

BEFORE THE

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IDAHO PUBLIC UTILITIES COMMISSION
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IN THE MATTER OF IDAHO POWER)
COMPANY'S APPLICATION FOR A) CASE NO. IPC-E-09-3
CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY FOR THE LANGLEY)
GULCH POWER PLANT)
_____)

DIRECT TESTIMONY OF PATRICIA HARMS

IDAHO PUBLIC UTILITIES COMMISSION

JUNE 19, 2009

1 Q. Please state your name and address for the
2 record.

3 A. My name is Patricia Harms. My business address
4 is 472 West Washington Street, Boise, Idaho.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Idaho Public Utilities
7 Commission (Commission) as a Principal Financial
8 Specialist/Senior Auditor.

9 Q. Please give a brief description of your
10 educational background and experience.

11 A. I graduated from Boise State University, Boise,
12 Idaho in 1981 with a B.A. degree in Business
13 Administration, emphasis in Accounting. I am a Certified
14 Public Accountant licensed by the State of Idaho. Prior
15 to joining the Commission Staff in 2000, I was employed
16 by the State of Alaska as an In Charge Auditor and
17 performed both financial and performance audits of
18 governmental agencies. I have attended many seminars and
19 classes involving auditing and accounting. While at the
20 Commission I have audited a number of utilities including
21 water, electric, gas and telephone utilities and provided
22 comments and testimony in a number of cases that dealt
23 with general rates, hook-up fees, accounting issues, and
24 other regulatory issues. I have also completed the
25 National Association of Regulatory Utility Commissioners'

1 (NARUC) annual regulatory studies program at Michigan
2 State University. I also regularly attend meetings of
3 NARUC's Staff Subcommittee on Accounting and Finance and
4 at selected meetings serve as secretary for the
5 Subcommittee.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to present
8 Staff's recommendations regarding the treatment of
9 depreciation for the Langley Gulch Project.

10 My testimony in this case also describes
11 Staff's position regarding the Allowance for Funds Used
12 During Construction (AFUDC) and Construction Work in
13 Progress (CWIP) as it relates to projects in general and
14 Langley Gulch specifically. Staff witness Sterling's
15 testimony recommends that the actual amount of AFUDC
16 incurred be recoverable, but that it be considered an
17 addition to both the Soft Cap and Hard Cap amounts for
18 the Langley Gulch Project.

19 My testimony also describes capitalized taxes
20 and Staff's recommended treatment of those costs. Staff
21 recommends that the actual amount of taxes relating to
22 project costs be capitalized and recovered based upon
23 Staff's proposed Langley Gulch Project amount.

24 **DEPRECIATION**

25 Q. What is Staff's recommendation regarding the

1 treatment of depreciation for the Langley Gulch Project?

2 A. Staff recommends that the Langley Gulch Project
3 be depreciated in accordance with the depreciation rates
4 that are in effect at the time the Project is placed into
5 service. This recommendation is similar to the return on
6 equity treatment that the Company is requesting for the
7 Project. (Gale, Supplemental Direct, page 4, lines 1-4).
8 Staff also recommends that a new depreciation study that
9 includes the Project with economic lives no shorter than
10 35 years for the production plant and 45 years for the
11 related transmission plant be completed and filed when,
12 or shortly after, the Project is placed into service
13 (likely during 2013). This timeframe is consistent with
14 the historical periodic depreciation filings of the
15 Company.

16 Q. How were the depreciation rates currently used
17 by the Company approved by the Commission?

18 A. The depreciation rates currently in use by the
19 Company were approved by the Commission in Case No.
20 IPC-E-08-6 (08-6 case) in Order No. 30639 dated
21 September 12, 2008. The depreciation rates were based on
22 the results of a detailed depreciation study of the
23 Company's electric plant in service as of December 31,
24 2006. The depreciation rates were based on a straight
25 line, average service life procedure for all electric

1 plant. In that case, the proposed changes in
2 depreciation rates resulted in a decrease of the
3 Company's total annual depreciation expense. The parties
4 to the 08-6 Case filed a Stipulation setting forth
5 agreed-upon depreciation rates. The Stipulation
6 identified changes to the Company's proposal agreed to by
7 the parties, primarily increases in the service life and
8 life span of a steam generation plant and hydraulic
9 production plants. The parties also agreed to a detailed
10 review in the next depreciation case of accrual rates for
11 several plant assets, including Bridger Assets, Bennett
12 Mountain, Clear Lake Hydraulic Production Plant, Meters,
13 Computers and Corporate Aircraft.

14 Q. What depreciation rates were approved in Case
15 No. IPC-E-08-6 for production plant and how do those
16 rates compare to the depreciable life of 35 years (2.86%)
17 requested by the Company for the Langley Gulch production
18 plant?

19 A. The Commission-approved accrual rates for
20 selected production plant accounts according to the
21 Attachment to Order No. 30639 are stated in the following
22 table (Table No. 1).
23
24
25

Table No. 1

<u>Account and Description</u>	<u>Accrual</u>
340.00 Land	Non-depreciable
341.00 Structures & Improvements	2.75-3.16%
342.00 Fuel Holders	2.75-2.80%
343.00 Prime Movers	2.76-3.25%
344.00 Generators	1.93-3.30%
345.00 Accessory Electric Equipment	2.75-7.22%
346.00 Misc. Power Plant Equipment	2.52-7.17%

Q. Why do the listed accrual amounts vary so greatly by account?

A. In the Attachment to Order No. 30639, accrual rates and composite remaining life for production plant are listed by Federal Energy Regulatory Commission (FERC) account and within that account by plant. For example, the accrual rates for Account 344.00 Generators range from a low of 1.93% and a composite remaining life of 29.5 years for Evander Andrews to a high of 3.30% and a composite remaining life of 34.5 years for Bennett Mountain. Similarly, the accrual rates for Account 345.00 Accessory Electric Equipment range from a low of 2.75% and a composite remaining life of 34.5 years for Bennett Mountain to a high of 7.22% and a composite remaining life of 10.5 years for Salmon Diesel.

Q. Was Langley Gulch part of the depreciation study filed in Case No. IPC-E-08-6?

A. No. The depreciation study only relates to plant in service at the time of the study.

1 Q. What Commitment Estimate dollars for the
2 Langley Gulch production plant relate to the above
3 accounts and what is its related depreciable life?

4 A. Staff asked the Company in the discovery
5 process to provide all studies, life cycle analyses and
6 other information used to derive a depreciable life of 35
7 years for the production plant and 45 years for the
8 transmission plant. The Company was asked to include
9 within its response the Commitment Estimate dollars as it
10 relates to production and transmission plant by electric
11 plant in service account number (3XX.xx) and the related
12 depreciable life. The Company's response to Production
13 Request No. 83 referred Staff to the depreciation study
14 that was the basis of Case No. IPC-E-08-6 and stated the
15 following:

16 "While Idaho Power believes that its
17 Commitment Estimate is reasonable, it
18 cannot predict with precision the
19 specific Commitment Estimate amounts
20 that will close to each FERC electric
21 plant account upon placing the project
22 in-service. The requested allocation
23 of Commitment Estimate dollars will be
24 made upon final unitization of the work
25 order(s). However, there are portions
of the power plant Commitment Estimate
that will likely close to specific
accounts. The property and water
rights acquired for the plant will
close to plant account 340. The
amounts for the gas turbine, steam
turbine, and heat recovery steam
generator ("HRSG") will close to plant
accounts 343 and 344. The remainder of

1 the power plant investment will close
2 to plant accounts 341, 342, 345, and
3 346. Accounts 340-346 currently all
4 have approximately the same overall
5 depreciable life. The current Idaho
6 Power investment in these accounts has
7 a composite remaining life of
8 approximately 30 years."

9 Q. What depreciation rates were approved in Case
10 No. IPC-E-08-6 for transmission plant and how do those
11 rates compare to the depreciable life of 45 years (2.22%)
12 requested by the Company for Langley Gulch transmission
13 plant?

14 A. The Commission-approved accrual rates for
15 selected transmission accounts according to the
16 Attachment to Order No. 30639 are stated in the following
17 table (Table No. 2).

18 Table No. 2

19	<u>Account and Description</u>	<u>Accrual</u>
20	350.20 Land Rights and Easements	1.51%
21	350.21 Rights of Way	1.50%
22	352.00 Structures & Improvements	1.68%
23	353.00 Station Equipment	2.06%
24	354.00 Towers and Fixtures	1.96%
25	355.00 Poles and Fixtures	2.81%
	356.00 Overhead Conductors and Devices	1.92%

26 Q. What are the composite remaining lives for the
27 above accounts as stated in the Attachment to Order No.
28 30639?

29 A. The composite remaining lives for the above
30 accounts according to the Attachment to Order No. 30639

1 are stated in the following table (Table No. 3).

2 Table No. 3

3 Account and Description Remaining Life

4 350.20	Land Rights and Easements	54.2 Years
5 350.21	Rights of Way	63.7 Years
6 352.00	Structures & Improvements	47.3 Years
7 353.00	Station Equipment	35.4 Years
8 354.00	Towers and Fixtures	48.6 Years
9 355.00	Poles and Fixtures	36.7 Years
10 356.00	Overhead Conductors and Devices	48.3 Years

11 Q. What Commitment Estimate dollars for the
12 Langley Gulch transmission plant relate to the above
13 accounts and what is its related depreciable life?

14 A. As noted previously, Staff asked the Company in
15 the discovery process to provide all studies, life cycle
16 analyses and other information used to derive a
17 depreciable life of 35 years for the production plant and
18 45 years for the transmission plant. The Company was
19 asked to include within its response the Commitment
20 Estimate dollars as it relates to production and
21 transmission plant by electric plant in service account
22 number (3XX.xx) and the related depreciable life. The
23 Company's response to Production Request No. 83 referred
24 Staff to the depreciation study that was the basis of
25 Case No. IPC-E-08-6 and stated the following:

"While Idaho Power believes that its
Commitment Estimate is reasonable, it
cannot predict with precision the
specific Commitment Estimate amounts
that will close to each FERC electric

1 plant account upon placing the project
2 in-service. The requested allocation
3 of Commitment Estimate dollars will be
4 made upon final unitization of the work
5 order(s)... The transmission lines
6 portion of the project will close to
7 plant accounts 354-356 and the
8 transmission station portion will close
9 to accounts 350,352, and 353."

6 Q. Do you have a schedule of the Langley Gulch
7 Commitment Estimate dollars by account and its related
8 depreciable life?

9 A. No, the Company did not provide such a schedule
10 in support of its request for the depreciable life of 35
11 years for production plant and 45 years for transmission
12 plant.

13 Q. How frequently has the Company filed cases
14 requesting approval of its depreciation rates?

15 A. The Company filed its most recent depreciation
16 case in 2008 (Case No. IPC-E-08-6). The previous
17 depreciation case was filed in October 2003 (Case No.
18 IPC-E-03-7).

19 Q. Is this timing the basis of your recommendation
20 that the Company file a depreciation case during 2013
21 when, or shortly after, the Project is placed into
22 service?

23 A. Yes. However, another consideration is the
24 size (in dollars) of the plant and the other issues
25 identified in Case No. IPC-E-08-6 that were identified

1 for further review by the parties to the Stipulation.
2 This leads to Staff's expectation that another
3 depreciation study will be forthcoming within five years
4 of the last filed depreciation case.

5 Q. Is there anything else that might influence
6 depreciation in 2013 when the plant is expected to close
7 to plant in service?

8 A. Yes. The Securities and Exchange Commission
9 (SEC) has published a roadmap associated with
10 implementation of International Financial Reporting
11 Standards (IFRS). This roadmap sets forth several
12 milestones that, if achieved, could lead to the required
13 use of IFRS by U.S. issuers in 2014 if the SEC believes
14 it to be in the public interest. Current international
15 standards treat depreciation differently than most U.S.
16 utilities.

17 Q. How are assets depreciated under current
18 International Accounting Standards (IAS)?

19 A. While there are many different aspects of
20 depreciation under IAS, the most significant one that the
21 Company can currently prepare the Langley Gulch Project
22 for is componentization.

23 IAS 16, paragraph 43 states:

24 "Each part of an item of property,
25 plant and equipment with a cost that is
significant in relation to the total

1 cost of the item shall be depreciated
2 separately."

3 This may be a physical component or a non-
4 physical component such as an inspection or an overhaul.

5 Q. How does this differ from current depreciation
6 methods?

7 A. Utilities currently use mass/group asset
8 depreciation. It has been recognized that mass/group
9 asset depreciation cannot be accommodated under IFRS.

10 Q. What is Staff's recommendation to the Company
11 regarding IAS 16?

12 A. Staff recommends that the Company create and
13 retain documentation associated with the Langley Gulch
14 Project that would allow the Company to comply with
15 component depreciation when IFRS are adopted. Staff
16 expects this detail will also be utilized in the next
17 depreciation study.

18 **AFUDC AND CWIP**

19 Q. What is Staff's recommendation for the recovery
20 of AFUDC in this case?

21 A. Staff recommends that the Company accrue actual
22 AFUDC based upon the monthly cash balance of actual
23 expenditures as the production and transmission plant is
24 under construction. The monthly expenditures would be
25 subjected to a prudence review of the amounts to which

1 the AFUDC rate is applied except for those plant amounts
2 approved in this proceeding. Absent specific ratemaking
3 authority, AFUDC will cease when the plant is placed in
4 service.

5 Q. What is Staff's recommendation regarding CWIP
6 in this case?

7 A. Based upon the evidence at this time, Staff
8 does not believe that including CWIP in rate base before
9 the related plant is used and useful is appropriate. The
10 Company has not made a CWIP request in this case.

11 Q. What has the Company included for AFUDC in this
12 case?

13 A. The Company's Commitment Estimate includes an
14 estimated AFUDC of \$49 million associated with the
15 production plant and almost \$1 million for the
16 transmission portion of the project.

17 Q. How has the Company calculated those amounts?

18 A. According to the Company's responses to
19 discovery, it used a 7% AFUDC rate and applied it to
20 estimated monthly cash flows for the production plant to
21 derive the \$49 million. The 7 percent rate used to
22 estimate AFUDC on the power plant portion of the project
23 was not based on an exact capital structure or exact
24 financing cost(s) at a particular point in time. It was
25 a high level estimate derived from the average annual

1 AFUDC rates the Company applied to construction work in
2 progress over the last four years according to the
3 Company.

4 The \$1 million included within the Commitment
5 Estimate for transmission was not calculated in the same
6 manner. Instead it was an estimate from the bid process
7 and does not have a supporting schedule. The Company's
8 response to Production Request Nos. 80 and 64 explained
9 the AFUDC amounts as follows:

10 "The monthly cash flow estimates for
11 the Langley Gulch power plant were
12 derived from preliminary payment
13 schedules/estimates for the gas
14 turbine, steam turbine, and EPC
15 [Engineering, Procurement and
16 Construction] contract. The cash flow
17 amounts for the remainder of the
18 project were based on Idaho Power's
19 projected timing of construction and
20 planned work activities."

21 "Payment schedules for the construction
22 of the gas turbine, steam turbine, and
23 overall construction of the Langley
24 Gulch plant are not available at this
25 time because contract terms have not
been finalized. Idaho Power estimated
monthly cash construction expenditures
for the power plant portion of the
project for purposes of projecting
AFUDC.. The projected transmission cost
of \$31.5M includes a high level AFUDC
estimate of approximately \$991,000. A
projected cash flow and AFUDC schedule
is not available at this time for the
transmission portion of the project due
to the preliminary nature and scope of
the overall design and cost estimate."

Q. What are the historical AFUDC percentages that

1 have been applied to plant?

2 A. According to the last general rate case for
3 Idaho Power (Case No. IPC-E-08-10), the monthly AFUDC
4 rates January 2008 through October 2008 ranged from
5 3.016% to 6.585%. (Case No. IPC-E-08-10, Miller Direct
6 Rebuttal, page 5). According to the Company's responses
7 to discovery, the monthly AFUDC rates for January through
8 April 2009 have ranged from 3.27% to 8.26% (response to
9 Production Request No. 82).

10 Table No. 4

11	<u>Month and Year</u>	<u>Rate in Effect</u>
12	January 2008	6.352%
13	February 2008	5.592%
14	March 2008	4.111%
15	April 2008	4.136%
16	May 2008	3.696%
17	June 2008	3.016%
18	July 2008	4.894%
19	August 2008	6.271%
20	September 2008	6.240%
21	October 2008	6.585%
22	November 2008	6.660%
23	December 2008	6.793%
24	January 2009	5.24%
25	February 2009	4.11%
	March 2009	3.27%
	April 2009	8.26%

21 Q. How do the rates above compare to that used to
22 calculate the \$49 million estimated AFUDC for the Langley
23 Gulch production plant?

24 A. As can be seen above, the historical rates vary
25 widely compared to the 7% used for the production plant

1 AFUDC included in the Langley Gulch Commitment Estimate.

2 Q. How does Idaho Power calculate the AFUDC rate?

3 A. On a monthly basis the Company's AFUDC rate is
4 calculated consistent with the AFUDC formula established
5 in the FERC Uniform System of Accounts/General
6 Instructions (18 CFR 1.101). Idaho Power uses semi-
7 annual compounding as allowed in FERC Order 561.

8 Q. What are AFUDC and CWIP?

9 A. AFUDC is an accounting mechanism which
10 recognizes capital costs associated with financing
11 construction. Generally, the capital costs recognized by
12 AFUDC include interest charges on borrowed funds and the
13 cost of equity funds used by a utility for purposes of
14 construction. The main purposes of AFUDC are to
15 capitalize with each project the costs of financing that
16 construction; separate the effects of the construction
17 program from current operations; and to allocate current
18 capital costs to future periods when these capital
19 facilities are in service, useful and producing revenue.
20 AFUDC represents the cost of funds used during the
21 construction period before plant goes into service. When
22 it is placed in service, the entire cost of the plant,
23 including AFUDC, is added to rate base, where it earns a
24 rate of return and is depreciated over the life of the
25 plant.

1 CWIP is the accumulation of all costs
2 associated with the construction of an asset, including
3 the cost of financing construction (AFUDC) expenditures.
4 Utilities record these costs in Account 107. This
5 account includes the total of the balances of work orders
6 for electric plant in process of construction. Work
7 orders are to be cleared from this account and closed to
8 plant in service as soon as practicable after completion
9 of the project. CWIP has not been included in rate base
10 on a current basis (before a project is complete and its
11 costs closed to plant in service) historically in Idaho.

12 **ALTERNATIVES PROPOSED BY THE COMPANY**

13 Q. What two alternatives to a plant filing with
14 the assurances described in the Company's testimony does
15 Company witness Smith describe in her testimony?

16 A. Company witness Smith describes "CWIP in Rate
17 Base" and "AFUDC: Pay Currently" in her testimony and
18 compares this to the ratemaking assurances described in
19 Company witness Gale's direct testimony. "CWIP in Rate
20 Base" is described as the Company recovering CWIP
21 expenditures (including AFUDC) the Company incurs as it
22 constructs the Project in current rates on an annual
23 basis. "AFUDC: Pay Currently" is similar to Hells Canyon
24 Relicensing AFUDC granted in Order No. 30722 where
25 customers would pay AFUDC in annual rate increases from

1 2010 through 2013.

2 Q. Do the percentages shown in Company witness
3 Smith's Exhibit No. 7 for the two alternatives to
4 traditional ratemaking and the third alternative of
5 placing in service at the end of the construction period
6 the entire CWIP balance including AFUDC represent the
7 rate increases that could be expected using those
8 methods?

9 A. No. According to the Company's response to
10 Production Request No. 102, the spreadsheet that was used
11 to develop this Exhibit was:

12 "...to demonstrate the potential to
13 reduce rate shock by employing either
14 AFUDC Pay Currently or CWIP in Rate
15 Base versus the third alternative to
16 place in service at the end of
17 construction the entire CWIP balance,
18 including AFUDC of the Langley Gulch
19 Power Plant. The analysis is for
20 illustrative purposes only and does not
21 predict the future impact of these
22 alternatives."

23 And,

24 "The assumption in the illustrative
25 example that revenues would grow 1
percent each year was not intended to
portray any expectation by Idaho Power.
This was a simplifying assumption for
the hypothetical illustration of the
annual differences between the
regulatory treatments of AFUDC Pay
Currently, CWIP in Rate Base and
Traditional Ratemaking." [Emphasis
Added.]

Q. What is Staff's position regarding AFUDC and

1 CWIP?

2 A. Staff's position regarding AFUDC was most
3 recently presented by Staff witness Vaughn in Idaho
4 Power's last General Rate Case, Case No. IPC-E-08-10 and
5 remains largely the same today.

6 In Case No. IPC-E-08-10 the Company requested
7 recovery of the currently accruing AFUDC for the Hells
8 Canyon relicensing project (AFUDC component of CWIP).
9 Staff agreed in large part with the Company's proposal
10 because the amount of AFUDC expected at the end of 2012
11 would be larger than the actual direct relicensing costs
12 assuming no additional expenses were incurred during the
13 relicensing project. Staff stated that this enormous
14 growth in AFUDC for the Hells Canyon relicensing project
15 provided the basis for an explicit finding that it was in
16 the public interest to include AFUDC in base rates before
17 the project was closed to plant in service.

18 Although there are limited situations where the
19 public is served by placing CWIP in rate base according
20 to Staff's testimony in Case No. IPC-E-08-10, the Hells
21 Canyon relicensing project is different from other
22 construction projects for several reasons. First,
23 "project completion" is determined when the FERC grants a
24 permanent license. Because of the large number of
25 stakeholders involved in relicensing and because of the

1 ever-shifting political environment, project completion
2 is largely beyond the Company's direct control. A
3 permanent license could be granted as early as January
4 2009 or it could be delayed for many years. Second, it
5 is unlikely that the permanent license will not be
6 granted. At the present time, Idaho Power is operating
7 the Hells Canyon dam complex under annual licensing.
8 Because the Hells Canyon complex is fully operational and
9 power generation is not curtailed, Staff argued that the
10 relicensing investment is essentially used and useful.

11 Q. What did the Commission find in Case No.
12 IPC-E-08-10?

13 A. The Commission found in Order No. 30722, pages
14 13 and 14, as follows:

15 "... that the Hells Canyon relicensing
16 project is unlike a typical
17 construction project, and establishes
18 circumstances that support a finding
19 that including AFUDC in rates will
20 serve the public interest. The unique
21 circumstances include: (1) the project
22 process has already been under way for
23 nearly ten years, and Idaho Power has
24 little control over the completion
25 date; (2) the Company is able to use
the generating facilities during the
relicensing process, and they currently
provide a significant amount of the
Company's total generating capacity and
energy; (3) the lengthy duration of the
project, and an as yet unknown
completion date, mean that AFUDC is
already significant and will continue
to accumulate to alarming levels.
Other considerations, not unique to the

1 Hells Canyon project, also support a
2 finding the public interest is served
3 by including a portion of AFUDC in
4 rates. The amount of AFUDC included in
5 rates now will reduce the total project
6 costs that ultimately will be included
7 in rate base, thereby reducing future
8 rate increases. Idaho Power's cash
9 flow will improve, which will help
10 maintain its credit strength and
11 ability to access funds for ongoing
12 construction projects."

13 Q. Do any of the three attributes described in the
14 Commission's finding in Case No. IPC-E-08-10 apply to the
15 Langley Gulch Project?

16 A. No. The project has not been under way for
17 nearly ten years and Idaho Power has substantial control
18 over the completion date as the Project is a self-build
19 Project. The Project is not currently used and useful
20 nor is AFUDC growing at "an alarming rate" as described
21 in Case No. IPC-E-08-10 for the Hells Canyon relicensing
22 project. The Company's ability to obtain financing for
23 the Langley Gulch Project and cash flow is described in
24 Staff witness Carlock's testimony.

25 Q. What authorizes the inclusion of CWIP and/or
AFUDC in base rates?

A. The potential inclusion of CWIP/AFUDC in base
rates is an option the Commission may utilize based on a
2006 change in Idaho Code.

In 1984 the Idaho Legislature enacted *Idaho*

1 Code § 61-502A to read

2 "Except upon its finding of an extreme
3 emergency, the [Public Utilities]
4 Commission is hereby prohibited in any
5 order issued after the effective date
6 of this act, from setting rates for any
7 utility that grants a return on
8 construction work in progress... or
9 property held for future use and which
10 is not currently used and useful in
11 providing utility service."

8 However, in 2006 this section was amended to read

9 "Except upon its explicit finding that
10 the public interest will be served
11 thereby, the Commission is hereby
12 prohibited in order issued after the
13 effective date of this act, from
14 setting rates for any utility that
15 grants a return on construction work in
16 progress or property held for future
17 use and which is not currently used and
18 useful in providing utility service."
19 [Emphasis indicates amended language.]

15 CWIP including AFUDC may be considered in the
16 determination of rates upon a finding that the public
17 interest will be served.

18 Q. Has the Company stated as its preferred
19 ratemaking treatment that CWIP and/or AFUDC should be
20 included in rates before the plant is used and useful and
21 closed to plant in service?

22 A. No. Company witness Gale states that the
23 Company prefers that the Commission issue an Order under
24 the provisions of Senate Bill 1123 (Gale Supplemental
25 page 6, line 20-22).

