

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority To Increase Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations, Consisting of a General Rate Increase of Approximately \$161.2 Million Per Year, and for Approval of a New Large Load Surcharge

Docket No. 07-035-93

SURREBUTTAL TESTIMONY

OF

DAVID T. THOMSON
STATE OF UTAH
DIVISION OF PUBLIC UTILITIES

MAY 23, 2008

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

2 A. David T. Thomson. My business address is Heber M. Wells Building 4th Floor,
3 160 East 300 South, Salt Lake City, Utah 84114-6751.

4 **Q. Are you the same David T. Thomson who has previously testified in this**
5 **proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your surrebuttal testimony?**

8 A. After reviewing the Company's rebuttal testimony relating to my adjustments in
9 my earlier direct testimony, the purpose of my surrebuttal testimony is to outline
10 the results of that review. When necessary, I will update my direct testimony
11 exhibits. In summary, as explained below, the Utah Division of Public Utilities
12 ("DPU") and Rocky Mountain Power "(Company") are now in agreement on all
13 my adjustments as follows.

14 **PROPERTY TAXES**

15 **Q. What was the Company's response to your Property Tax adjustment?**

16 A. The Company agreed with my adjustment. The adjustment has been incorporated
17 into the revenue requirement in Mr. Steven R. McDougal's Exhibit RMP__(SRM-
18 1R-RR), Page 11.8. My direct testimony exhibit for this adjustment requires no
19 change and the above exhibit shows the agreed upon amount between the DPU
20 and the Company.

21 **LEASE EXPENSE**

22 **Q. Please explain the results of your review of the Company's response to your**
23 **lease expense adjustment from your direct testimony.**

24 A. In its rebuttal testimony the Company accepted all of my adjustments except one
25 and corrected one of my adjustments. I will first explain the corrected
26 adjustment. The Company's response to DPU data request 37.1 incorrectly
27 calculated the unutilized space expected at the Sandy Training Center. The
28 Company in its rebuttal testimony provided a supplemental response correcting
29 the calculation. The correction of the calculation results in a greater reduction to
30 rent expense for that facility than recommended by me using the incorrect
31 information from the data request. The DPU accepts this correction.

32 My adjustment to reduce rent expense for the 1033 Building on 6th Street
33 in Portland was rejected by the Company. After reviewing the Company's
34 response to my inquiries in DPU data request number 52.1 received May 15, 2008
35 as to the use of this building, I accept the Company's rebuttal adjustment that
36 keeps this cost as a lease expense by rejecting my adjustment. The Company's
37 responded that the office space had both equipment and employees. There are 47
38 employees in the building and the equipment is used on a daily basis to receive
39 and process payments from customers.

40 The DPU and the Company are now are in agreement as to an adjustment
41 amount for lease expense and this is the amount shown in the Company's rebuttal
42 testimony page 11.9 of Exhibit RMP__(SRM-1R-RR).

43 **OUTSIDE SERVICES – ACCOUNT 923**

44 **Q. Please explain the results of your review of the Company's rebuttal response**
45 **to your Outside Services adjustment and how you determined your current**
46 **adjustment amount.**

47 A. After reviewing the rebuttal responses, and the additional information and
48 explanations for my adjustments in that testimony, I am withdrawing the
49 following items of adjustment. The KPMG - \$49,123; McBride Real Estate -
50 \$13,456; Sun Microsystems - \$13,200; Solberg Adams - \$96,305; and Donald S.
51 Roff - \$90,236. I am accepting these as valid outside service costs based on the
52 belief that the explanations provided by the Company are accurate and correct.
53 Nothing in the Company's response indicated, in my opinion, that additional
54 review would be warranted. I also will accept the Company's reduction of my
55 Cascade Direct adjustment by \$62,801. (My adjustment doubled up this amount.
56 It had already been recorded as a reduction in the Company's filing). I also
57 accept the increase of the Net G adjustment from \$120,833 to \$202,792 (the
58 Company's analysis of this cost determined that a greater level of adjustment was
59 required) for the same reasons as explained above. The Company's explanations
60 for the above can be found in Mr. Steven R. McDougal's rebuttal testimony.

61 I will keep my Scottish Power Holding adjustment. My analysis indicated
62 that there are two accruals/payments for this cost of \$210,000 made to the base
63 period with only one reversal entry of \$210,000 thus leaving an out of period cost
64 of \$210,00 still in the base period. The invoice for this cost is dated 6/26/06. In
65 DPU Data request Number 52.2 received May 15, 2008 the Company agreed with

66 my position. My updated surrebuttal amount for Outside Services expense is
67 shown in DPU Exhibit 4.1 SR. It is my understanding that this exhibit now
68 reflects an agreed upon adjustment amount between the DPU and the Company
69 for Outside Services.

70 **COMPANY AIRPLANE**

71 **Q. What is the DPU final adjustment amount for the Company Airplane?**

72 A. The DPU final adjustment amount for the airplane on a total Company and Utah
73 basis is \$105,911 and \$44,814 respectively. These are agreed upon amounts
74 between the DPU and the Company as explained in Mr. Steven R. McDougal's
75 rebuttal testimony. The agreed upon adjustment is shown in the Company's
76 rebuttal testimony Page 11.11 of Exhibit RMP__(SRM-1R-RR).

77 **ADVERTISING EXPENSE**

78 **Q. Does the DPU now accept the Company's rebuttal adjusted amount for base**
79 **period advertising expense?**

80 A. Yes, except for an additional adjustment amount to the Company's rebuttal
81 testimony amount with a Utah allocated impact of \$72,222. Based upon two
82 meetings between Company personnel and me (prior to the filing of the
83 Company's rebuttal) and the Company's response to DPU data request number
84 52.3 received May 15, 2008, the DPU is accepting the Company's rebuttal
85 adjustment amount for advertising expense with an additional amount of \$72,222.
86 In my direct testimony I stated that my adjustments were subject to withdrawal
87 contingent upon the Company providing message evidence that showed that the

88 advertising meets criteria for recovery as put forth in R746-406. I also had a
89 normalizing adjustment in my testimony. The Company has provided analysis
90 and supporting documentation that evidences that the advertising expenses in the
91 base period are recoverable except for the amounts put forth by the Company in
92 its rebuttal testimony shown on Page 11.12 of Exhibit RMP__(SRM-1R-RR). To
93 these amounts I am adding an additional Utah allocated amount of \$72,222.

94 This amount is being added due to a Company Response to DPU data
95 request 52.3 received from the Company on May 15, 2008. As part of the
96 Company's response to that data request, it stated the following:

97 In the preparation of this response, the Company discovered that
98 the last out-of-period item identified by the Company in Mr.
99 Thomson's adjustment should have been removed from results and
100 was not in our rebuttal position. This December 2006 entry
101 included total company out-of-period costs of \$130,515. This
102 entry moved costs from FERC Account 416 to FERC Account
103 909. In this case this amount should have been removed from
104 results because, unlike the other examples above, account 416 is
105 allocated below the line and there is no corresponding credit offset
106 in results. The majority of these costs were allocated situs to the
107 various states with \$1,281 of total company expenses allocated
108 using the CN factor. The Utah allocated impact of this item is
109 \$72,222.

110
111 The DPU agrees that this amount needs to be adjusted out of the base
112 period advertising costs and has added it to the Company's rebuttal testimony
113 amount to arrive at a final agreed upon adjustment between the DPU and the
114 Company of \$349,980. My updated surrebuttal amount for Outside Services
115 expense is shown in DPU Exhibit 4.2 SR. It is my understanding that this exhibit

116 now reflects an agreed upon adjustment amount between the DPU and the
117 Company for Outside Services.

118 Thus said, I would like to note that it is the Division's belief that the
119 \$208,091 for customer letters concerning Bonneville Power Administration
120 (BPA) rate matters and BPA credit cancellation advertisement are non- recurring
121 and specific to a one time event notification and Company notification of strategy
122 and activity as a result of that event. However, the Company believes that while
123 the above advertising may be non-recurring, **notification** of events such as the
124 above and others relating to its customer are recurring and is normal. The DPU is
125 agreeing to accept this cost as recoverable advertising because it believes the
126 Company's argument has merit. Also in so doing, the Division and the Company
127 can then come to a full agreement for all of my adjustments without further time,
128 effort and discussion regarding this amount, which overall has a minimal affect on
129 my total adjustments. Coming to an agreement on this matter will also enable the
130 Commission to use its time and resources for other issues remaining to be decided
131 in the case.

132 **CUSTOMER ACCOUNTING**

133 **Q. What was the Company's response to your Customer accounting**
134 **adjustment?**

135 A. The Company accepted my proposed adjustment. My adjustment consisted of
136 three items. The Company believes that two of the items are normal recurring
137 expenses but is agreeing to their removal because of the small dollar amounts

138 involved and in the interest of reducing the number of issues remaining to be
139 decided in the case. This agreed upon adjustment is included in the Company's
140 rebuttal testimony shown on page 11.13 of Exhibit RMP__(SRM-1R-RR).

141 **Q. Does this conclude your Testimony?**

142 A. Yes.