

REBUTTAL TESTIMONY  
OF  
COST OF SERVICE PANEL  
CASES 09-E-0588 & 09-G-0589

1 Q. Are you the same Glynis L. Bunt and Lauren M. Guido who submitted pre-  
2 filed direct testimony in this proceeding?

3 A. (Bunt) Yes.

4 (Guido) Yes.

5

6 Q. What is the purpose of your rebuttal testimony in this proceeding?

7 A. The purpose of our rebuttal testimony is to respond to certain portions of the  
8 prepared testimony of the Staff Electric Rates Panel (ERP) and the Staff Gas  
9 Rates Panel (GRP).

10

11 Q. Please describe the issues that you would like to address.

12 A. We would like to address the common proposal of the ERP and GRP to use  
13 the results of both the historic and pro-forma cost of service (COS) studies  
14 for revenue allocation purposes, rather than just the pro-forma COS.  
15 Additionally, we would like to discuss Staff's proposal that the Company re-  
16 run its COS studies to verify Staff's calculations.

17

18 Q. Why has Staff proposed to use both the historic and pro-forma COS studies  
19 for revenue allocation purposes?

20 A. The ERP at page 10, line 20 through page 11, line 6 indicates that they  
21 believe that pro-forma COS studies introduce a potential layer of error  
22 because they reflect forecast levels of revenue, expenses, rate base and

## COST OF SERVICE PANEL

### CASES 09-E-0588 & 09-G-0589

1 customer and demand allocators. As a result, Staff proposes to also use the  
2 historic COS studies in the revenue allocation process, despite the fact that  
3 Staff admits the results can be dated.

4

5 Q. What are your concerns with this proposal?

6 A. First, the pro-forma COS is produced using the assumptions utilized in the  
7 development of the revenue requirement, including assumptions of revenue,  
8 expense, rate base and customer and demand levels. As a result, when  
9 revenue allocation is based on the results of a pro-forma COS, rates are set  
10 consistent with the revenue requirement. Staff's reluctance to reflect these  
11 assumptions in revenue allocation, ultimately linking rate design to the  
12 revenue requirement, is inconsistent with the premise of the Commission's  
13 Policy Statement in that Staff would create a mis-match between the  
14 quantities used for revenue requirement and revenue allocation and thereby  
15 introduce a needless source of error. Second, utilization of the results of the  
16 historic COS (in this case 2007) in revenue allocation ignores changes in the  
17 Company's business, including revenue sources (changes in customer  
18 complement and consumption), expense levels and rate base investment,  
19 and ignores the rate design changes approved by the Commission in Cases  
20 08-E-0887 and 08-G-0888, which are reflected in the pre-rate change  
21 revenues on the Rate Year income statement and in the class-specific ROR  
22 calculations produced by the COS.

COST OF SERVICE PANEL

CASES 09-E-0588 & 09-G-0589

1 Q. Please discuss your concern regarding Staff's proposal that the Company re-  
2 run its COS studies to verify Staff's calculations?

3 A. The ERP at page 18, lines 12 through 15, states that "[t]he Company should  
4 be required to re-run the study because of the complexity of the task. "  
5 Adding that the ERP wants "to make sure that our assumptions are  
6 reasonable and the MFC rates are correct." Initially, we note that the  
7 Commission's rules specify that a party will not ordinarily be required to  
8 perform a study for another party. Also, the procedures for changing the  
9 ECOS are not particularly complicated. The files involved that would need to  
10 be changed are in standard spread sheet formats that analysts are familiar  
11 with. Changing those files is generally less complex a task than developing  
12 the quantities the analyst wishes to change. In addition, the Company has  
13 spent a considerable amount of time with Staff, both in the instant proceeding  
14 and during Cases 08-E-0887 and 08-G-0888, reviewing the procedures for  
15 making changes to the electronic files provided to Staff. As a result, we  
16 believe that Staff is in the best position to confirm that their assumptions and  
17 calculations reasonably and accurately address their proposal. We would  
18 also note that the Company and Staff each learned the other party's  
19 forecasting methods and has not found it problematic to independently  
20 review these programs.

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COST OF SERVICE PANEL

CASES 09-E-0588 & 09-G-0589

1 Q. Will the COS studies need to be re-run at a later stage in the proceeding?

2 A. Yes. We believe that these studies may need to be re-run to reflect the  
3 Commission's final determinations and, if that is necessary, we are prepared  
4 to do this subject to review by Staff.

5

6 Q. Does this conclude your rebuttal testimony?

7 A. Yes.