19:8 20:20 22:15,25 52:25 57:11,16 64:12,19,20 70:17 73:1,4 79:16 80:8 98:3,17,22 103:15 109:14 116:19 117:14 119:10,25 120:24	markets 61:10,15	megawatts 20:24
makes 62:16 65:16 85:12 93:14,18	match 49:4,6 92:17	memory 73:24 74:1
making 12:3,9 13:19 39:6 46:19 50:14 52:3,14 62:23 65:10 69:13 81:5 103:11 110:11 115:22 124:12	matched 65:23	mentally 102:18
Mallonee 31:1	material 76:24	mention 50:19
mandatory 70:14	materials 76:12 77:11 109:23 110:2	mentioned 12:3 18:15 20:14 21:18 22:9,20 38:24
Mansfield 73:7 115:4	math 103:19	mentions 50:21
	mathematical 61:16	Meredith 50:10,16,19,21
	matter 63:15 79:6 104:7	Meredith's 50:25 117:1
	meaning 80:21 85:4,21 94:9 96:20 120:13 123:6	met 98:24 99:16
	meaningful 73:13 74:10	meter 47:23 72:2 115:23
	means 10:1 15:9 17:11 71:13 78:1 79:1 112:4 113:19 114:12	metering 67:9 68:11 73:9 123:13
	meant 96:24	meters 47:2,23 67:13,25 68:22 73:8,13,14,17 114:1,24 115:1,2,5,22,24 116:3 123:2,4,7,9,20,21 124:21
		method 62:2 98:17 105:17
		methodology 97:9

methods 17:10 48:14 49:24 62:3	monopoly 49:2	Mountain's 32:1,19 34:2, 5 43:7 48:10,12 49:19 51:11,24 52:10,16,25 53:12,15,18 54:20 55:1, 11,19
mid 91:2	month 38:25 73:3 86:15 124:16	move 29:20,21 39:12 44:18 52:13 60:15 77:10 89:20 90:5 92:1 104:17 117:20 119:4 121:9
middle 64:14 85:5,24	monthly 54:22 55:7,10, 17 56:1 59:14 60:2 73:6 116:18	moves 116:22
million 47:15 98:7,9,10, 11 118:4	months 10:14 11:10,20, 25 29:11 35:12 62:13	Moving 65:25 116:8
millions 98:6	Moody's 34:19,20	multi- 59:4
mind 78:19	Moore 28:1,2,4,14,20 30:24 31:4 36:17,20 37:1,2 56:20 118:6	multi-family 55:8 58:17, 21 59:1,6,25
minds 78:16	morning 4:3 7:23 27:22 28:20 60:13,21 61:4 76:2 81:3	multi-year 111:17
mine 46:14,24 112:1	Moscon 5:21,22 6:6,10 76:6 113:8 118:11,25 119:1 121:8,10,11,14 122:3,20 123:6,23	multiple-step 106:3
minute 86:6 97:22 112:6	Mountain 4:6,19 5:14 9:14,18,24 10:4,9,16 11:3 13:2,12 17:4 18:18 20:10 23:20 25:24 26:3, 6,9 28:21 29:1,3 30:9,10 31:17,22 33:6,11 34:6, 11,15,17,19,22 35:1,4,5, 6,8,18,20 36:5,6 37:13, 20,21,24 38:1,3,14,17, 20,22,24 39:1,14,16,17, 24 40:5,12,14,16 41:2,5, 12 42:23 43:20 44:2,5, 15,18,21 45:8,17,23 46:6,8,24 48:3 49:15,22	mute 77:8
minutes 118:9,24	50:6,7 51:1,6,7,15 52:6, 8,19 53:10 54:13 57:4 58:20 59:3 61:8 62:10,16 67:22 68:10 69:9 76:5 94:18,22 95:12 99:20,23 100:16 102:22 103:3 104:18 105:3 118:8 121:20,24,25	mystery 46:6
mischaracterized 44:14		<hr/> N <hr/>
mishandle 106:23		
misunderstood 50:7		N]either 88:15
mitigate 20:25 102:17		nacelles 43:1
mitigated 20:12		national 78:13
mitigation 97:20 102:16		natural 66:18 75:13 98:12
model 39:24 58:4 62:1,2 79:12,13,22,23 92:6,9		nature 60:5
modeling 26:7,9 29:2 30:9 31:17 33:15 57:4 89:11		nearby 122:10
models 30:19 31:11 61:25 62:5,15,17,18,19, 25		necessarily 32:11 69:24 70:2 71:24 116:1
modernization 47:24		necessitate 91:10
modest 119:23		needed 5:7 39:16 40:7 69:24 98:24 122:1,8
modifications 48:13		Nelson 55:9,11
modified 85:6		Nelson's 54:2
modify 80:13		
moment 103:24		
money 81:25 84:7		

nervous 110:22	O	offset 43:23 68:20
net 38:10,13,15 75:8 92:6,10,12,14 105:9 107:17 109:4,7,9		offsets 47:19
neutrality 22:16		offsetting 47:10
new-found 39:2		on-site 119:12
nighttime 20:6		online 68:19 104:16 116:4 123:13
noise 31:1		operate 74:20 110:7
non-utility 90:21		operating 11:12 33:8,19 90:20 115:11
nonexecutives 25:10		operation 73:3 110:3
nonlabor 46:13		operational 73:8 114:25
nonstandard 62:16		opinion 69:11,22
nose 85:6		opportunities 19:19
notch 34:20		opportunity 26:3 27:8,18 43:3 60:23 95:12 96:8 97:3 98:2 100:20
notches 34:17		oppose 53:14
note 13:16 19:22 21:4 23:11 34:2 46:21 54:14 56:8 76:18 93:15,21 103:2 105:23 111:2 112:6 115:19 118:18 119:9		opposed 54:11 92:18
noted 19:22 78:6 80:7		opposes 117:25
notes 78:9		optional 4:12 99:6
notices 102:5		options 70:3,4
notion 19:10 25:17		oral 60:12
Notwithstanding 40:23		order 4:15,20,25 5:1,13 8:21 21:5 22:22 23:10 32:20 33:22 49:13 50:9 61:6 64:16 80:7 106:17 116:2 122:1
November 122:21		orders 24:16 61:20
number 5:17,24 18:15 63:22 73:17 76:18,19 86:7 90:16 123:3,11,17		out-of-service 64:21
numbers 83:19 86:19 115:22		outage 46:2,7 75:1 106:6,8,10,20 107:5
	Office's 106:12 107:6 117:12 120:16	outages 46:3,5
	offload 43:3	outcome 111:12
		outlier 85:18,19 90:3

outpaced 81:15	part 5:4 33:17 52:17 57:22 58:10 67:7,19 69:13 75:16,20 82:4 113:13 115:13 116:6 121:24	pension 37:3,8,9,11,16 38:22,23 39:3 87:15,20 107:8,18 108:4,11,18 109:9,20
outperforming 81:24		pensions 37:6
output 66:16 75:19 92:23		people 116:12
overcharging 116:22		percent 18:13 29:13 31:23,25 32:2,15,16,19, 21 34:4,6,7,9 35:9,15,17, 18 36:4,9,11 61:22 62:7, 9 73:17,25 84:23,25 86:8 89:9 90:8 91:11,20 96:14 114:24 115:1 116:4
overemphasize 113:20		percentage 31:25 32:1,9, 13 33:19 34:5,6 35:17 74:25 90:7 91:10
overhaul 46:13 111:25		percentages 33:18
overlap 8:25		perfect 70:15
overnight 88:14		perfectly 19:7
overrated 31:6		perform 19:23 49:11 123:22
overrun 45:2,5		performance 53:25 112:11 113:16
overruns 40:20 44:8,10 101:25 102:3,7,10,12,17		performing 81:19 123:20
overvalued 30:14,15,20 31:12		period 9:19,23 10:1,5,11, 12,13,14,19,21,22 11:1, 3,4,8,10,11,15,16,18,22, 23 12:2,6,8,17,23,25 13:18,24 14:7,11,16 15:22 20:2 64:5,7,12 66:21 71:18 80:24 84:24 90:12 104:22 105:1,4,5,7 108:1,3 111:13 114:19, 25 115:2,6,10 116:7,19
owned 103:7,9		periodic 17:11 107:17
owners 116:13		permitted 110:1
ownership 34:25		phase 67:23 78:24
P		
p.m. 121:12		
pages 30:25 100:13		
paid 14:6 42:24 72:15		
pandemic 28:24 35:22 54:6 102:2,6,13,24		
pandemic-induced 29:17		
pandemic-related 29:6		
parallel 22:20		
parallels 21:6		
parent 32:1 97:18		
parentheticals 98:5		
parrot 122:5		
	passed 40:2,3	
	past 26:13 38:2,12 61:20 68:8 105:22 106:3,5 112:9	
	path 26:17 61:24 99:17	
	pay 14:23 15:15,16,21 16:18,21 18:5 19:10 22:19 48:24 64:15 65:1, 4,16 94:10 103:14 104:13 106:14 119:7,23	
	paying 15:19,20 59:6 64:4 72:9,10,17,19	
	peak 20:5	
	penalize 102:23	
	pencil 103:20	
	pending 40:9	

Phelps 82:2,16 83:10,13, 18,22	points 66:8 94:2	36:6 37:13,22 38:3,14,25
physically 67:19	policies 30:1	39:1 46:12 58:20 61:8
picked 91:2	policy 39:5 41:16,20	62:11,16 66:5,9,10 67:5,
picking 91:4	57:16 58:7 64:18,20	23 68:10 75:8,16,20 76:5
piece 96:10 122:17	112:21	92:6,10,12,14,22 103:6
pieces 96:24	portfolio 111:21	105:9 111:24 118:8
place 31:5 35:23 41:9	portion 9:20,25 10:25	124:3,7,8,16
43:22 67:25 108:16	11:4 16:10 24:17 25:6,10	Power's 9:15,24 18:19
116:2	28:7 36:13 37:3 73:2,22	28:21 29:1 30:9 31:17,22
places 101:19	74:3,5 124:22	33:12 34:7,19 35:5,8
plan 16:8,10 24:17,19	portions 9:7,17,20 10:6	36:5 37:20,24 38:1,17,
25:5,6,7 37:14 109:19	16:13 24:23 25:13,19	20,22 59:3 121:25
112:5,22 113:16,19	104:18 114:11,14	PPA 27:12
120:20	position 8:21 16:12	practicable 49:4
planning 4:13 41:8 47:25	19:14 20:5 23:11 24:11	practices 38:3 52:2
plans 16:13,16,18 24:12,	33:1,6,7,12 34:1,11 36:1,	preapproval 41:6,14
23,24 30:1 38:7,8,9 89:2	2,6 38:11 39:2 46:2 48:6	57:12,15,21 58:9 70:13
107:18 112:10	54:18 57:5 61:3 84:12	94:24 99:2,12
plant 9:25 10:6,25 12:19	87:15 90:3,7 91:3,21	precedent 24:13,19
14:1,3,6,25 103:6	106:12 112:4 121:25	51:14 90:15 103:8 104:8
105:11,13 110:3,7,9,15,	122:11	110:4,13,16
17 114:12	positions 25:3	predict 80:24
plants 103:10 110:23	possibly 98:7,8,10,19	predicted 104:14
point 5:15 13:7 14:15,18	post 9:14 16:9 17:3,16	predominantly 24:20
16:3,7,20 22:6 23:15	19:1 28:22 30:9 37:8	prefer 14:11 28:10,12
24:22 36:3,17 60:19	46:25 48:8 54:17 66:7	preferred 91:21
65:19 71:13 77:14,16	88:3 96:21 107:18	profile 50:18
78:1 81:2 86:19,21 91:2,	post-pandemic 30:12	prefiled 63:5
5 95:13,18 97:14 100:24	post-retirement 109:8,10	prejudices 107:23
101:3 103:11 104:3,11,	potential 74:9 100:2	premium 62:2 82:11
12,14 111:18 115:3	103:12	83:3,4,11 109:21
116:24 123:8	potentially 65:1,14	prepaid 37:8,25 38:2,11,
pointed 21:2 62:18 78:12	power 4:6,19 5:14 10:4,	15,17,20 108:4 109:5,8,9
86:1,4 91:10 119:24	9,17 11:3 13:12 15:8	prepared 7:24
pointing 80:6 85:9	17:4 19:15,20 20:9,10	prescribe 54:9
114:23	22:11,13 23:17,20 26:3	present 42:17
	29:3 30:10 33:6 34:11,	
	15,17,22 35:1,4,6,19,20	

presentation 5:2 28:7 36:14 39:8 57:6 77:1 91:24 118:15	prior 22:22 23:10 24:13, 22 25:16 45:17 64:4 68:7 73:14 110:7 122:25	programs 50:15,19,23 51:2 120:10
presented 43:9 44:9 46:15 50:20 52:17,20 53:9,20 55:16 60:3,25 61:2 98:2,16	problem 16:19 66:12 108:4	progress 22:15
presenting 4:22 6:3 41:24	problematic 11:5	progressed 44:8
presently 30:20 31:12	procedural 12:21 13:19	project 13:2,6,12 22:11, 13 27:2,3,4,6,11 39:15, 24,25 40:1,8,17 41:14 44:18,21 45:8,17,20 47:7,8,9,11,13,21 48:1 57:13,21,25 68:4 69:16 70:9,20 73:1 95:21 96:3, 14,15 102:9 103:21 104:6 114:8,9,13 121:21, 24 122:2 124:23
pressed 43:13	procedure 51:10	projected 11:24
pressure 101:21	procedures 89:11	projection 66:16 74:16 92:14
pretend 123:23	proceed 9:3,8 39:23 40:16 41:13 76:23 78:20 95:18	projections 74:10,11,24
pretty 63:4 74:11	proceeding 41:9 42:16 45:3 53:17	projects 9:18,20,21 10:2 14:2,4,7,23,24 15:7,11, 13 26:14,15,16,18,19,22, 24 40:2,3 57:17 104:1 105:10
previous 18:15,22 24:15	proceedings 37:4 49:10	proliferation 39:5
previously 10:22 35:10 90:13 98:17 105:21 106:16 108:24 113:22	process 47:23 57:15 58:9	proof 41:10 44:14,20 45:7,25 46:9 51:9 53:11 70:18
price 42:24 44:23 45:16 98:12 100:22 101:11 103:13,16,18 104:1,7,9, 10,12,14,15 121:2	processes 70:13	proper 33:11 47:24 79:7
prices 75:13 102:25 120:6,7	procures 13:8	property 43:25 44:3 111:16
pricing 62:1 103:1	produce 41:3 45:20 49:3 116:20	proportionally 117:16
pride 78:6	produced 13:20 92:6	proposal 9:15 13:17 14:9 15:14 18:3,8,14,19,21 21:21 22:1,3 23:5,7
prima 42:17	produces 13:14	51:11 53:12,15 55:11,19, 25 56:4 85:6 90:9,10,25 92:5 95:22 105:8 107:21 109:12 116:8,24 117:6,
primarily 25:8,17 47:22 63:20 67:2 74:18	production 14:12 41:19 51:14 63:7,20 64:10,17, 23 65:21,22 66:1,4,14 67:4,6 74:7,9 75:10,12, 17 93:4,7 120:12,13	
primary 16:15,22 50:17 59:19 60:1 65:20 112:16, 23,25 113:1	productive 67:20,24 68:25	
principle 42:4 48:20 49:1,2 72:6	professionally-based 62:8	
principles 48:18 49:9 51:19	Professor 30:16 31:8	
	profitable 110:8	
	program 20:13,24 21:1	

<p>21</p> <p>propose 4:14 21:9</p> <p>proposed 4:8 11:25 16:25 17:18,22,23 20:7 25:4 35:9 42:9 49:12 52:10,19 53:11 55:1 58:16,20 59:3 85:3,22 86:7,11 90:23 91:3 103:16 117:9,20</p> <p>proposes 11:3 23:21 35:19,20 107:15</p> <p>proposing 51:9 58:25</p> <p>prospective 22:24</p> <p>protection 108:12 122:2</p> <p>protestant 42:7</p> <p>prove 42:5,8 106:8</p> <p>proven 95:8 100:25</p> <p>provide 44:22 45:3 49:22 60:23 68:11 91:1</p> <p>provided 38:3 42:23 46:18 64:22 92:16</p> <p>providing 17:8 53:6,25 73:13</p> <p>provision 101:8 122:13</p> <p>proxy 31:24 33:8,12,23, 24 34:15,18,21 62:4 90:19 91:3</p> <p>prudence 26:6 41:7 46:9 69:12,13 94:24 95:3,10 99:13 102:19 109:13</p> <p>prudency 40:15 41:15 43:18 44:10,16,17 45:4 57:22,23 58:2,10,11</p> <p>prudent 22:1 41:22 69:13,23 71:25 98:22 102:23 106:8 110:11</p>	<p>prudently 107:2,4 110:10</p> <p>Pryor 9:17 13:2 25:24 26:6,8 39:14,15,23 40:16 41:2,5,11 44:18,21 45:8, 22 57:4 69:9 94:18,22 95:12 99:20,23 100:16 102:22 103:3 104:18 105:2 121:20,24</p> <p>PSC 49:13 53:12,20,24 54:9</p> <p>PTC 92:8 96:4,10,12,15, 20 97:6 105:9</p> <p>PTCS 13:15 14:13,17 43:5 92:5,11,21,25 93:2, 12 94:15</p> <p>public 4:4,18 40:13 41:16 42:3,14,15 53:16 57:16 58:7 60:15,19,24</p> <p>purchase 66:21 69:16 97:18 100:22</p> <p>purchased 101:10 110:7 121:22 122:1</p> <p>purchases 43:10</p> <p>purely 27:17</p> <p>purported 47:9,18</p> <p>purpose 50:1 65:20</p> <p>purposes 87:23 88:4</p> <p>pursue 57:25</p> <p>put 5:5,15 42:8 59:22 67:21 76:14 81:24 83:5 84:7 87:9 90:2 91:15 99:15 104:15,24 105:6, 22 108:18 112:15 115:4</p> <p>puts 106:15</p> <p>putting 73:2 99:10 115:7</p> <hr/> <p style="text-align: center;">Q</p> <hr/> <p>QF 103:1,9,12 104:9,10</p> <p>qualified 96:10</p> <p>qualifies 12:19 96:14</p> <p>qualify 96:3 105:11</p> <p>qualifying 103:17</p> <p>quantify 74:3</p> <p>quantitative 73:20</p> <p>quarter-ending 90:11</p> <p>question 5:14,15,17,23, 24 9:10 25:15,21,24 26:1,4,12 27:15 43:14 44:16 57:4,8,9 58:10,18 59:2,5 60:5 63:6 69:10 70:6 72:22 74:8 75:3,6 76:10,21 80:2 92:25 93:9,19 98:15 102:21 107:11 112:8,9,14,20 113:3,11,22 114:7,16,21 121:19 122:7 123:10</p> <p>questioned 43:7</p> <p>questioning 44:12</p> <p>questions 6:15,21 7:10, 12,15,25 8:2,4,8 9:5,7 16:1 17:21 23:24 24:2,3, 7 27:21 28:11,13,17 36:15,17,19,23 40:25 43:18 45:13 56:19,21,24 59:10 60:11 65:17 70:23 71:1,2,6 74:7 76:1 77:3 91:25 92:4 113:25 118:13,16 121:6,10,14, 16</p> <p>quick 5:19</p> <p>quickly 98:25 106:6 109:22 119:4 120:2</p>
--	---

quote 10:20 79:3 88:14
90:10 110:19 112:20
113:14

quotes 77:2

quoting 22:23

R

R746-700-10(b)(2) 10:18

radical 38:2

radically 23:5

raise 59:13 82:14

raised 46:1 102:25 103:1
114:22

Ramas 46:16

Ramas' 56:15

ran 39:24

randomly 91:4

range 73:24 85:4 86:24
87:3 89:15 91:1,6 98:7

ranges 62:6

ratcheting 60:3

rate 8:23 9:15,23 10:3,7,
12,15 11:25 12:3,8,17
13:5,19,23 16:24,25
17:2,3,13,22,25 18:4,6,
11 19:5,8 20:1,15 21:6,7,
10,13,22 23:1,8 28:25
29:7,10,16 30:5 34:9
35:11 38:12 39:6,12
40:24 42:6 47:5,20 48:4
49:12,17 50:14 52:3,6,14
53:11 54:23 55:1,4,20,25
56:10,12 58:11 61:1,7,9,
20,21 62:9,21,25 63:2
66:15,21,25 78:9 79:11
80:1,9,16,18 81:22 84:11
85:22 87:17,19,20,24

88:4,15 90:23 91:19
94:23 104:17 105:10,12,
17 106:3 108:17,24
109:8,16 116:8 117:23,
24 118:1 120:24

rate-based 109:3

Ratemaking 42:16

ratepayers 26:8,10
38:10,11,18 43:22 48:5

rates 4:7 17:6 18:5,23,25
19:3 22:19 23:4,9 29:20,
22,23 30:2,21 31:13,19
35:21 41:11 48:19,22
49:6 50:12,22 51:10,20
53:13 54:10,20,21,25
55:2 56:5,7 62:5 64:15
65:4,13 67:7 68:3,6,16
69:3 72:8,9 87:14 88:6,7,
16,19 107:14 112:22
115:5 116:10,18

rating 34:16,17,18,19
35:3,4 36:1,7 91:15,16

ratings 34:20 91:12

ratio 90:21

rationale 16:15 38:4 51:5
53:3 60:7 103:8

RBM 37:12

reach 65:12

reached 81:14

reaching 123:3

read 10:17 101:18
110:16 112:19 113:13

reading 47:23

real 64:9 67:24 89:4

realization 47:17

realized 48:1

reason 14:20 43:23
50:17 66:5 67:3 69:22
72:1 74:17 79:9 80:6
81:16 87:16 94:19 102:3
103:8 104:22 107:23
115:11 118:12,21 124:19

reasonable 17:7 23:1
26:11 41:3,20 42:10
44:23 45:21 48:6 57:18
58:6 63:12 64:20 73:4
79:7 86:22 87:2 90:24
91:22 95:4,5,10 105:19
109:12

reasons 22:25 38:19
45:5,22 46:5 67:6 68:22

rebuttal 30:12 38:25
50:16 54:3 67:23 105:24
117:2

recall 57:9 78:4 82:24
88:25 103:22

recalling 73:24

receive 64:10,17,25
119:11

received 102:5

receiving 64:5 72:16

recent 28:22 29:16 30:7
35:24 39:18 62:13 80:7
85:8

recently 22:12 54:6

recess 60:16

recession 29:17

recites 106:1

recognition 37:18

recognize 22:24 25:25
62:14 64:18,24 65:2
75:2,23 78:11

recognized 37:16,17,21

48:18 49:21	36:5	related 41:12 43:8,10 45:4 51:22 75:19 120:21
recognizing 4:21 70:14	reducing 17:10 58:25 59:1,9	relates 16:3,7 41:16 46:23 52:24 57:14 75:6
recommend 62:8	reduction 16:4 38:12 101:23	relating 54:4
recommendation 37:9, 24 82:22 85:12,17,18,23	reductions 36:8,10	relationship 61:16 92:22
86:2,18 87:1 88:10 90:18	reemphasize 66:9	relative 53:24
recommendations 15:24 32:22	refer 120:2	relevant 42:19 79:8 89:17
recommended 33:4 36:9 62:25 63:9	reference 122:14	reliable 87:2
recommending 37:12 107:12	referenced 88:11	relied 82:5 88:24
recommends 39:15 47:6 48:3 85:21	referred 51:16	relief 42:6,18
reconcile 86:25	reflect 10:12 33:22 48:22 50:1	relies 11:19 35:20 82:16 83:17
record 5:8 53:23 60:18 61:15 72:25 73:5 81:7 120:4	reflected 47:10	rely 20:4,7 80:23 86:23
recover 13:14 18:9 45:2, 8 50:12 107:11 109:4,6 110:1,12 111:10 114:11 116:6 119:6	reflects 17:1 33:17 89:14 123:11	relying 54:11 84:19
recoverable 68:3 109:24 110:18 112:22	refute 104:3	remain 5:24
recovered 81:1 107:13 117:13	regard 37:11 54:2 121:20	remained 62:6 81:13
recovery 13:1,3,9 25:9 41:11 47:19 51:19 105:8, 12 107:22,24 109:17 110:20 115:11,15	regular 121:7	remaining 14:2 37:14 110:14 118:19
recs 13:15 93:17 95:21	regulated 40:5,12 48:19	remains 5:18 18:21 20:5 32:10 41:21
redacted 5:25	regulation 42:3,14 49:2 105:17	remember 84:18
redesign 117:20,25	regulations 4:9	remind 83:4
redirect 25:3	regulatory 29:10 32:25 34:23 40:18 42:18 46:14, 24 48:19 49:10 111:11	remove 55:20,25 121:7
reduce 36:6 109:19	reiterate 16:19	removed-from-service 63:10
reduced 32:21 33:20	reiterates 112:21	removes 97:16
	reject 38:21 53:12 90:1	renewable 20:8 40:10
	rejected 38:1,20 82:8 106:16 107:7	renewables 95:25 101:9
	rejects 120:16	repair 63:24
	relate 88:15 113:16	repeat 17:19 30:25 31:3 57:7 61:4

repeating 17:5	91:8	retail 4:7 41:20 58:7
replace 14:23 15:16 123:20	requires 12:21 44:16	retain 96:12
replaced 65:9 73:15	requiring 41:17 44:24 48:22 61:18	retained 118:2
replacement 64:1,10 123:12	reserve 9:5 29:16,25 35:23 88:10	retired 13:24 14:1,6,17, 25 15:17,23 16:2 63:10 65:24 111:9
replacing 15:6 65:20 123:4,17	residential 54:5,20,21,22 55:2,20 56:7,10 59:15,20	retirement 14:3 15:17 16:3 37:8 38:6 107:18
report 22:22 29:19 82:2, 10,16,18 83:18	residents 59:6	retiring 15:6
reporter 113:7	resolve 66:13	return 16:4 38:10 60:15 61:7,9,20,21 62:5,9,11, 21 63:1,2 78:22 80:1
reports 29:14	resolved 38:19	81:22 84:8,12 86:3 89:19 109:10,19
repowered 14:2,3,23	resource 13:13 22:25 39:17 40:6 99:24 103:4, 5,7,9 104:9,12,16 119:12,14	returned 81:5
repowering 14:4 15:7,10, 13 26:15 111:9	resources 17:12 40:10	returns 29:18 61:12,18 62:11 84:3 89:16 90:2
represent 27:13 66:12	respect 8:21 17:17 22:19 25:5 56:11 59:19 61:25 67:1 72:13	revenue 8:22 11:12 16:7, 23 21:11 26:18 28:8,9 32:10,12,17,20,24 37:3, 7,23,25 39:11 46:18 47:4 56:11,13 67:1 75:10,12, 14,16 92:1 93:9 94:9,10 104:19 110:25 118:2,5
representation 63:2	respond 59:11 77:18 118:11	revenues 49:3 53:25 54:5 92:13 94:3,5,6,7,13
representing 52:15	responding 93:23	reverse 87:22
represents 27:8 52:13	response 43:13 50:8 99:25 100:15	review 41:6,7 53:24 95:3 97:17 99:14
request 9:24 10:10 11:16 17:15 31:22 32:19 33:1 37:20 89:18	responses 119:18	reviewing 52:16
requested 34:3,11 80:10	responsibility 42:11	reward 84:9 112:12
require 13:17 32:25 59:2 61:12 72:17 108:12	rest 113:21	RFP 26:25
required 38:5 43:17 46:9 49:11 99:2,3 109:14	rests 42:5	rider 89:2
requirement 8:22 11:12 16:7,23 18:6,11,25 19:8 21:11,23 26:18 28:8,9 32:11,12,17,20,24 37:3, 7,23 38:1 46:18 47:4 92:2 104:19 109:1 111:1	result 12:10 19:20 21:19 31:15 41:18 52:20 54:24 56:5 59:9 62:20 89:7 111:14 116:25	rights 95:16
requirements 17:25 21:7,10,14,24 23:9 39:11,17 44:14 56:11,13	resulting 109:15	rise 83:3 87:14
	results 15:18 17:1 18:12 30:22 62:6 86:13 109:1 116:25	rises 83:3

risk 32:6 33:20,22 35:5 62:2 69:14,20 70:1,3,12 82:11,14 83:3,4 84:4,5,9 96:25 97:19 98:8,21 99:9,17 101:23	ROES 29:8,9,12,14,21,23 30:6,8 31:18,20,21 32:4 33:20 35:10,11,15 36:2, 10,11 84:14,24 86:11 87:5 88:8,15,24	satisfy 45:6 53:10 saving 69:24 savings 47:10 68:20 SB12 23:2
risk-benefit 98:21	Ron 55:9	scenario 69:17,19 98:12, 14 106:18 107:6
risk-free 62:5	root 106:9,19	scenarios 98:18
riskier 32:5 34:23	roughly 65:12	schedule 9:1 17:23,24 18:4,6,17,23 19:9,13,15, 16,17,19,24 20:1,7,11, 13,15,17,20,21,22 21:3, 4,5,9,15,16,18,22 22:8, 10,11,14,18,21,24 23:1, 6,14,16,17,21 63:9 117:21 119:5,10,20,21 120:3
risks 16:5 33:16 35:25 94:16	round 63:20 64:17 65:21, 22	scheduled 110:3
risky 34:15 35:7 36:7	royalties 112:1	schedules 4:8 18:1,11, 25 19:8,12 21:6,7,14,23 23:4
RMP 88:5	rule 10:8 96:6	screen 5:21 6:9 76:14 77:5 121:7
roadmap 48:4	rules 10:9 12:15 79:6 87:21 96:8 108:14	screens 77:10
Robert 28:2	ruling 10:16 11:9 18:2 22:4 25:4,12	scrutinize 49:6
Rocky 4:6,19 5:14 9:14, 24 10:4,9,16 11:3 17:4 18:18 20:10 23:20 26:3 28:21 29:1,3 30:8,10 31:16,21 32:1,19 33:5,11 34:2,5,6,10,15,17,19,22 35:1,3,4,6,8,18,19,20 36:5,6 37:13,20,21,24 38:1,3,14,17,19,21,24 39:1,17 40:5,11,14 42:23 43:7 44:15 45:17 46:6,8, 24 48:3,10,11 49:14,18, 22 50:6,7 51:1,6,7,11,15, 23 52:5,8,10,16,19,24 53:10,12,15,18 54:12,20 55:1,11,19 58:20 59:3 61:8 62:10,16 67:22 68:9 76:5 118:8 121:25	scrutiny 40:19 41:15	
ROE 28:24 29:5,9 31:16 32:7,10,16,20,23 33:2, 16,17,23 34:13,14 35:7, 9,16,21 36:8 79:5 80:9 82:9,15 83:6 84:17 85:3 86:8,14,20,24 87:13,23 88:4,17,22 89:10,15	Russell 4:24 5:5,9 8:12, 14,19 9:4,8,13 23:25 24:2,4,8,21 25:22 26:12 27:21,23 57:4	secondary 63:21 66:20
	S	secret 120:20
	S&p 34:17,18 81:9,14 84:6	section 11:21 17:4 41:15 47:4 93:25 94:2,13
	safe 81:18 96:3,22 101:4, 8 110:23 122:2,13	sector 84:5
	sake 109:25	seek 41:6
	sale 43:3	seeking 25:9 27:2 41:14 45:2 89:19 105:6 109:5 114:17 115:4 116:6
	Salt 54:16	
	Sanger 6:12,16,23,24	
	satisfies 51:8	seeks 13:9 19:14 23:5

sell 95:20	shared 77:9	similarly 42:13 68:9 87:3
sense 12:5 19:9 65:17 75:21 84:4 93:14,18,19 98:18 117:14 119:25	shareholder 106:13	simple 61:16
sentences 31:3	shareholders 16:17 38:15,18	simply 12:14,24 35:10 43:4 52:3 66:9 68:2,22 69:1,20 79:20 87:1,9 88:24 91:2 93:12 107:24 111:2,4 118:5
separate 9:19 10:5 11:4, 8,16,18 12:2,17,23,25 13:18 22:10 45:12 52:21 75:18 104:21 122:19	shift 12:7 16:24	single 19:25 20:16 27:3 55:8 77:16 86:8 117:9 122:12
serve 49:5 116:3 117:17	shifting 11:1,2 48:15 94:16	single- 58:17
served 117:19	shifts 21:17	single-family 55:17 56:2 58:21,25 59:5,9,20,25 60:2,9
service 4:4,7,8,9 8:23 9:21,25 15:1 16:24 17:8 18:23 19:6,11 28:9 42:15 47:5,14 50:13 52:2,9,14 54:21,22 55:7,10,18,21 56:1 63:17,19 64:16 67:19,21 68:24,25 72:18 103:10 111:1 112:23 113:1,24 114:18 115:13 117:8,10 119:11 120:15	shock 55:5	single-issue 12:3,8 39:6
services 4:18 17:11 18:6 27:25 42:2 68:11	short 21:21 60:16 93:1	sink 81:20
session 103:25	show 27:10,16 82:23 98:19,22 99:16 101:14 120:7	siphoned 25:18
set 17:24,25 18:3,8 19:12,13 21:10 23:8 46:2 64:2 69:3 75:14 80:10,11	showed 83:14 84:16 98:1,4	sitting 43:4
sets 21:12 60:8	showing 42:21 44:20 69:23 80:16 81:9 82:15 83:8 97:18,19 100:14 120:3	situation 63:16 67:10 68:14,18 106:23
setting 19:2 80:8	shown 56:14 84:6 91:7	size 117:16
settled 108:19	shows 80:15 81:17 82:18 86:16 96:18 98:20 99:20, 23 114:23 116:10 117:2	skip 119:16
settlement 32:14,18 34:7 37:6,13,15,18,25 89:7 107:9,22	Side 46:1 106:6	skyrocketed 124:4
settlement's 32:16	sides 32:4	slice 85:4
settlements 38:19	significant 47:17 52:12 73:22 76:8 91:8 93:2 96:20 98:19 116:11	slices 120:25
share 5:19,20 77:2,5 92:22 119:7	significantly 36:4,10 76:18 80:17 81:15 86:23 102:11 105:2 112:12	slide 80:19 86:6 93:22 97:21 99:10 100:10 105:22 110:25
	similar 23:12 29:23 45:9 46:4 75:12 89:16 93:16 107:13	slides 83:17 84:6 118:18 119:2 121:4
	similarities 75:9,24 94:12	slippery 68:13
		slope 68:14
		small 98:21 117:17
		smoking-gun 103:24

Snarr 28:6,8 39:7,10 56:18,20,25 57:3,9 58:13 59:10 60:12	spoken 76:7 spread 16:24,25 17:13 19:5 85:16 89:23	states 7:1 11:22 17:6 19:1 29:12 39:22 50:10 62:13 79:3 89:5 90:1
software 73:21 115:20	spring 80:22 81:10 102:13	stating 100:8 123:15
solar 22:13 120:22	squarely 89:15	statute 17:5 41:17 57:14, 16 58:8 92:19 93:21,25 94:13,20 95:2 98:1 99:13 102:19 106:5
solicitation 40:9	stabilize 66:25	statute's 92:20
solution 109:7	Stadion 4:15	statutorily 93:20 105:15
solved 46:6	staff 42:7	statutory 26:5
son 124:11	stakeholders 48:8 50:11 54:16 56:9	stay 80:5 87:15
sort 57:23 65:7 66:8 73:20	stale 35:20 84:19	stays 89:21
sorts 12:4	stand 100:13	stemming 53:3
sought 26:13 78:10	standard 40:14 41:4 62:3,5,24,25 94:21,23,24 95:3,9 99:12,13 109:13 112:25 113:18 114:5	step 51:2 52:19 53:1,7 79:16
source 41:2	standards 26:5	step-rate 105:21
sources 50:15	start 6:3 9:13 31:5 61:7 68:14 96:6	steps 49:16 52:21
spanning 90:12	started 9:14	Steward 40:22 105:24
speak 54:19	starting 36:3 61:6 63:23 71:13 84:12 113:12	stick 78:19 103:16
speaking 58:16 113:15	starts 72:15	stock 61:13,15 81:6,19 91:21
specific 5:17 53:15 55:14 57:15 76:11,21 78:21 79:22	state 5:5 17:10 29:14,19 42:18 43:14 114:6 116:12,14	stocks 30:13,15,20 31:6, 12
specifically 30:18 31:4, 10 42:2 43:18 44:10 55:17 77:25 82:17 84:14 113:11 116:8	stated 24:16 35:11 41:23 42:3,15 52:3 99:20	stop 28:17 46:5 91:25
speculation 100:3	statement 6:7 7:3,5,8,24 50:20,25 53:4 69:6 70:22 75:7 88:5 102:1 118:8 122:24	storage 43:4 101:23
speeds 74:19	statements 4:11,12,14, 21,22 5:3 6:14 8:20 17:16	story 51:8
spend 89:3 120:5		strategies 97:20
spending 91:8		stream 63:25
spent 17:20 47:13		stretch 20:6
spiking 124:8		strictly 39:16
split 50:5 51:13 55:7		structure 31:22 32:4,9, 15 33:3,16,25 34:4,12 62:10 90:6,23 91:17,19
spoke 24:11		

structures 32:18 34:8	55:21 58:3 104:7	system 39:25 73:21,22 99:21 114:2,24 115:10, 13,20 116:4,5,6 119:22
struggle 71:11 81:1	suggesting 41:4	
studies 45:19 48:7 49:11	suggestion 38:22,23 48:7,9 55:7	
study 11:14 17:1,19 18:11 19:3,23 20:4 48:11,12,16 49:14 51:23 52:5,17 53:19,22 54:12 120:15	suggests 20:10,17 51:6	T
subdetermination 94:7	summarized 61:22	
subfunctionalization 48:14 49:19,24 51:11 52:11,19 53:7	summary 5:20 46:19 61:2 120:19	table 117:1 120:2
Subfunctionalization's 50:1	summer 80:22 116:9	takes 19:2 78:6
subfunctionalize 120:12	superior 34:16 35:4	taking 17:7 35:24 79:19
subfunctions 120:14	suppliers 102:5	talk 39:10 84:14 97:23 107:9 113:24 114:4
subject 99:19 122:19	supplies 41:1 45:19 57:25 110:2,6,9	talked 89:6 112:5 122:9
subjective 87:4	supply 43:20 50:23 51:17,19,20,21 52:4 102:7,25 109:23 120:8, 18,22	talking 71:18 82:12 86:9 89:4
submit 7:7 10:11,21 23:22 44:19 45:22 56:16	supplying 57:17	tantamount 94:9
submits 53:15 55:17	support 10:11 20:5 38:16 41:25 45:4 46:22 49:12, 23 51:2,19 53:11 55:24 59:23 60:3 120:10	task 123:21
submitted 8:24 11:11,14, 18 49:14 54:12	supported 39:2 53:2,17 55:13	tax 14:12 34:25 63:7,21 64:11,17,23 65:21,22 66:1,4,14 67:4,6 74:7,9 75:10,12,18 91:9 94:9,10 109:20 111:16
subscriber 120:22	supporting 114:2	taxes 111:23
Subsequent 50:25	supports 16:25 48:6,7,9 54:18 55:6 56:8 82:11 120:10	TB 9:17 104:18 105:3
subset 55:3	suppose 75:11,15	technical 5:17 49:18
subsidiaries 96:12	supposed 13:6 34:10	technically 49:25 52:11
substantial 42:9 121:23	Supreme 41:23	technologies 100:1
substantially 80:3	surrebuttal 5:23 56:15	technology 124:5,15
sufficient 19:19 49:23	survey 29:10	telling 85:10
sufficiently 39:3	sustainability 20:23	tells 77:9 84:11
suggest 46:23 58:4 71:19 79:13		tend 61:17 116:12
suggested 46:17 54:20		tended 59:13
		term 29:20
		terms 75:7
		Terra 114:7 115:12

test 9:19,23 10:1,5,11,12, 14,19,21,22 11:1,2,4,8, 10,11,15,16,18,22,23 12:2,6,7,17,23,25 13:18 20:2 40:2,3 45:12 47:7, 10,12,17,19 67:18 68:2, 7,10,13,15,23 69:2,3 71:17 73:4,10,15,25 80:24 90:12 104:21,22 105:1,4,5,7 107:25 108:2 114:19,25 115:2,6,9 116:7 123:21	thinks 105:18 thirdly 39:20 thought 59:22 76:16,25 78:17 79:2 96:19 thoughts 60:23 thrown 95:1 ticking 27:19 tied 9:16 16:10 112:10 tier 54:23 116:9,23 tiered 116:10,18 tiers 116:21 time 13:5 17:20 20:9 27:22 28:5,11 43:5 44:17 45:19 50:21 53:4 69:1 70:4,21 73:14 75:14 76:2 77:24 84:17,21,24 85:8 86:17 87:21 88:23 89:3,8,17 93:1 95:5,7 96:20 98:2 100:22 101:18 102:2,20,22 103:20,21 104:23 110:15 111:4,13 118:4,9,17,21 119:16 120:6	topics 61:1 80:14 92:3 119:3 total 38:7,8 73:17 93:3 120:23 121:2,21 totality 79:17,18 totally 58:8 touch 15:25 37:2,5 tracked 118:16 traditional 48:13 49:15 52:3 62:19 75:20 traditionally 51:22 67:17 transaction 39:21 96:5,21 100:18 101:24 transactions 40:9 43:19,21 96:9 100:2 transcript 5:8 25:2 100:11 114:23 122:21 transfer 63:13 96:22 101:5 transferred 44:3,4 96:11 transfers 43:24 44:1 transformer 55:12 117:11,15 transformers 58:24 59:7,13 117:10,13,17 translates 72:14 transmission 18:10,13 21:12 46:12 51:14 111:24 119:8,22 120:12,13
testified 73:23 86:5 100:19 103:17 115:3 123:16		
testimonies 50:18 63:5 67:22		
testimony 5:19 8:23 10:11 13:3 16:9 22:9 23:13 25:2,25 30:12 38:25 39:22 40:21 43:16 44:11,12 46:22 47:16 50:10,16 54:3 55:23 56:16 61:9,23 62:18 63:5 67:23 69:8 73:7 74:2 76:15 77:2,21 78:5 80:15,20 83:7,20 91:7,11 97:9,21 98:23 99:16,18 101:11,20 102:9 105:23,24 112:2 116:9 122:4		
theoretically 20:25 49:25 55:13	time-limited 99:5	
theory 108:21	times 81:3 106:2	
thing 5:13 12:18 75:15 82:12 90:15 93:21 116:12,14 120:5	timing 67:15 74:19	
things 12:16 19:2 33:2 77:12 83:16 96:2 107:8 110:24 111:7,22 112:1 119:18	today 4:10 6:5 7:24 35:14 45:11 63:3 66:9 77:3 100:3 107:6	
	told 78:23	
	tolerate 60:8	
	tool 47:24	
	tools 12:13,24	
	top 81:9 83:5	
	topic 78:21 79:24 89:21 111:1 114:1	
		transparency 47:25 48:15 52:12,24 120:11
		transparent 51:12
		transport 96:25 122:11
		trap 79:22

treasuries 29:21	typically 72:11 75:14 86:19	understand 60:5 67:13 108:10 118:22 121:4 124:1,13
treat 21:21,23		understanding 24:21 25:12 52:24 58:22 73:16 123:5,14,17
treated 22:18	U	understood 123:1
treating 87:11 103:9,10 104:8 119:24	U.S. 29:16 48:21 49:13 112:17 113:18	undertake 94:19
treatment 37:6,19 108:18 112:3	UAE 4:25 8:24 16:25 17:23 22:3 23:22 26:21 37:12 45:10,11,15 103:1, 11,15 104:7 113:10	unduly 107:23
treats 21:3,4	UAE's 8:21 9:14 18:3 23:12 24:11 25:25 46:21 107:21	unexpensed 110:14,17
trend 61:24	UCE 48:6 54:14 56:8	unfair 38:9 104:13 120:1
trial 30:10 46:25	ultimately 30:17 31:9 38:8	unfairly 116:11,16
triggered 37:19 87:21	unable 38:16	unfortunate 46:3
trouble 26:20 67:15	unaffected 117:12	unintended 48:17
true 18:21,25 82:23 86:1 89:8 102:4 118:12	unavailing 92:24	unique 22:7
true-up 67:7 107:16	unbiased 63:1	Unit 106:17
tub 124:11	unbundled 53:12	United 62:12
turbine 40:17 42:21,25 43:4,15 44:23,24 63:10, 22 64:5,21 65:4,10,21,24 96:10 121:22	unbundling 49:20 50:8, 11,18,22 51:2,6 52:10 53:1,9,14,16 54:15 120:5,6,11,23	units 96:13
turbines 63:16 74:20 75:19 101:5,7	uncertainty 61:10,11 82:22,25 83:2,12,21 84:10	University 4:16 5:1 8:25 17:23 20:15,18,23 22:3,6 23:7,12,23
turn 6:2 42:11 47:2 48:10 94:17 101:25 107:8 109:22 110:25 113:23 117:8	underlying 83:5	University's 22:16,17 23:11
turning 30:25	underpay 19:17	unjustified 56:5
two-step 9:15 104:17 105:10,11	underpayment 19:21 21:19	unnecessarily 107:23
type 13:18 68:3 69:23 79:14 86:17 89:22 94:14	underperformed 80:25	Unopposed 91:18
types 16:18,20 20:22 58:23 62:15 94:7 100:1 116:15	underperforming 30:11, 13 31:15	unpersuasive 54:11
typical 61:25 86:2 103:10		unplanned 75:1
		unprecedented 51:16 52:13
		unquestionably 80:17
		unreasonable 64:11
		unreasonably 37:23 55:4

unrecoverable 110:15	V	vision 69:18
unrecovered 109:23		volatile 28:23 31:14 80:4, 22
unreliable 30:23		volatility 29:6,8 61:10,11 80:14,17,21,24 82:14,19, 20,25 83:3,12,14 84:3,9 86:25 89:14 92:13
unsound 52:11		
untrue 87:16		voltage 18:13
unused 110:2		volume 67:3 92:25 93:3
unusual 62:16 83:16		volumes 92:7
usage 116:18 117:12		volumetric 117:13
Users 4:17		W
Utah 4:5,7,16,17 5:1 8:25 10:8 11:21 17:4,10,23 20:15,19,23 22:3,6 23:23 34:24 38:5 41:14,23 42:13 43:17 47:6,13 49:10 90:4 109:24 116:14		wait 28:18
Utah's 23:7		walk 58:19
utilities 4:18 29:1 34:9 35:15,16 36:4 41:17 42:3,15 43:17 48:20 49:3,10 60:16,20,24 81:12,17,20,21,23,25 84:8,15,23 87:6,7 89:1, 16 110:21 114:7 115:12		wanted 5:6,9 81:24 87:9 94:19 114:4 119:9
utility 4:7 17:6 30:10,13, 14,20 31:6,12,15 35:2 40:5 41:24 42:5,8,11 43:25 50:13 66:25 68:5 69:15,18 70:4,18,21 72:10,13,15,18 80:25 84:5 90:20 95:6 103:7 110:1 116:19		Washington 32:14,16 34:7
utility's 41:22 49:6 80:9		ways 46:4 100:6,9,15
utility-owned 103:4		weaknesses 53:18
utilize 12:22		Wednesday 124:8
		weigh 99:7
		weighing 98:8,10
		weight 30:20 31:12
		weighted 109:11
		well-being 17:10
		West 49:13 112:17 113:18
		Westlaw 112:19
		whatsoever 101:16
		wheeling 75:10,11,13,16 93:9

wide 17:10 123:3,21 124:25
wind 9:18 10:25 13:12,24
14:1,3,6,17,24 15:6,16,
18,23 16:2 26:16 40:17
42:21,25 43:3,15 63:10,
16,22 64:5,21 65:4,10,
13,21,24 74:19,20,21
75:19 92:7 93:6 99:22
111:9 121:22
windy 93:6
witnessed 29:15
witnesses 52:15,18,23
55:21 60:25 88:13
Woolridge 85:21,25
86:11,13,18 88:14 91:1
Woolridge's 30:16 31:8
32:22 90:18
word 71:11,14,19,21,24
words 94:25
work 51:12
workaround 51:15
working 56:9
worse 85:20
WRA 48:8
wrapping 118:24
Wright's 55:23
written 5:19
wrong 122:6

yields 31:19

Z

Zenger 97:15
Zenger's 76:15
zeroed 59:17

Y

year 9:22 15:10 45:13
47:7,11,12,17,19 61:20
62:13 65:9 67:25 68:2,8,
9,10,13,15,16 69:2,4
73:4,11,15 74:1,11,14,25
86:15 93:13 111:21