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**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of) DOCKET NO. UG-060518
)
AVISTA CORPORATION, D/B/A/)
AVISTA UTILITIES,)
)
For an Order Authorizing)
Implementation of a Natural Gas)
Decoupling Mechanism and to)
Record Accounting Entries)
Associated With the Mechanism)
_____)

**JOINT DIRECT TESTIMONY OF
BRIAN HIRSCHKORN (AVISTA)
JOELLE STEWARD (STAFF)
NANCY GLASER (NW ENERGY COALITION)**

**IN SUPPORT OF
THE SETTLEMENT AGREEMENT**

November 3, 2006

I. INTRODUCTION

Q. Please state your names, titles and who you represent in this matter.

A. Our names, titles and representations are as follows:

- Brian Hirschorn, Manager-Pricing, Avista
- Joelle Steward, Regulatory Analyst, WUTC Staff
- Nancy Glaser, Sr. Policy Associate, NW Energy Coalition

The Northwest Industrial Gas Users (NWIGU) has also joined in the Settlement and will have a representative at the hearing in support of the Settlement but is not sponsoring a witness on this panel.

BRIAN HIRSCHKORN

Q. Please state your name, employer and business address.

A. My name is Brian Hirschorn. I am employed as Manager of Pricing by Avista Corporation, at 1411 East Mission Avenue, Spokane, Washington.

Q. Please briefly describe your educational background and professional experience.

A. I'm a 1978 graduate of Washington State University with Bachelor degrees in Business Administration and Accounting. I have been employed with Avista for 28 years with over 26 years experience in the Rate Department. In 2001, I was named Manager of Pricing. I am responsible for areas involving retail pricing, including

1 rate design and tariff administration. I have testified before this Commission
2 numerous times as a rate design and tariff witness.

3
4 **JOELLE STEWARD**

5 **Q. Please state your employer and business address.**

6 A. I am employed by the Washington Utilities and Transportation Commission as a
7 Regulatory Analyst. I have been employed by the Commission since October 1999.
8 My business address is 1300 S. Evergreen Park Drive S.W., P.O. Box 47250,
9 Olympia, Washington.

10
11 **Q. What are your professional qualifications?**

12 A. I have a Bachelor of Arts degree in political science from the University of Oregon
13 and a Masters in Public Affairs, with a concentration in energy policy, from the
14 Humphrey Institute at the University of Minnesota. I attended the Center for Public
15 Utilities Rate Design Workshop in 2000 and National Association of Regulatory
16 Utility Commissioners' Annual Regulatory Studies Program in 2001, in addition to
17 several other utility-related seminars and training opportunities.

18 My duties include research and analysis of electric industry issues.

19 Specifically, my work at the Commission covers demand-side management
20 programs, low-income issues, service quality, reliability, resource planning, cost of
21 service, rate spread, rate design, and other analyses of general rate case and tariff
22 filings involving electric and natural gas utilities regulated by the Commission. I

1 have previously testified in a number of rate proceedings and have presented
2 numerous items during open meetings.

3

4

NANCY GLASER

5

Q. Please state your name and business address.

6

A. My name is Nancy Glaser. I am employed by the NW Energy Coalition, 219 First
7 Avenue South, Suite 100, Seattle, Washington, 98104.

8

9

Q. What is your position and responsibilities?

10

A. I was hired by the NW Energy Coalition in April of this year. As a Senior Policy
11 Associate I represent the Coalition in regulatory proceedings before the Washington
12 Utilities and Transportation Commission.

13

14

Q. Please summarize your educational background and professional experience.

15

A. I received a Master of Arts in Economics from Harvard University in 1974 and a
16 Bachelor of Arts in Economics from Michigan State University in 1971. I have
17 extensive Executive level experience with both public electric and solid waste
18 utilities. From January 1998 through the beginning of 2005, I directed several
19 divisions (Finance, Environmental Affairs and Strategic Planning) at Seattle City
20 Light, the 7th largest public electric utility in the nation. From 1992 to 1996, I
21 directed the City of Seattle's Solid Waste Utility. I have also worked as a
22 professional economist and have taught economics courses at Harvard University,
23 the University of Utah and Westminster College.

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Q. Have you been a witness before utility regulatory commissions in other proceedings?

A. I have appeared before this Commission in Puget Sound Energy’s most recent general rate case proceedings. My previous utility experience was in the public sector with the City of Seattle. I have presented testimony on a range of energy and environmental issues to the Bonneville Power Administration, the NW Power and Conservation Council and the Federal Energy Regulatory Commission.

Q. Together, are you sponsoring joint testimony in support of the Settlement Agreement filed with this Commission on October 27, 2006?

A. Yes, this joint testimony recommends approval of the Settlement Agreement by the Commission. The Settlement Agreement represents a compromise among differing points of view. Concessions were made by all Signing Parties to reach a reasonable balancing of interests. As will be explained in the following testimony, the Settlement Agreement received significant scrutiny and is supported by sound analysis and sufficient evidence. Its approval is in the public interest. The Settlement Agreement has been marked as Exhibit No. ____.

Q. Could you briefly describe the developments leading up to this Settlement?

A. Yes. The Company filed a Petition, dated April 4, 2006, requesting the Commission to approve a proposed Natural Gas Decoupling Mechanism (“Mechanism”). The Company also provided a copy of the Petition to representatives of Public Counsel,

1 the Northwest Industrial Gas Users, the NW Energy Coalition, the Washington
2 Energy Policy Group (Department of Community Trade and Economic Development
3 or “CTED”) and the Spokane Neighborhood Action Program.

4 At the suggestion of Commission Staff, a workshop was held on May 17th at
5 the Commission’s office to discuss the Company’s proposed Mechanism.
6 Representatives of all of the aforementioned organizations were present, as well as a
7 representative of The Energy Project. During the workshop, the Company described
8 its proposed Mechanism, answered questions, and received feedback from the other
9 parties. On June 28th, a second workshop was held at the Commission’s office to
10 further discuss any outstanding issues regarding the proposed mechanism. A number
11 of different issues and alternatives were explored during these workshops. During
12 this period, the Company also responded to a number of informal data requests from
13 Staff, Public Counsel and the Coalition. The Company filed an Amendment to its
14 original Petition on August 7th to address several issues raised by the parties.

15
16 **Q. What were the issues addressed in the Amendment filed by the Company?**

17 **A.** The issues addressed in the Amendment were:

- 18 • Revision of the proposed effective date of the Mechanism.
- 19 • Refinement in the determination of new customer usage applied in the monthly
20 revenue deferral calculation.
- 21 • Revised DSM achievement levels used to determine the level of recoverable
22 deferred revenue recorded under the Mechanism.

- 1 • Additional evaluation of the Company's annual DSM results.
- 2 • Future evaluation of the Mechanism.

3 All of the issues will be discussed in more detail later in our testimony.

4

5 **Q. Was there a subsequent Settlement Conference held on October 16, 2006?**

6 A. Yes. Those attending were representatives from the Company, the Commission
7 Staff, Public Counsel, the Northwest Energy Coalition, the Northwest Industrial Gas
8 Users and the Energy Project.

9

10 **Q. Why is the proposed Settlement in the public interest?**

11 A. The increase in the cost of natural gas over the past several years makes
12 consideration of a natural gas decoupling mechanism especially important at this
13 time. The increased cost of natural gas, projections of continued high prices in the
14 future, and the fragile balance between supply and demand, make it increasingly
15 important to focus on effective long-term efficiency and conservation measures.
16 However, because the Company's current rate structures provide recovery of the
17 majority of its fixed costs on a per-therm (sales volume) basis, energy efficiency and
18 conservation objectives are directly at odds with the recovery of the fixed costs of
19 providing service. The proposed decoupling mechanism would break the link
20 between the volume of therm sales and the recovery of fixed costs and would
21 provide for an increased focus on energy efficiency and conservation.

1 This Settlement is the product of discussions among all parties at the
2 aforementioned workshops and settlement conferences. The Signing Parties believe
3 that the Settlement will serve the broader interest of removing disincentives to
4 engage in additional conservation.

5
6 **Q. What benefits would the Company’s proposed Mechanism provide to**
7 **customers?**

8 A. Approval of the decoupling Settlement would further promote energy efficiency and
9 conservation. Increased conservation would not only benefit the individual
10 customers participating in those measures through reduced bills, but would also
11 reduce the overall demand for natural gas, which would help to reduce natural gas
12 prices for all customers.

13
14 **Q. Before describing the terms of the Settlement, could you briefly describe the**
15 **Company’s present natural gas Demand-Side-Management program?**

16 A. The Company has had a natural gas Demand-Side Management program in place
17 since the mid-1990’s, and has worked closely with other stakeholders on DSM
18 policy and programs. Funding for the DSM program is provided through the DSM
19 tariff rider approved by the Commission in 1995. The proposed decoupling
20 mechanism would align the Company’s interest with that of its customers with an
21 increased focus on effective DSM programs. As described later, the level of “lost
22 margin” recovered through the Company’s proposed mechanism will be directly tied

1 to the Company's success in achieving the "target" level of natural gas DSM savings
2 during the prior year.

3
4 **II. OVERVIEW OF DECOUPLING MECHANISM**

5 **Q. Could you please provide an overview of the proposed Mechanism?**

6 A. Yes. The Mechanism is relatively easy to understand and implement, directly ties
7 the recovery of lost margin to both an annual earnings-test and pre-established DSM
8 targets, and provides adequate time for audit prior to implementing any rate
9 adjustment. The mechanism would not require any changes to existing rate structures
10 or the Company's billing system. The Mechanism includes a relatively simple
11 calculation of a monthly deferred revenue amount that reflects the difference
12 between the weather-corrected margin (revenue less purchased gas costs) received
13 by the Company compared to the level of margin during the corresponding month of
14 the test year approved by the Commission in the Company's last general filing. The
15 Mechanism would result in a single annual rate adjustment to be implemented
16 coincident with the annual PGA adjustment. The incremental amount of the annual
17 rate adjustment would be limited to no more than a 2% rate increase or decrease.

18 The Mechanism would apply only to the Company's natural gas Schedule
19 101 which includes residential and small commercial customers, representing over
20 98% of the Company's natural gas customers. The Mechanism would not be
21 applicable to the Company's other natural gas service schedules.

22
23 **Q. As a result of the Settlement, what is the term of the pilot program?**

1 A. The implementation of the Mechanism would begin January 1, 2007, whereby
2 deferred revenue entries would begin being recorded for that month. The proposed
3 term of the Mechanism would be 2 years and 6 months for the recording of deferred
4 revenue (January 2007 – June 2009). However, the proposed amortization period
5 would remain at three years, beginning in the fall of 2007 and ending in the fall of
6 2010. This will be discussed in more detail later in the testimony.

7

8 **Q. Could you please describe the calculation of the monthly deferral in more detail**
9 **(See Section 6.C. of the Settlement)?**

10 A. Yes. The starting point for calculating the monthly deferred revenue is the volume
11 of therm sales for each month of the year from the Company's last general rate case
12 (2004 test year). The Company has calculated the weather-corrected calendar therm
13 sales (Base Therm Sales) for each month of the 2004 test year, with the total for all
14 twelve months matching the annual amount reflected in the test year.

15 Following the end of each month, the actual volume of weather-corrected
16 therm sales for the calendar month (Current Therm Sales) would be determined and
17 compared with the Base Therm Sales for the corresponding month. Prior to weather-
18 correcting actual therm sales for the month, an adjustment is necessary to remove the
19 usage associated with new customers added since the corresponding month of the
20 test year. To the extent the Company has added customers since the test year, these
21 new customers would increase Current Therm Sales as compared to the Base Therm
22 Sales. Since the Company filed the Petition in April, it has developed a computer
23 program that identifies new gas customers added since the corresponding month of

1 the test year (2004). The program retrieves each customer's usage for the current
2 month and provides a total current month usage amount for all new customers. The
3 total usage for new customers is subtracted from the total current month usage for
4 each Schedule. This enhancement to the Mechanism was addressed in the
5 Amendment to the Company's Petition, dated August 7, 2006.

6 Following the subtraction of usage for new customers, the net current month
7 usage is weather-corrected. The coefficients (usage per degree-day per customer)
8 used to determine the weather adjustment are the same as those used in the test year,
9 thereby providing an "apples-to-apples" comparison between the two years.
10 Following the adjustments for new customer usage and weather, the (net) Current
11 Therm Sales for the month are compared with the Base Therm Sales to determine the
12 difference in therm sales. This comparison captures the effect of conservation and
13 price elasticity for "existing" customers since the corresponding month of the test
14 year.

15 The difference in usage is multiplied by the approved margin rate (sales rate
16 less purchase gas cost per therm) to calculate the fixed distribution costs that are
17 either under-recovered or over-recovered as compared to the test year. As Schedule
18 101 consists of a single rate for all usage, the margin rate is the same for all usage.
19 Ninety percent (90%) of these dollars, either positive or negative, are then recorded
20 in a separate account for later recovery (or rebate).

21
22 **Q. Could you please summarize the steps involved in calculating the monthly**
23 **deferred revenue?**

- 1 A. Yes. There are essentially five simple steps in calculating the amount of the monthly
2 revenue deferral included in the Mechanism. These steps are as follows:
3 Step 1 – Subtract new customer usage from total actual usage
4 Step 2 – Weather-correct net usage
5 Step 3 – Calculate difference in usage between current month and test year
6 Step 4 – Calculate the margin difference resulting from the usage difference
7 Step 5 – Record deferred revenue for 90% of the margin difference
8

9 **Q. Would the 2004 test year usage be used as the Base Therm Sales for the entire
10 (pilot) term of the Mechanism (See Section 6.C.(6.) of the Settlement)?**

11 A. The pilot term for the Mechanism would include a monthly deferred revenue
12 calculation through June 2009. The Company would continue to use the 2004 test
13 year usage as the Base Therm Sales unless the Company files a natural gas general
14 case, and the Commission issues an order in that case prior to June 2009. In that
15 instance, the approved test year therm usage and Schedule 101 margin rate from that
16 filing would be used to calculate deferred revenue for the remaining months of the
17 proposed term. Moreover, any weather adjustment approved in that filing would be
18 used for determining the Base Therm Sales and Current Therm Sales. The
19 authorized rate of return in the filing would also be used for the prospective
20 application of the earnings test.
21

22 **Q. When would a rate adjustment associated with the monthly deferrals under the
23 Mechanism occur?**

1 A. The monthly deferred revenue would be accumulated through June of each year of
2 the proposed pilot period. If the Mechanism is approved to be effective January 1,
3 2007, the Company would accumulate the monthly deferred revenue for January
4 through June 2007. It would then file a request to implement a rate adjustment,
5 coincident with the 2007 PGA rate adjustment, to amortize that deferred balance
6 over a twelve-month period, subject to the “earnings” and “DSM” tests described
7 later. For each of the two successive years, the Company would accumulate the
8 deferred revenue for each July-June period, and file a request on or before September
9 1 to implement the appropriate rate adjustment coincident with the annual PGA.

10

11 **Q. Could you please describe the “earnings” and “DSM” tests that you have**
12 **referred to earlier in your testimony (See Section 6.E. of the Settlement)?**

13 A. Yes. The Company would implement a decoupling rate adjustment beginning in the
14 fall of 2007 (coincident with the PGA) only if: 1) it did not “over-earn” for its
15 Washington gas operations during 2006, based on the recent Commission authorized
16 rate of return for Avista of 9.11%, and 2) it meets pre-established gas DSM savings
17 targets during 2006. The authorized rate of return of 9.11% is derived from the
18 Commission’s Order No. 05 in Docket No. UG-050483. These tests would be
19 repeated for the subsequent two years, i.e., 2008 surcharge based on earnings and
20 DSM tests for 2007, and 2009 surcharge based on earnings and DSM tests for 2008.

21

1 **Q. Could you describe the “earnings test” in more detail (See Section 6.E.(1) of the**
2 **Settlement)?**

3 A. Yes. The “earnings-test” would be based on the Company’s annual “Commission-
4 basis” operating results, which are currently filed with the Commission by April 30
5 for the previous calendar year results. If the Commission-basis rate of return for the
6 Company’s Washington gas operations exceeds 9.11% for 2006, it would reduce the
7 amount of the proposed surcharge (amount transferred to the balancing account) to
8 bring the rate of return down to 9.11%. If removing the entire deferred revenue
9 amount from the Commission-basis results does not reduce the rate of return to
10 9.11%, no surcharge would be implemented.

11
12 **Q. How does the Settlement treat any deferred revenue balance that cannot be**
13 **amortized as a result of the earnings test?**

14 A. Where the amount of the surcharge is reduced as a result of the earnings test, the
15 cumulative amount of deferred revenue remaining from the prior year will be carried
16 forward and used to offset future deferrals, rather than written off the Company’s
17 books. As shown in the illustration included as Attachment 1 to the Settlement, if
18 the Company recorded deferred revenue for the February 2007 - June 2007 period of
19 \$360,000, but could only surcharge \$206,883 for the October 2007 - September 2008
20 (amortization) period, no additional deferrals would be recorded beginning in July
21 2007 until the cumulative balance of new deferrals exceeds \$153,117 (\$360,000 less
22 \$206,883).

1 **Q. Could you please describe the DSM test (See Section 6.E.(2) of the Settlement)?**

2 A. Yes. The second “test” regarding implementation of a decoupling surcharge relates
 3 to the Company achieving pre-established natural gas DSM target savings during the
 4 prior year. The test provides financial incentives to not only meet, but exceed gas
 5 DSM goals. The Company’s 2006 Integrated Resource Plan (IRP) sets forth a
 6 natural gas (Washington & Idaho) target savings level of 1,062,000 therms for
 7 calendar years 2006 and 2007. These targets were developed with input from other
 8 interested parties through the IRP process. This target savings level will be used for
 9 determining the level of the (fall) 2007 and 2008 surcharges; the target savings level
 10 included in the Company’s 2008 IRP will be used for the 2009 surcharge. Assuming
 11 the surcharge level is not reduced based on the “earnings test” described above, the
 12 surcharge level could also vary depending on the actual level of gas DSM savings
 13 achieved compared to the target levels described above. The following table shows
 14 the level of the surcharge (as a percentage of the margin difference between the
 15 current year and the test year) based on the actual gas DSM savings compared to the
 16 target savings:

<u>Actual vs Target DSM Savings</u>	<u>Surcharge vs Margin Difference</u>
< 70%	0%
≥ 70% and < 80%	60%
≥ 80% and < 90%	70%
≥ 90% and < 100%	80%
100%	90% (amount deferred)

1 **Q. Could you provide an example of the DSM test?**

2 A. Yes. Each month, the margin difference between the current month and the
3 corresponding month of the test year is calculated as described earlier, and 90% of
4 the difference is recorded as deferred revenue. As an example of the DSM test, let's
5 again assume the total deferred revenue for February - June 2007 is \$360,000, which
6 is 90% of the total margin difference (\$400,000) for the period. If during 2006, the
7 Company exceeds 100% of the target DSM savings, the Company would file for a
8 decoupling surcharge to recover the total deferred amount of \$360,000 beginning in
9 the fall of 2007. If less than 70% of the target savings are achieved, the surcharge
10 amount would be zero. DSM savings achieved between 70% and 100% would result
11 in the corresponding surcharge level shown in the table. Similar to the proposed
12 effect of not meeting the "earnings test", any deferred revenue not recovered as a
13 result of not meeting at least 100% of the DSM target would be carried forward and
14 used to offset future deferrals that would otherwise be recorded. Examples of the
15 surcharge amount under various DSM savings levels are shown on Attachment 2 of
16 the Settlement.

17

18 **Q. How would the level of the surcharge be determined using the results of the two**
19 **tests (earnings and DSM)?**

20 A. The earnings and DSM tests would be calculated independently and the test resulting
21 in the lowest surcharge amount would be used. Examples of potential surcharge
22 levels using both the earnings and DSM savings tests are also shown on Attachment
23 2 of the Settlement.

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Q. Does the Company file an annual DSM report with the Commission?

A. Yes, it does. The report is filed with the Commission in the spring of each year.

Q. With a financial incentive directly tied to the level of reported DSM savings achieved, is there a need for an additional evaluation of those reported savings?

A. Yes. This issue was raised by other parties in this proceeding and addressed by the Company in the Amendment to its original Petition and in the Settlement at Section 6.F. The Parties have agreed to retain an independent third party to audit the results of DSM savings reported for decoupling purposes. The scope of the audit would include an appropriate sampling of projects to verify the work completed, the savings recorded and a review of the engineering estimates used to estimate the savings. The cost of the audit would be funded through DSM tariff rider funds.

Q. Is the Company proposing any changes to its present method of reporting DSM savings?

A. Yes. The Company presently recognizes DSM savings on larger projects as those projects progress and certain milestones are met. This practice is fairly complicated and would be difficult to audit, as many of these projects have phases that may be completed in different calendar years. The Settlement, in Section 6.F., proposes to change the present method of recognizing DSM savings for decoupling reporting purposes to one where all savings associated with a project are recognized at the time the entire project is completed. This change would substantially reduce the cost

1 of a third party audit and would not affect the 2006 and 2007 (IRP) DSM goal used
2 for decoupling.

3
4 **Q. It was mentioned earlier in the testimony that any annual surcharge related to**
5 **the Mechanism would be limited to no more than a 2% rate increase. Could**
6 **you explain this provision in more detail (See Section 6.G. of the Settlement)?**

7 A. Yes. After applying the “earnings” and “DSM” tests, the amount of the rate increase
8 resulting from the adjustment would be subject to an annual incremental limit of 2%,
9 i.e., the annual increase in the surcharge cannot exceed a 2% rate increase each year
10 (cumulative of 6% over the pilot term). The incremental surcharge (percentage)
11 increase would be determined by subtracting the annual revenue amount recovered
12 by the present surcharge rate from deferred revenue to be recovered through the
13 proposed surcharge rate, and dividing that net amount by the total “normalized”
14 revenue for Schedules 101 for the most recent July – June period. Normalized
15 revenue would be determined by multiplying the weather-corrected usage for the
16 period by the present rates in effect. If the incremental surcharge would exceed a 2%
17 rate increase, only a 2% increase would be implemented and any excess deferred
18 revenue would remain in the deferred revenue account and could be recovered the
19 following year, subject to the 2% limitation.

20
21 **Q. You briefly described the proposed process for filing a decoupling rate**
22 **adjustment earlier in your testimony. Could you describe the filing and**
23 **implementation process in more detail (See Section 6.H. of the Settlement)?**

1 A. Yes. On or before September 1, 2007, the Company will file a proposed decoupling
2 surcharge (or rebate) based on the amount of deferred revenue recorded for the prior
3 January through June 2007 period. For the (September) 2008 and 2009 filings, the
4 proposed rate adjustment would reflect the total deferred for an entire year (July-
5 June). The results of the “earnings”, “DSM” and “2%” tests will be included with
6 the filing and used to determine the amount of the rate adjustment. A proposed tariff
7 will be included in those filings. A sample tariff for the decoupling rate adjustment
8 is included as Attachment 3 to the Settlement. The Company presently files its
9 Commission-Basis Earnings report (for the prior year) by April 30th and will file its
10 DSM report in advance of the decoupling filing. The Commission Staff and other
11 interested parties would have ample time to examine and audit these reports prior to
12 the decoupling surcharge filing.

13 The proposed tariff would reflect a rate adjustment that would recover the
14 deferred revenue amount over a twelve-month period to be implemented coincident
15 with the Company’s annual PGA. The surcharge will be a single rate adjustment for
16 Schedule 101. If the surcharge is approved by the Commission, the deferred revenue
17 amount approved for recovery will be transferred to a balancing account and the
18 surcharge revenue received during the period will reduce the deferred revenue in the
19 balancing account. Any deferred revenue remaining in the balancing account at the
20 end of the year, resulting from over- or under-collection, will be added to the “new”
21 revenue deferrals to determine the amount of the proposed surcharge for the
22 following year.

23

1 **Q. Could you briefly describe the accounts the Company proposes to use to record**
2 **amounts related to the Mechanism (Section 6.I. of the Settlement)?**

3 A. The Company is proposing to record the deferred revenue in account 186 –
4 Miscellaneous Deferred Debits. The amount approved for recovery will be
5 transferred into a 182.3 - Regulatory Asset account for amortization via the
6 surcharge revenue received. On the income statement, the Company is proposing to
7 record both the deferred revenue and the amortization of the deferred revenue
8 through Account 407 - Regulatory Debits and Credits, in separate sub-accounts.

9 The Company will file a quarterly report with the Commission showing
10 pertinent information regarding the Mechanism. This information will include a
11 spreadsheet showing the monthly revenue deferral calculation for each month of the
12 current deferral period (July – most recent month), as well as the current and
13 historical monthly balance in the deferral account.

14
15 **Q. The Settlement contains a pilot term for the Mechanism that would end the**
16 **monthly deferral calculation in June 2009. What does the Settlement say about**
17 **any extension beyond the initial term?**

18 A. The Company could file a request to continue the decoupling mechanism beyond the
19 pilot term. Any party is free to argue that the renewal of the Mechanism is only
20 appropriate in the context of a general rate case. However, the Company would bear
21 the burden of demonstrating why the pilot program should be extended other than in
22 the context of a general rate case. That filing would include an evaluation of the
23 Mechanism.

1

2 **Q. What information would be included in the evaluation of the Mechanism?**

3 A. The Settlement prescribes in Section 6.J. that during the first year of the Mechanism,
4 the Company, Commission Staff, and other interested parties develop a draft
5 evaluation plan to be presented to the Commission no later than December 31, 2007.

6

7 **Q. Does that conclude the joint testimony in this proceeding?**

8 A. Yes, it does.