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January 22, 2008

Via Electronic and US Mail

Public Utility Commission
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of OREGON PUBLIC UTILITY STAFF Requesting the Commission direct PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY, to file tariffs establishing automatic adjustment clauses under the terms of SB 408.

Docket No. UE 177

Dear Filing Center:

Enclosed please find the original and five (5) copies of the Direct Testimony of Ellen Blumenthal on behalf of the Industrial Customers of Northwest Utilities and Appendix A in the above-referenced matter.

Thank you for your assistance.

Sincerely yours,

/s/ Brendan E. Levenick
Brendan E. Levenick

Enclosure

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing letter on behalf of the Industrial Customers of Northwest Utilities upon the parties, shown below, on the official service list by causing the foregoing document to be deposited, postage-prepaid, in the U.S. Mail, and service via electronic mail.

Dated at Portland, Oregon, this 22nd day of January, 2008.

/s/ Brendan E. Levenick
Brendan E. Levenick

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W = Waived Paper Service

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 177

In the Matter of)
)
PACIFIC POWER & LIGHT)
(dba PACIFICORP))
)
to File Tariffs Establishing Automatic)
Adjustment Clause Under the Terms of)
SB 408.)

DIRECT TESTIMONY OF

ELLEN BLUMENTHAL

ON BEHALF OF

THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

January 22, 2008

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Ellen Blumenthal. My business address is 13517 Queen
3 Johanna Court, Corpus Christi, Texas 78418.

4 **Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.**

5 **A.** I received the degree of Bachelor of Arts in Journalism from the
6 University of Texas at Austin in 1974, but remained at the University to
7 do additional course work in accounting and business. I became a
8 Certified Public Accountant in Texas in 1977.

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 **A.** I am a Senior Project Manager with GDS Associates, Inc. ("GDS").

11 **Q. PLEASE OUTLINE YOUR PROFESSIONAL EXPERIENCE.**

12 **A.** From 1975 to 1977, I worked in public accounting. My public accounting
13 experience included the preparation of financial statements, tax work, and
14 auditing. In May 1977, I became a regulatory accountant with the Public
15 Utility Commission of Texas. I left the Public Utility Commission of
16 Texas in November 1980 to open an office in Austin for C.H. Guernsey &
17 Company, Consulting Architects and Engineers. I became an independent
18 consultant in 1982 and joined GDS in 2002. A copy of my résumé is
19 included as Exhibit ICNU/101.

20 **Q. WOULD YOU PLEASE DESCRIBE GDS?**

21 **A.** GDS is an engineering and consulting firm with offices in Marietta,
22 Georgia; Austin, Texas; Manchester, New Hampshire; Madison,
23 Wisconsin; and Auburn, Alabama. GDS has over ninety employees with
24 backgrounds in engineering, accounting, management, economics,

1 finance, and statistics. The firm provides rate and regulatory consulting
2 services in the electric, natural gas, water, and telephone utility industries.
3 GDS also provides a variety of other services in the electric utility
4 industry including power supply planning, generation support services,
5 financial analysis, load forecasting, and statistical services. Our clients
6 are primarily publicly-owned utilities, customers of privately owned
7 utilities, and government agencies.

8 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?**

9 **A.** No. I have testified before other commissions. Please see my r sum 
10 included at Exhibit ICNU/101 for details of some of the dockets in which
11 I have filed testimony.

12 **Q. YOUR TESTIMONY IN THIS PROCEEDING INVOLVES UTILITY**
13 **INCOME TAXES. HAVE YOU PREVIOUSLY TESTIFIED BEFORE**
14 **REGULATORY COMMISSIONS REGARDING SUCH MATTERS?**

15 **A.** Yes. I have testified about income tax issues before the Texas Public
16 Utility Commission, the Kansas Corporation Commission, the Federal
17 Energy Regulatory Commission, and the Texas Railroad Commission.

18 **II. INTRODUCTION AND SUMMARY**

19 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 **A.** The Industrial Customers of Northwest Utilities (“ICNU”) has asked me to
21 examine PacifiCorp’s tax report that it is required to submit pursuant to
22 Senate Bill 408 (“SB 408”), and ensure that PacifiCorp’s calculation of
23 the difference between the actual taxes it paid and the taxes that is has
24 collected in rates is accurate. My discussion focuses on federal income

1 taxes. However, many of the principles I discuss apply equally to state
2 and local income taxes.

3 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

4 **A.** The under collection of taxes reflected in PacifiCorp's tax report does not
5 represent the difference between the actual taxes paid on the taxable
6 income of Oregon regulated utility operations and the taxes PacifiCorp
7 has collected through rates from its customers. The calculations required
8 by OAR § 860-022-0041 are unnecessarily complicated and do not meet
9 the goal of SB 408. None of the calculations required by the rules is an
10 actual tax calculation. Because the amount reflected in PacifiCorp's tax
11 report, based on OAR § 860-022-0041, does not comply with SB 408,
12 PacifiCorp should not be authorized to collect the additional tax dollars
13 reflected in its tax report.

14 **III. TAX REPORT**

15 **Q. WHAT IS THE GOAL OF SENATE BILL 408?**

16 **A.** The goal of Senate Bill 408, as stated in ORS § 757.267(1)(f), is that rates
17 should include no more than the actual income taxes the utility pays to
18 units of government. This goal is not unique to Oregon. What is unique
19 about SB 408 is that it requires a true up for this component of a utility's
20 revenue requirement. In other jurisdictions I am familiar with, the income
21 tax component of the revenue requirement is calculated to estimate the
22 actual taxes the utility is expected to pay under approved rates and is not
23 subsequently trued up.

1 **Q. HOW ARE THE TAXES ACTUALLY PAID TO UNITS OF**
2 **GOVERNMENT DETERMINED UNDER SB 408?**

3 **A.** According to ORS §757.268(6), only the taxes paid that are attributable to
4 Oregon regulated operations are to be considered. If the utility is
5 included in a consolidated tax return, only the portion of the actual taxes
6 paid by the consolidated group that is attributable to Oregon regulated
7 operations is to be considered. SB 408 also places a ceiling on the taxes
8 paid that are properly attributable to regulated operations of the utility.
9 This ceiling is the lesser of: 1) the taxes paid that result from the income
10 generated by regulated operations; or 2) the total taxes paid by the utility
11 or the affiliated group in which it is included. ORS § 757.268(12)

12 **Q. HOW IS THE AMOUNT THAT HAS BEEN RECOVERED THROUGH**
13 **RATES CALCULATED?**

14 **A.** SB 408 requires that the actual taxes paid be compared to the taxes
15 authorized to be collected through rates. The taxes authorized to be
16 collected in rates is the product of the total revenues collected from
17 Oregon ratepayers times the net to gross income ratio per the utility's last
18 rate order times the effective tax rate used to set rates for the utility. ORS
19 § 757.268(13)(e).

20 Ultimately, the difference between the actual taxes paid to units of
21 government and the amount that has been recovered through rates is to be
22 either recovered from ratepayers if the utility has not collected its actual
23 taxes paid or refunded to ratepayers if the utility has collected more than
24 the actual taxes paid to units of government.

1 **Q. SENATE BILL 408 APPEARS TO BE RATHER STRAIGHT FORWARD.**
2 **IS OAR § 860-022-0041 EQUALLY STRAIGHT FORWARD?**

3 **A.** No. Not only does the rule complicate the calculation required by the
4 statute, it also does not accomplish the goal of the statute. The goal is to
5 determine the difference between the amount of income taxes that a utility
6 has collected through rates and its actual tax expense. As I stated earlier,
7 the statute imposes a ceiling for the taxes paid that are properly attributed
8 to regulated utility operations. This provision of the statute ensures that
9 consolidated tax savings, if any, are included in the calculation of the
10 taxes actually paid.

11 The rule establishes three methods for computing federal income
12 taxes paid and attributable to the utility's regulated operations:
13 apportionment, consolidated, and stand-alone. The lowest of these three
14 calculations is presumed to represent the actual taxes paid. In my opinion,
15 none of these calculations produces the actual taxes paid attributable to
16 the regulated operations of the utility.

17 **Q. WHICH OF THE THREE METHODS RESULTED IN THE LOWEST**
18 **"ACTUAL TAXES PAID" FOR PACIFICORP IN THIS CASE?**

19 **A.** The pro forma stand alone method resulted in the lowest dollar amount of
20 the three methods. As long as PacifiCorp is owned by Berkshire
21 Hathaway, the stand alone method will always produce the lowest dollar
22 amount of the three methods set out in the rule.

1 **Q. BRIEFLY DESCRIBE THE STAND ALONE CALCULATION.**

2 **A.** The tax report describes this amount as the “pro forma federal stand alone
3 liability of Oregon regulated operations.”^{1/} The definition in the rule for
4 “stand alone” tax liability

5 [M]eans the amount of income tax liability calculated using a pro
6 forma tax return and revenues and expenses in the utility’s results
7 of operations report for the year, except using zero depreciation
8 expense for public utility property, excluding any tax effects from
9 investment tax credits, and calculating interest expense in the
10 manner used by the Commission in establishing rates.

11 OAR § 860-022-0041(2)(p). A pro forma tax return is unnecessary since
12 the period in question is a historical period. It is not clear why no
13 depreciation expense is included or why the interest deduction is
14 calculated “in the manner used by the Commission in establishing rates.”
15 An actual tax return already exists for the utility even if the utility is
16 included in a consolidated tax return. The interest deduction on the tax
17 return is not calculated using the method used by the Commission to
18 establish rates, i.e., the interest synchronization method. And, while tax
19 depreciation should be excluded from the calculation in order to avoid a
20 normalization violation, a deduction for depreciation on a straight-line
21 basis should be included. Consolidated tax savings should also be
22 included.

23 In short, this is not an “actual tax” calculation. In my opinion,
24 none of the calculation methodologies required by OAR § 860-022-0041

^{1/} PacifiCorp Tax Report at page 2, line 11.

1 are actual tax calculations. Therefore, the tax report filed by PacifiCorp
2 does not meet the requirements of SB 408.

3 **Q. IS THE “STAND ALONE TAX LIABILITY” CALCULATION**
4 **RELATIVELY SIMPLE?**

5 **A.** PacifiCorp’s stand alone tax liability calculation is not simple. The
6 calculation begins with *book* net income. Adjustments must be made to
7 that net income figure to arrive at “pro-forma” *taxable* income. These
8 adjustments are often referred to as “Schedule M” adjustments because the
9 taxpayer is required to reconcile on Schedule M-1 of Form 1120 its net
10 income per books to its reported taxable income. As I recall, PacifiCorp
11 had four or five pages of pro forma reconciling items. Verifying the need
12 for and the accuracy of each of these items is very time consuming and
13 unnecessary. As I said, a tax return was prepared for the true-up period,
14 calendar year 2006. This tax return should be the starting point for the
15 actual tax calculation instead of the stand alone tax calculation set forth in
16 the rules. This stand alone calculation is the same “hypothetical”
17 calculation used to determine the federal income tax expense for inclusion
18 in rates. It is not an actual tax calculation. Therefore, PacifiCorp’s tax
19 report does not meet the requirements of SB 408.

20 **Q. DO EITHER OF THE OTHER CALCULATIONS THAT ARE USED TO**
21 **DETERMINE PACIFICORP’S ACTUAL TAX LIABILITY IN THE TAX**
22 **REPORT PRODUCE THE ACTUAL TAX EXPENSE PAID BY**
23 **PACIFICORP ON ITS OREGON REGULATED UTILITY**
24 **OPERATIONS?**

25 **A.** No. The apportionment method begins with the total taxes paid by the
26 federal taxpayer. The consolidated tax return in which PacifiCorp is

1 included is comprised of over 400 companies. The total taxes paid by this
2 consolidated entity are “allocated” to PacifiCorp using “an adaptation of
3 the three-factor method used by the states to apportion the income of
4 multi-state corporations for the purposes of assessing state income tax.”
5 Re Adoption of Permanent Rules to Implement SB 408, Docket No. AR
6 499, Order No. 06-532 at 2 (Sep. 14, 2006). Because PacifiCorp is in a
7 capital-intensive industry while most of the other entities in the
8 consolidated group are not, this method will always allocate too much of
9 the consolidated tax liability to PacifiCorp.

10 Federal income tax expense is a function of taxable income.
11 Taxable income is the most appropriate “allocator” of the consolidated
12 total tax expense. However, even if the consolidated tax liability were
13 apportioned using taxable income, the apportionment method does not
14 result in the actual taxes paid by PacifiCorp on its Oregon regulated
15 operations.

16 The consolidated method is equal to the actual taxes paid by the
17 federal taxpayer plus the tax benefits of accelerated depreciation and
18 investment tax credits. Clearly, this method will result in the greatest tax
19 liability in PacifiCorp’s case because it is included in a consolidated
20 return with hundreds of other entities. In this case, the “consolidated”
21 method produced a result far greater than either of the other methods for
22 the period beginning April 1, 2006. As with the other methods employed

1 in the tax report, the consolidated calculation does not provide the actual
2 taxes paid by PacifiCorp on its Oregon regulated operations.

3 **Q. EXPLAIN WHY THE THREE-FACTOR ALLOCATION METHOD CAN**
4 **RESULT IN ASSIGNING TOO MUCH OR TOO LITTLE TAX EXPENSE**
5 **TO THE UTILITY.**

6 **A.** Utilities are more capital intensive than most businesses. They can also
7 be more labor intensive and generate high revenues compared to net
8 income because of the high cost of fuel. These factors can cause the
9 three-factor formula to allocate more of the consolidated tax liability to
10 the utility than it deserves. In the example below, the three-factor formula
11 assigns 54% of the consolidated tax liability to the utility. Allocating the
12 consolidated tax liability using the taxable income generated by the utility
13 assigns only 28.6% to the utility. Tax liability is a direct result of taxable
14 income. Therefore, taxable income is the better allocator. Table 1
15 illustrates this point:

	Gross Plant	Wages	Revenues	Three-Factor Formula	Taxable Inc	Tax Effect of Accel Deprn
Utility	\$ 100,000	\$ 20,000	\$ 500,000	54.139%	\$ 50,000	\$ 12,000
Co. A	10,000	1,000	150,000	7.218%	(350,000)	
Co. B	30,000	15,000	250,000	26.670%	30,000	
Co. C	1,000	150	100,000	3.032%	45,000	
Co. D	500	-	175,000	4.784%	(50,000)	
Co. E	-	2,500	75,000	4.156%	450,000	
	<u>\$ 141,500</u>	<u>\$ 38,650</u>	<u>\$ 1,250,000</u>	<u>100.000%</u>	<u>\$ 175,000</u>	

Total tax paid	\$ 61,250
Tax effect of accelerated depreciation	12,000
Page 2, line 5	<u>\$ 73,250</u>
Utility share - apportionment	54.139%
Page 2, line 10	<u><u>\$ 39,657</u></u>

Total tax paid	\$ 61,250
Tax effect of accelerated depreciation	12,000
Page 2, line 5	<u>\$ 73,250</u>
Utility share of consolidated taxable income (\$50,000/\$175,000)	28.57%
Page 2, line 10	<u><u>\$ 20,929</u></u>

1 **Q. WHY IS USING TAXABLE INCOME TO ALLOCATE TAXES**
2 **ACTUALLY PAID TO GOVERNMENTAL AUTHORITIES A MORE**
3 **EQUITABLE METHOD?**

4 **A.** Whenever it is necessary to allocate costs whether among departments or
5 among affiliates, the best allocation method is one that recognizes what is
6 driving the cost. For example, payroll can be directly assigned when
7 employees keep records of the work done for each client organization.
8 The related payroll taxes and employee benefits would be best allocated
9 on payroll dollars. The tax liability of an entity is equal to its taxable
10 income times the statutory tax rate. Therefore, the best method for
11 assigning taxable liability is taxable income.

12 **Q. IN YOUR OPINION, SHOULD THE COMMISSION'S RULES BE**
13 **CHANGED TO USE TAXABLE INCOME INSTEAD OF THE THREE-**
14 **FACTOR FORMULA?**

15 **A.** Yes. The three-factor formula might be reasonable for allocating gross
16 revenues among states, but it is not a reasonable method to use to assign
17 the consolidated tax liability to individual members of the consolidated
18 group. In fact, every tax sharing agreement I have seen assigns tax
19 liability using taxable income.

20 **Q. WHAT IS A TAX SHARING AGREEMENT?**

21 **A.** A tax sharing agreement is a document used by consolidated groups that
22 sets out how the consolidated tax liability will be assigned to each
23 member of the group. Each member of the group is responsible for paying
24 only its share of the consolidated tax liability.

1 **Q. DOES OAR § 860-022-0041 ALLOW FOR THE USE OF TAXABLE**
2 **INCOME INSTEAD OF THE THREE-FACTOR METHOD AS YOU**
3 **RECOMMEND?**

4 **A.** No. Although OAR § 860-022-0041 does not currently use actual taxable
5 income to allocate the consolidated tax liability to the utility, the
6 Commission is not prohibited from adopting such a method in this
7 proceeding. Because OAR § 860-022-0041 fails to calculate the actual
8 taxes paid by PacifiCorp, that rule does not comply with the requirement
9 of SB 408 that utility rates reflect “taxes that are paid to units of
10 government” in order to be “considered fair, just and reasonable.” ORS §
11 757.267(f). Therefore, the Commission should waive the requirements of
12 OAR § 860-022-0041 and reject PacifiCorp’s tax filing on the basis that it
13 does not represent the difference between taxes collected in rates and
14 taxes actually paid to governmental authorities, as required by SB 408.

15 **Q. THE COMMISSION HAS CONDUCTED MULTIPLE RULEMAKING**
16 **PROCEEDINGS REGARDING THE METHODS CONTAINED IN OAR §**
17 **860-022-0041. WHY WERE YOUR RECOMMENDATIONS NOT**
18 **ADVOCATED FOR IN THOSE PROCEEDINGS?**

19 **A.** The method advocated by ICNU was not adopted by the Commission in the
20 rulemaking. This method is commonly referred to as the “Pennsylvania”
21 method, which is more accurate and straight forward. I am told the ICNU
22 did not challenge the rule because it was impossible to understand the
23 ramifications of the rule until actual numbers are available. In other
24 words, it is very difficult to anticipate these issues unless dealing with
25 figures from a utility’s actual tax report. PacifiCorp’s October 15, 2007
26 tax filing provides the first opportunity for parties to do so, as

1 PacifiCorp's past filings did not involve any actual rate changes. While
2 investigating PacifiCorp's current tax filing, it has become evident that
3 the Commission's rules do not operate as intended and as required by SB
4 408.

5 **Q. WERE YOU ABLE TO RECALCULATE THE ACTUAL TAXES PAID**
6 **FOR PACIFICORP USING THE METHODOLOGY YOU BELIEVE MORE**
7 **ACCURATELY REFLECTS THE ACTUAL TAXES PAID ON OREGON**
8 **REGULATED UTILITY OPERATIONS?**

9 **A.** No. Unfortunately, the Protective Order in this case does not allow me to
10 have a copy of PacifiCorp's tax report filing so I am unable to offer an
11 alternative calculation. It is virtually impossible for me to evaluate and
12 propose alternative calculations under the stringent terms of the Protective
13 Order.

14 **Q. DID YOU HAVE THE OPPORTUNITY TO THOROUGHLY REVIEW**
15 **PACIFICORP'S TAX REPORT AND THE SUPPORTING**
16 **DOCUMENTATION THAT PACIFICOP PROVIDED?**

17 **A.** I had the opportunity to travel to Portland to visit the safe room for one
18 week, during which time I reviewed PacifiCorp's filing and the filing of
19 another utility. The other utility provided me with a complete copy of its
20 tax report. PacifiCorp refused to provide a copy of their filing.

21 It is clear from the discussion in Commission Order No. 06-033
22 that several parties argued that the safe room discovery procedure would
23 be "unduly burdensome and would significantly impair the intervenors'
24 ability to participate and contribute in these proceedings." Re PacifiCorp,
25 Docket Nos. UE 177/UE 178/UG 170/UG 171, Order No. 06-033 at 3 (Jan.
26 25, 2006). I believe that the safe room procedure clearly benefits the

1 utilities in that it prevents parties such as ICNU from having significant
2 input. The Commission should have the benefit of input from any and all
3 parties before reaching a decision.

4 The Commission specifically ordered the utilities to designate only
5 the protected portions of their tax reports as “Highly Confidential”. Id. at
6 4. PacifiCorp, however, designated every single piece of paper in its
7 filing as Highly Confidential, including its Results of Operations Report
8 to the Commission. In addition, PacifiCorp designated all responses to
9 data requests as Highly Confidential regardless of the information being
10 provided. I was unable to see the responses to my own data requests
11 because I was unable to return to Portland to visit the safe room. Only
12 after ICNU requested that the Highly Confidential designation be removed
13 from the documents that were not actually Highly Confidential did
14 PacifiCorp redesignate some of these documents and provide me with
15 some copies. This is a clear abuse of the Protective Order.

16 **Q. YOU HAVE TESTIFIED ABOUT INCOME TAXES IN OTHER**
17 **JURISDICTIONS. ARE YOU GIVEN A COPY OF CONFIDENTIAL AND**
18 **HIGHLY CONFIDENTIAL INFORMATION IN THE NORMAL COURSE**
19 **OF BUSINESS IN OTHER JURISDICTIONS?**

20 **A.** Yes. Even in those cases in which the utility claims that their tax
21 information is “highly confidential,” I am given copies. In many cases, I
22 have in my possession a copy of the utility’s current tax return as well as
23 tax returns for each of the preceding fifteen years. In some cases, I have
24 the full and complete tax return for each and every entity included in the
25 consolidated tax return for each of the last fifteen years. The

1 confidentiality agreement that I sign requires that I either return the
2 documents to the utility or shred them and provide an affidavit that the
3 documents have been shredded.

4 **Q. IN YOUR OPINION, DOES THE PROTECTIVE ORDER THAT WAS**
5 **ADOPTED IN THIS CASE PUT PARTIES OTHER THAN THE**
6 **COMMISSION STAFF AT A DISADVANTAGE?**

7 **A.** Yes. There are not many consultants with expertise on income tax matters
8 and very few, if any, reside in Portland. Therefore, the consultant must
9 travel to view the documents, and even a week or two with the documents
10 is insufficient. Furthermore, it is impossible to write testimony
11 addressing the specifics of the case without having the documents on
12 hand. It is equally impossible to draft testimony in the safe room with a
13 company representative present. Staff not only has a copy of the filing,
14 but Staff also is not required to have a company representative present
15 every time Staff works with the documents. The Protective Order in this
16 case not only puts parties other than Staff at a total disadvantage, but it
17 also assumes that the parties cannot be trusted to protect highly sensitive
18 confidential information.

19 **Q. WHAT DO YOU RECOMMEND THE COMMISSION DO IN THIS**
20 **CASE?**

21 **A.** Because PacifiCorp's tax report does not provide a calculation of the
22 actual taxes paid to governmental authorities, the Commission should
23 reject PacifiCorp's filing and either recalculate taxes paid to governmental
24 authorities using a method that does calculate actual taxes paid or find
25 that there is no basis for an adjustment in this proceeding and develop new

1 rules that will properly determine the amount of taxes paid for use in
2 future tax filings. The actual taxes paid by a utility on its Oregon
3 regulated operations could be based on the actual tax return for the utility.
4 It should reflect the actual interest deduction as well as any other
5 deduction taken and should include the utility's share of consolidated tax
6 savings, if any. It should exclude accelerated tax depreciation, but
7 include straight line depreciation. While a formulaic approach might be
8 expedient, it may not be realistic as each utility will have its own unique
9 set of circumstances.

10 The Protective Order should be modified to allow consultants who
11 reside outside of Portland to have a complete copy of the tax report,
12 supporting workpapers, and responses to all data requests.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes, it does.

UE 177

EXHIBIT ICNU/101

QUALIFICATIONS

ELLEN BLUMENTHAL

EDUCATION: University of Texas at Austin
Bachelor of Arts in Journalism, 1975
Certified Public Accountant in Texas, February 1977

PROFESSIONAL MEMBERSHIPS:
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

EXPERIENCE:

GDS Associates, Inc., March 2002 to present

Senior Project Manager of GDS Associates, Inc., Engineers and Consultants, Corpus Christi, Texas. Provides financial analysis for natural gas and electric markets; assists consumers in acquiring power needs in the competitive markets; provides analysis in gas, electric, telephone and water utility rate increase filings and presents expert testimony in regulatory proceedings on behalf of interveners. Issues addressed in testimony include all aspects of revenue requirement determination.

Independent Consultant, June 1982 to February 2002

Financial analysis for natural gas and electric markets; Provided analysis and expert witness revenue requirements testimony in gas, electric, telephone and water utility **rate increase** applications on behalf of intervenors.

C. H. Guernsey & Co., Consulting Engineers & Architects, November 1980 - June 1982

Title: Regulatory Accountant and Financial Analyst
Duties included preparation of financial and accounting aspects of rate filings for electric cooperatives for presentation before the Public Utility Commission of Texas. Testified as an expert witness on accounting matters before the Public Utility Commission of Texas. Advised electric cooperatives on accounting and regulatory matters. Participated in review of rate increase applications of investor-owned utilities and prepared and presented expert witness testimony based on such review. Participated in special projects such as cost-benefit analyses related to owner participation in power plants and alternative regulatory treatments for nuclear generating stations.

Public Utility Commission of Texas, May 1977 - November 1980

Title: Chief Accountant III
Duties included providing expert witness testimony in investor-owned and cooperative telephone, electric and water utility rate cases filed with the Commission in the following areas: Fuel and purchased power, Operation and maintenance expenses, Federal income taxes, Taxes other than federal income taxes, Affiliate transactions, Oil and gas exploration and development. Reviewed the books and business records of public utilities to determine the reasonableness of rate requests. Reviewed public utilities' implementation of fuel adjustment clause and other rate schedules to determine compliance with tariffs approved by Commission.

Sample List of Testimony Filed and Other Utility Projects:

United Water Connecticut, Inc. Application to Change Rates, Prepare rate filing and testimony. Connecticut Department of Public Utilities Docket No. 07-05-44, June 2007.

Application of AEP Texas Central Company for Authority to Change Rates, Texas Public Utility Commission Docket No. 33309, March 2007.

Application of AEP Texas North Company for Authority to Change Rates, Texas Public Utility Commission Docket No. 33310, March 2007.

Staff's Petition for a Reallocation of Stranded Costs Pursuant to PURA Sec. 139.253(f), Texas PUC Docket No. 32795, August 2006.

Application of Bryan Texas Utilities for Interim Update of Wholesale Transmission Rates Pursuant to Substantive Rule 25.192(g)(1), Texas Public Utility Commission Docket No. 30925, March 2005; Docket No. 32958, June 2006.

Application of AEP Texas Central Company for a Financing Order, Texas Public Utility Commission Docket No. 32475, April 2006.

Application of Texas-New Mexico Power Company to Establish a Competition Transition Charge Pursuant to P.U.C. SUBST. R. 25.263(n), Texas Public Utility Commission Docket No. 31994, March 2006.

Application of the Electric Reliability Council of Texas for Approval of the ERCOT System Administration Fee, Texas Public Utility Commission Docket No. 31824, January 2006.

Application of Entergy Gulf States, Inc. for Recovery of Transition to Competition Costs, Texas Public Utility Commission Docket No. 31544, January 2006.

Application of Sharyland Utilities, L.P. for Interim Update of Wholesale Transmission Rates Pursuant to Substantive Rule 25.192(g)(1), Texas Public Utility Commission Docket No. 31826, October 2005.

Two management audits of the Sempra Energy utilities' compliance with federal and state affiliate rules. October 2005

Advise Nebraska Public Service Commission on gas utility regulatory matters. 2003 to present.

Petition to Inquire into the Reasonableness of the Rates and Services of Cap Rock Energy Corporation, Texas Public Utility Commission Docket No. 28813 on behalf of Pioneer Energy, August 2004.

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