

OFFICE OF CONSUMER ADVOCATE

**FILED WITH
Executive Secretary
September 23, 2010
IOWA UTILITIES BOARD**

**DIRECT TESTIMONY AND EXHIBIT
(QUALIFICATIONS)**

SPU-2010-0006

OF

MICHAEL L. BROSCHE

Michael L. Brosch, President
Utilitech, Inc.
P.O. Box 481934
Kansas City, MO 64148-1934

**In Re: Qwest Communications International, Inc. and CenturyLink, Inc.
Docket No. SPU-2010-0006**

September 23, 2010

**BEFORE THE
IOWA UTILITIES BOARD
PREPARED DIRECT TESTIMONY OF
MICHAEL L. BROSCH**

1 **Q: Please state your name and business address.**

2 A: My name is Michael L. Brosch. My business address is P.O. Box 481934,
3 Kansas City, Missouri 64148-1934.

4 **Q: By whom are you employed?**

5 A: I am a principal in and President of Utilitech, Inc., a consulting firm engaged
6 primarily in utility rate and regulation work. The firm's business and my
7 responsibilities are related to special services work for utility regulatory
8 clients, including rate case reviews, cost of service analyses, jurisdictional
9 and class cost allocations, business reorganization studies, financial studies,
10 rate design analyses, and focused investigations related to utility operations
11 and ratemaking issues.

12 **Q: On whose behalf are you appearing in this proceeding?**

13 A: I am appearing on behalf of the Iowa Department of Justice, Office of
14 Consumer Advocate (OCA). Utilitech was retained by the OCA to review
15 and respond to the Joint Application of Qwest Communications
16 International, Inc. (QCII or Qwest) and CenturyTel, Inc. (CTL or

1 CenturyLink) for approval of a planned merger pursuant to Iowa
2 Code § 476.77 and 199 IAC 32.4.

3 **Q: Will you summarize your educational background and professional**
4 **experience in the field of utility regulation?**

5 A: My degree is from the University of Missouri, Kansas City, a Bachelor of
6 Business Administration Degree, with an emphasis in accounting. I hold a
7 CPA Certificate in the State of Missouri and in the State of Kansas. I am a
8 member of the American Institute of Certified Public Accountants, the
9 Missouri Society of Certified Public Accountants, and the Kansas Society of
10 Certified Public Accountants. Since completion of formal education, my
11 entire professional career has been dedicated to utility operations and
12 regulation consulting.

13 From 1978 to 1981, I served as a public utility accountant with the
14 Staff of the Missouri Public Service Commission. While employed by the
15 Missouri Commission, I participated in rate case examinations involving
16 electric, gas, water, steam, transit, and telephone utilities operating in
17 Missouri. In December 1981, I accepted employment with Troupe Kehoe
18 Whiteaker & Kent, a Kansas City CPA firm, in its public utility department.
19 While with Troupe Kehoe Whiteaker & Kent, I was involved in the review,
20 analysis, and presentation of a wide range of utility rate case issues and

1 various other utility management advisory functions for both utility company
2 and regulatory agency clients. In 1983, I commenced employment with
3 Lubow McKay Stevens and Lewis, an accounting and public utility
4 consulting firm. While with that firm, I was involved in numerous
5 regulatory proceedings and directed the conduct of a variety of special
6 projects. In 1985, Dittmer, Brosch and Associates, Inc. (now Utilitech, Inc.)
7 was organized. The firm specializes in public utility regulatory and
8 management consulting in the electric, gas, telecommunications, water, and
9 waste water industries. As a principal of the firm, I am responsible for the
10 supervision and conduct of the firm's various regulatory projects. A majority
11 of the firm's business involves representation of utility commission staff and
12 consumer advocates in utility rate proceedings and special or focused
13 investigations.

14 I have testified before utility regulatory agencies in Arizona,
15 Arkansas, California, Florida, Hawaii, Illinois, Indiana, Iowa, Kansas,
16 Michigan, Missouri, Nevada, Ohio, Oklahoma, Texas, Utah, Washington
17 and Wisconsin in regulatory proceedings involving electric, gas, telephone,
18 water, sewer, transit, and steam utilities. A summary of my previous direct
19 testimonies is included as Exhibit MLB-1.

1 **Q: Have you previously participated in regulatory proceedings involving**
2 **Qwest entities?**

3 A: Yes. My firm has represented various clients in Qwest and predecessor
4 U S West rate cases and reorganization proceedings in several states, as more
5 completely listed in Exhibit MLB-1. Among these prior regulatory projects
6 was a review of the Qwest/U S West merger that occurred in 1999, where I
7 testified on behalf of the OCA in Iowa Docket No. SPU-99-27.

8 **Q: Have you previously reviewed other public utility merger and**
9 **reorganization transactions on behalf of regulatory clients?**

10 A: Yes. In addition to the 1999 Qwest/U S West merger proceedings, I also
11 participated in Iowa utility merger proceedings involving CalEnergy and
12 MidAmerican Energy and involving Global Crossing and Frontier. I also
13 represented clients in Utah and Washington in review of the Qwest/U S West
14 merger. In other states, I have reviewed numerous utility mergers and
15 reorganizations involving electric, gas and telecommunications companies.
16 Examples of this work include the acquisition of Verizon Hawaii assets and
17 operations by entities controlled by the Carlyle Group, Qwest's sale of its
18 directory publishing operations in several states, and mergers involving
19 Nevada Power/Sierra Pacific Power in Nevada, Central & South
20 West/American Electric Power in Oklahoma, PSI Energy/ Cincinnati Gas &

1 Electric in Indiana, Union Electric/Central Illinois Public Service in Missouri
2 and SBC/Ameritech in Indiana.

3 **Q: Does this conclude your Direct Testimony?**

4 **A: Yes.**

State of Kansas)
)
County of Johnson)

I, Michael L. Brosch, being duly sworn on oath, depose and state that I have prepared the foregoing testimony and that its contents are true and correct to the best of my knowledge and belief.

/s/ Michael L. Brosch
Michael L. Brosch

Subscribed and sworn to before me this 23rd day of September, 2010.

/s/ Mary Jo Brosch
Mary Jo Brosch, Notary Public

My Commission expires: July 19, 2014

MICHAEL L. BROSCHE

Summary of Qualifications

EMPLOYER: Utilitech, Inc.
Regulatory and Management Consultants
POSITION: President
ADDRESS: P.O. Box 481934
Kansas City, MO 64148-1934

PRIOR EXPERIENCE:

1978-1982 Missouri Public Service Commission, Senior Accountant
1982-1983 Troupe, Kehoe, Whiteaker & Kent CPA's, Regulatory Consultant
1983-1985 Lubow, McKay, Stevens and Lewis, Project Manager
1985-Present Utilitech, Principal and President

DEGREES:

University of Missouri – Kansas City
Bachelor – Business Administration (Accounting 1978) “with distinction”

OTHER QUALIFICATIONS:

Certified Public Accountant – Certification in Kansas and Missouri

Member	American Institute of Certified Public Accountants Missouri Society of Certified Public Accountants Kansas Society of Certified Public Accountants
Seminars	Iowa State Regulatory Conference 1981, 1985 Regulated Industries Symposium 1979, 1980 Michigan State Regulatory Conference 1981 United States Telephone Association Round Table 1984 NARUC/NASUCA Annual Meeting 1988, Speaker NARUC/NASUCA Annual Meeting 2000, Speaker NASUCA Mid-Year Consumer Protection Meeting 2007, Speaker
Instructor	INFOCAST Ratemaking Courses Arizona Staff Training Hawaii Staff Training

PRIOR TESTIMONIES: (See listings attached)

<u>Utility</u>	<u>Jurisdiction</u>	<u>Agency</u>	<u>Docket/Case Number</u>	<u>Represented</u>	<u>Year</u>	<u>Addressed</u>
Kansas City Power and Light Co.	Missouri	PSC	ER-81-42	Staff	1981	Rate Base, Operating Income
Southwestern Bell Telephone	Missouri	PSC	TR-81-208	Staff	1981	Rate Base, Operating Income, Affiliated Interest
Northern Indiana Public Service	Indiana	PSC	36689	Consumers Counsel	1982	Rate Base, Operating Income
Northern Indiana Public Service	Indiana	URC	37023	Consumers Counsel	1983	Rate Base, Operating Income, Cost Allocations
Mountain Bell Telephone	Arizona	ACC	9981-E1051-81-406	Staff	1982	Affiliated Interest
Sun City Water	Arizona	ACC	U-1656-81-332	Staff	1982	Rate Base, Operating Income
Sun City Sewer	Arizona	ACC	U-1656-81-331	Staff	1982	Rate Base, Operating Income
El Paso Water	Kansas	City Counsel	Unknown	Company	1982	Rate Base, Operating Income, Rate of Return
Ohio Power Company	Ohio	PUCO	83-98-EL-AIR	Consumer Counsel	1983	Operating Income, Rate Design, Cost Allocations
Dayton Power & Light Company	Ohio	PUCO	83-777-GA-AIR	Consumer Counsel	1983	Rate Base
Walnut Hill Telephone	Arkansas	PSC	83-010-U	Company	1983	Operating Income, Rate Base
Cleveland Electric Illum.	Ohio	PUCO	84-188-EL-AIR	Consumer Counsel	1984	Rate Base, Operating Income, Cost Allocations
Cincinnati Gas & Electric	Ohio	PUCO	84-13-EL-EFC	Consumer Counsel	1984	Fuel Clause
Cincinnati Gas & Electric	Ohio	PUCO	84-13-EL-EFC (Subfile A)	Consumer Counsel	1984	Fuel Clause
General Telephone - Ohio	Ohio	PUCO	84-1026-TP-AIR	Consumer Counsel	1984	Rate Base
Cincinnati Bell Telephone	Ohio	PUCO	84-1272-TP-AIR	Consumer Counsel	1985	Rate Base
Ohio Bell Telephone	Ohio	PUCO	84-1535-TP-AIR	Consumer Counsel	1985	Rate Base
United Telephone - Missouri	Missouri	PSC	TR-85-179	Staff	1985	Rate Base, Operating Income
Wisconsin Gas	Wisconsin	PSC	05-UI-18	Staff	1985	Diversification-Restructuring
United Telephone - Indiana	Indiana	URC	37927	Consumer Counsel	1986	Rate Base, Affiliated Interest
Indianapolis Power & Light	Indiana	URC	37837	Consumer Counsel	1986	Rate Base
Northern Indiana Public Service	Indiana	URC	37972	Consumer Counsel	1986	Plant Cancellation Costs
Northern Indiana Public Service	Indiana	URC	38045	Consumer Counsel	1986	Rate Base, Operating Income, Cost Allocations, Capital Costs
Arizona Public Service	Arizona	ACC	U-1435-85-367	Staff	1987	Rate Base, Operating Income, Cost Allocations
Kansas City, KS Board of Public Utilities	Kansas	BPU	87-1	Municipal Utility	1987	Operating Income, Capital Costs
Detroit Edison	Michigan	PSC	U-8683	Industrial Customers	1987	Income Taxes
Consumers Power	Michigan	PSC	U-8681	Industrial Customers	1987	Income Taxes

Consumers Power	Michigan	PSC	U-8680	Industrial Customers	1987	Income Taxes
Northern Indiana Public Service	Indiana	URC	38365	Consumer Counsel	1987	Rate Design
Indiana Gas	Indiana	URC	38080	Consumer Counsel	1987	Rate Base
Northern Indiana Public Service	Indiana	URC	38380	Consumers Counsel	1988	Rate Base, Operating Income, Rate Design, Capital Costs
Terre Haute Gas	Indiana	URC	38515	Consumers Counsel	1988	Rate Base, Operating Income, Capital Costs
United Telephone -Kansas	Kansas	KCC	162,044-U	Consumers Counsel	1989	Rate Base, Capital Costs, Affiliated Interest
US West Communications	Arizona	ACC	E-1051-88-146	Staff	1989	Rate Base, Operating Income, Affiliate Interest
All Kansas Electrics	Kansas	KCC	140,718-U	Consumers Counsel	1989	Generic Fuel Adjustment Hearing
Southwest Gas	Arizona	ACC	E-1551-89-102 E-1551-89-103	Staff	1989	Rate Base, Operating Income, Affiliated Interest
American Telephone and Telegraph	Kansas	KCC	167,493-U	Consumers Counsel	1990	Price/Flexible Regulation, Competition, Revenue Requirements
Indiana Michigan Power	Indiana	URC	38728	Consumer Counsel	1989	Rate Base, Operating Income, Rate Design
People Gas, Light and Coke Company	Illinois	ICC	90-0007	Public Counsel	1990	Rate Base, Operating Income
United Telephone Company	Florida	PSC	891239-TL	Public Counsel	1990	Affiliated Interest
Southwestern Bell Telephone Company	Oklahoma	OCC	PUD-000662	Attorney General	1990	Rate Base, Operating Income (Testimony not admitted)
Arizona Public Service Company	Arizona	ACC	U-1345-90-007	Staff	1991	Rate Base, Operating Income
Indiana Bell Telephone Company	Indiana	URC	39017	Consumer Counsel	1991	Test Year, Discovery, Schedule
Southwestern Bell Telephone Company	Oklahoma	OCC	39321	Attorney General	1991	Remand Issues
UtiliCorp United/ Centel	Kansas	KCC	175,476-U	Consumer Counsel	1991	Merger/Acquisition
Southwestern Bell Telephone Company	Oklahoma	OCC	PUD-000662	Attorney General	1991	Rate Base, Operating Income
United Telephone - Florida	Florida	PSC	910980-TL	Public Counsel	1992	Affiliated Interest
Hawaii Electric Light Company	Hawaii	PUC	6999	Consumer Advocate	1992	Rate Base, Operating Income, Budgets/Forecasts
Maui Electric Company	Hawaii	PUC	7000	Consumer Advocate	1992	Rate Base, Operating Income, Budgets/Forecasts
Southern Bell Telephone Company	Florida	PSC	920260-TL	Public Counsel	1992	Affiliated Interest
US West Communications	Washington	WUTC	U-89-3245-P	Attorney General	1992	Alternative Regulation
UtiliCorp United/ MPS	Missouri	PSC	ER-93-37	Staff	1993	Affiliated Interest
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-1151, 1144, 1190	Attorney General	1993	Rate Base, Operating Income, Take or Pay, Rate Design
Public S2ervice Company of Oklahoma	Oklahoma	OCC	PUD-1342	Staff	1993	Rate Base, Operating Income, Affiliated Interest

Illinois Bell Telephone	Illinois	ICC	92-0448 92-0239	Citizens Board	1993	Rate Base, Operating Income, Alt. Regulation, Forecasts, Affiliated Interest
Hawaiian Electric Company	Hawaii	PUC	7700	Consumer Advocate	1993	Rate Base, Operating Income
US West Communications	Arizona	ACC	E-1051-93-183	Staff	1994	Rate Base, Operating Income
PSI Energy, Inc.	Indiana	URC	39584	Consumer Counselor	1994	Rate Base, Operating Income, Alt. Regulation, Forecasts, Affiliated Interest
Arkla, a Division of NORAM Energy	Oklahoma	OCC	PUD-940000354	Attorney General	1994	Cost Allocations, Rate Design
PSI Energy, Inc.	Indiana	URC	39584-S2	Consumer Counselor	1994	Merger Costs and Cost Savings, Non-Traditional Ratemaking
Transok, Inc.	Oklahoma	OCC	PUD-1342	Staff	1994	Rate Base, Operating Income, Affiliated Interest, Allocations
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-940000477	Attorney General	1995	Rate Base, Operating Income, Cost of Service, Rate Design
US West Communications	Washington	WUTC	UT-950200	Attorney General/ TRACER	1995	Operating Income, Affiliate Interest, Service Quality
PSI Energy, Inc.	Indiana	URC	40003	Consumer Counselor	1995	Rate Base, Operating Income
Oklahoma Natural Gas Company	Oklahoma	OCC	PUD-880000598	Attorney General	1995	Stand-by Tariff
GTE Hawaiian Telephone Co., Inc.	Hawaii	PUC	94-0298	Consumer Advocate	1996	Rate Base, Operating Income, Affiliate Interest, Cost Allocations
Mid-American Energy Company	Iowa	ICC	APP-96-1	Consumer Advocate	1996	Non-Traditional Ratemaking
Oklahoma Gas and Electric Company	Oklahoma	OCC	PUD-960000116	Attorney General	1996	Rate Base, Operating Income, Rate Design, Non-Traditional Ratemaking
Southwest Gas Corporation	Arizona	ACC	U-1551-96-596	Staff	1997	Operating Income, Affiliated Interest, Gas Supply
Utilicorp United - Missouri Public Service Division	Missouri	PSC	EO-97-144	Staff	1997	Operating Income
US West Communications	Utah	PSC	97-049-08	Consumer Advocate	1997	Rate Base, Operating Income, Affiliate Interest, Cost Allocations
US West Communications	Washington	WUTC	UT-970766	Attorney General	1997	Rate Base, Operating Income
Missouri Gas Energy	Missouri	PSC	GR 98-140	Public Counsel	1998	Affiliated Interest
ONEOK	Oklahoma	OCC	PUD980000177	Attorney General	1998	Gas Restructuring, rate Design, Unbundling
Nevada Power/Sierra Pacific Power Merger	Nevada	PSC	98-7023	Consumer Advocate	1998	Merger Savings, Rate Plan and Accounting
PacifiCorp / Utah Power	Utah	PSC	97-035-1	Consumer Advocate	1998	Affiliated Interest
MidAmerican Energy / CalEnergy Merger	Iowa	PUB	SPU-98-8	Consumer Advocate	1998	Merger Savings, Rate Plan and Accounting
American Electric Power / Central and South West Merger	Oklahoma	OCC	980000444	Attorney General	1998	Merger Savings, Rate Plan and Accounting

ONEOK Gas Transportation	Oklahoma	OCC	970000088	Attorney General	1998	Cost of Service, Rate Design, Special Contract
U S West Communications	Washington	WUTC	UT-98048	Attorney General	1999	Directory Imputation and Business Valuation
U S West / Qwest Merger	Iowa	PUB	SPU 99-27	Consumer Advocate	1999	Merger Impacts, Service Quality and Accounting
U S West / Qwest Merger	Washington	WUTC	UT-991358	Attorney General	2000	Merger Impacts, Service Quality and Accounting
U S West / Qwest Merger	Utah	PSC	99-049-41	Consumer Advocate	2000	Merger Impacts, Service Quality and Accounting
PacifiCorp / Utah Power	Utah	PSC	99-035-10	Consumer Advocate	2000	Affiliated Interest
Oklahoma Natural Gas, ONEOK Gas Transportation	Oklahoma	OCC	980000683, 980000570, 990000166	Attorney General	2000	Operating Income, Rate Base, Cost of Service, Rate Design, Special Contract
U S West Communications	New Mexico	PRC	3008	Staff	2000	Operating Income, Directory Imputation
U S West Communications	Arizona	ACC	T-0105B-99-0105	Staff	2000	Operating Income, Rate Base, Directory Imputation
Northern Indiana Public Service Company	Indiana	IURC	41746	Consumer Counsel	2001	Operating Income, Rate Base, Affiliate Transactions
Nevada Power Company	Nevada	PUCN	01-10001	Attorney General-BCP	2001	Operating Income, Rate Base, Merger Costs, Affiliates
Sierra Pacific Power Company	Nevada	PUCN	01-11030	Attorney General-BCP	2002	Operating Income, Rate Base, Merger Costs, Affiliates
The Gas Company, Division of Citizens Communications	Hawaii	PUC	00-0309	Consumer Advocate	2001	Operating Income, Rate Base, Cost of Service, Rate Design
SBC Pacific Bell	California	PUC	I.01-09-002 R.01-09-001	Office of Ratepayer Advocate	2002	Depreciation, Income Taxes and Affiliates
Qwest Communications – Dex Sale	Utah	PSC	02-049-76 02-049-82 01-2383-01	Consumer Advocate	2003	Directory Publishing
Qwest Communications – Dex Sale	Washington	WUTC	UT-021120	Attorney General	2003	Directory Publishing
Qwest Communications – Dex Sale	Arizona	ACC	T-0105B-02-0666	Staff	2003	Directory Publishing
PSI Energy, Inc.	Indiana	IURC	42359	Consumer Counsel	2003	Operating Income, Rate Trackers, Cost of Service, Rate Design
Qwest Communications	Arizona	ACC	T-0105B-03-0454	Staff	2004	Operating Income, Rate Base
Verizon Northwest	Washington	WUTC	UT-040788A	Attorney General	2004	Operating Income, Rate Base, Directory Imputation
Public Service Company of Oklahoma	Oklahoma	OCC	Cause No. 200300076	Attorney General	2005	Operating Income, Rate Base, Cost of Service, Rate Design
Hawaiian Electric Company, Inc.	Hawaii	PUC	04-0113	Consumer Advocate	2005	Operating Income, Rate Base, Cost of Service, Rate Design
Citizens Gas & Coke Utility	Indiana	IURC	42767	Consumer Counsel	2005	Operating Income, Debt Service, Ratemaking Policy, Working Capital
Puget Sound Energy	Washington	WUTC	UE-060266 et al	Attorney General	2006	Ratemaking Policy, Rate Trackers
Cascade Natural Gas	Washington	WUTC	UG-060256	Attorney General	2006	Ratemaking Policy, Rate Trackers

Arizona Public Service	Arizona	ACC	E-01345A-05-0816	Staff	2006	Operating Income, Cost of Service
Hawaiian Electric Company	Hawaii	HPUC	05-0146	Consumer Advocate	2006	Capital Improvements and Discounted Rates
Hawaii Electric Light Company	Hawaii	HPUC	05-0315	Consumer Advocate	2006	Operating Income, Rate Base, Cost of Service, Rate Design
Union Electric Company d/b/a AmerenUE	Missouri	PSC	2007-0002	Attorney General	2007	Operating Income, Rate Base, Fuel Adjustment Clause
Hawaiian Electric Company, Inc.	Hawaii	PUC	2006-0386	Consumer Advocate	2007	Operating Income, Rate Base, Cost of Service, Rate Design
Maui Electric Company	Hawaii	PUC	2006-0387	Consumer Advocate	2007	Operating Income, Rate Base, Cost of Service, Rate Design
Peoples Gas Light & Coke Company	Illinois	ICC	07-0241	Attorney General, City	2007	Ratemaking Policy, Rate Trackers
North Shore Gas Company	Illinois	ICC	07-0242	Attorney General, City	2007	Ratemaking Policy, Rate Trackers
Commonwealth Edison	Illinois	ICC	07-0566	Attorney General, City	2008	Ratemaking Policy, Rate Trackers
Illinois Power Company, Illinois Public Service Co., Central Illinois Public Service Co	Illinois	ICC	07-0585 cons.	Attorney General/CUB	2008	Rate Adjustment Clauses
Southwestern Public Service Company	Texas	PUCT	35763	Municipalities	2008	Operating Income, Rate Base, Affiliate Transactions
The Gas Company	Hawaii	PUC	2008-0081	Consumer Advocate	2009	Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design
Hawaiian Electric Company	Hawaii	PUC	2008-0083	Consumer Advocate	2009	Operating Income, Rate Base, Affiliate Transactions, Cost of Service, Rate Design
Commonwealth Edison	Illinois	ICC	2009-0263	Attorney General	2009	Rate Adjustment Clauses
Avista Corporation	Washington	WUTC	UG-060518	Attorney General	2009	Rate Adjustment Clauses
Kauai Island Utility Cooperative	Hawaii	PUC	2009-0050	Consumer Advocate	2009	Operating Income, Cooperative Ratemaking Policies, Cost of Service
Maui Electric Company	Hawaii	PUC	2009-0163	Consumer Advocate	2010	Operating Income, Rate Base, Cost of Service, Rate Design
Hawaii Electric Light Co	Hawaii	PUC	2009-0146	Consumer Advocate	2010	Operating Income, Rate Base, Cost of Service, Rate Design