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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	**)))))))**	**Docket No. 08-035-38 Prefiled Rebuttal Revenue Requirement Testimony of Donna Ramas For the Committee of Consumer Services**

March 9, 2009

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INTRODUCTION

Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?

A. My name is Donna Ramas. I am a Certified Public Accountant licensed in the State of Michigan and a senior regulatory analyst at Larkin & Associates, PLLC, Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan 48154.

Q. ARE YOU THE SAME DONNA RAMAS WHO HAS PREVIOUSLY FILED TESTIMONY IN THESE PROCEEDINGS?

A. On October 7, 2008 I filed direct prefiled testimony on the issue of the appropriate test year, and on February 12, 2009 I filed direct prefiled testimony on various revenue requirement issues, along with presenting the Committee of Consumer Service's (Committee) overall revenue requirement recommendation.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. My rebuttal testimony addresses several issues raised in the prefiled direct testimony of witnesses testifying on behalf of the Division of Public Utilities ("DPU").

- I first address DPU Witness David Thompson's recommendation that the amortization of the pension curtailment gain and the pension measurement date change transitional adjustment be allocated between utility labor and capitalized labor.

- I next address the DPU Witness Mark Garrett's recommendations regarding property tax expense.
- Finally, I express the Committee's agreement with the recommendations of Dr. Artie Powell regarding the Energy Trust of Oregon (ETO) adjustment.

<u>PENSION CURTAILMENT AND MEASUREMENT DATE CHANGE</u>

Q. PLEASE ADDRESS YOUR CONCERN WITH THE DPU'S RECOMMENDATION REGARDING THE ALLOCATION OF THE PENSION CURTAILMENT GAIN AND MEASUREMENT DATE CHANGE TRANSITIONAL ADJUSTMENT.

A. The amount of pension curtailment gain and the amount of the pension measurement date change transitional adjustment, along with the associated amortization periods, were agreed to between the parties with the resulting stipulated settlement approved by the Commission in Docket No. 08-035-93. In the Direct Testimony of DPU witness David Thomas, he states that: "Since this adjustment applies to Wage and Employee benefits it must be allocated between utility labor and capitalized labor." I disagree.

Q. WHY DO YOU DISAGREE WITH THE ALLOCATION BETWEEN UTILITY LABOR AND CAPITALIZED LABOR?

a. None of the amortization should be allocated to capitalized labor. Doing so would significantly reduce the net amortization benefit going to ratepayers and would, in my opinion, be in violation of the stipulation in Docket No. 08-035-93. As indicated in my prefiled direct testimony, beginning at page 27: "The full impact should flow through as a reduction to O&M expense as this is a historical curtailment gain that would not be allocated in any way to capital." As indicated on the same page, the amortization of the measurement change transitional adjustment should also be allocated entirely to expense with none being allocated to capital.

I agree that the amortization of the pension curtailment gain and the amortization of the measurement date change transitional adjustment could be allocated to the various accounts based on the allocation of labor costs so that the allocation to Utah can be derived. However, the amortizations should not be allocated to capital and non-utility. To do so would reduce the net benefits going to ratepayers and result in a windfall to the Company. The percentage of employee wages and benefits allocated to non-utility and capital in the Company's filing is 28.55%. Under the DPU's recommendation, the net amortization benefit to ratepayers would be reduced by 28.55%.

On its books, RMP will not be reducing plant in service or future plant additions for a portion of the amortization. The curtailment gain and the measurement date change are historic events and are not applicable to future capital expenditures. It would not be appropriate to allocate a portion of the amortization to future capital projects. Thus, 100% of the amortization should be allocated to expense accounts for purposes of deriving the impact on Utah rates.

Q. WHY DO YOU BELIEVE THAT THE ALLOCATION OF A PORTION OF THE AMORTIZATION TO CAPITAL WOULD VIOLATE THE STIPULATION IN DOCKET NO. 08-035-93?

A. Under the terms of the stipulation, as indicated in paragraph's 7 and 9, the amortization of the pension benefits and the amortization of the measurement date change transitional adjustment will be reflected in the Company's revenue requirement in the current general rate case, Docket No. 08-035-38. The allocation of a portion of the amortizations to non-utility and capital in the case would result in 28.55% of the amortizations not being reflected in revenue requirement, which would be a violation of the stipulation.

<u>**PROPERTY TAX EXPENSE**</u>

Q. IN YOUR PREFILED DIRECT TESTIMONY, YOU RECOMMENDED A REDUCTION TO RMP'S PROJECTED PROPERTY TAX EXPENSE.

DID THE DPU ALSO RECOMMEND AN ADJUSTMENT TO RMP'S PROJECTED PROPERTY TAX EXPENSE?

A. No, it did not. Property tax expense is addressed in the prefiled direct testimony of DPU witness Mark Garrett. Within his testimony, Mr. Garrett provides a paragraph discussing the tasks performed by his firm, The Garrett Group, in reviewing property tax expense in this case. At page 32, lines 649 – 654, he presents the findings of his review as follows:

> I found that the model used by the Company in the second supplemental filing reasonably approximated the Tax Commission's assessment methods. I also found that the property taxes for 2008 increased substantially over the 2007 levels and that the increase in the assessment and taxes was consistent with the increase in rate base between the two periods. I found that the Company's projected property tax expense is consistent with these models and the Company's projected rate base.

Q. DO THE FINDINGS FULLY ADDRESS THE CONCERNS RAISED BY THE COMMISSION IN ITS DECISION IN THE PRIOR GENERAL RATE CASE, DOCKET NO. 07-035-93?

A. No, they do not. In the Order on Reconsideration in Docket No. 07-035-93, dated October 13, 2008, Commission stated: "In future rate cases we request parties' comments on the Company's property tax estimation model and evaluation of its validity, assumptions, projections, and judgement contained therein." This statement was quoted in Mr. Garrett's testimony. In that same Order on Reconsideration, the Commission also stated that it "…received testimony that the Company frequently appeals tax assessments, special taxing situations exist, ultimate tax rates and taxes paid are affected by many factors, and in years 2006 and 2007 the Company over-budgeted property tax expense by $2.9 million and $16 million, respectively." The Commission also concluded that "…the Company's estimate of the 2008 future test period property tax expense is inadequately unsupported (sic) by relevant data and omits too many factors which should be considered in calculating the property tax expense for the same selected period." The Company used the same approach as that used in the prior general rate case, which focuses on projected assessments, in the current case. This is the same approach the Commission found inadequate in the last case. The Division's findings focus on the assessment model used by the Company and state that the Company's "…projected property tax expense is consistent with these models and the Company's projected rate base." What the Division did not address is the past inaccuracies of the projections under this approach, changing tax rates, special taxing situations, frequent appeals in assessments, past inaccuracies in projecting assessments by the Company, and other factors impacting the ultimate property tax expense. These issues were addressed in my prefiled direct testimony and will not be reiterated here.

Q. HAS MR. GARRETT'S TESTIMONY ON HIS REVIEW OF PROPERTY TAX EXPENSE AND HIS FINDINGS, CAUSED YOU TO MODIFY YOUR RECOMMENDATION?

A. No, I it has not. The testimony and recommendations made in my prefiled direct testimony remain unchanged.

ETO ADJUSTMENT

Q. DPU WITNESS DR. ARTIE POWELL RAISES MANY CONCERNS WITH THE ENERGY TRUST OF OREGON (ETO) CONTRIBUTION TO THE ABOVE MARKET COST OF THE GOODNOE HILLS WIND PLANT. HAVE YOU REVIEWED HIS TESTIMONY ON THIS ISSUE?

A. Yes, I have. Dr. Powell raises many valid points and concerns in his testimony. As discussed in the rebuttal testimony of Committee witness Cheryl Murray, it is the Committee's policy that the ETO funding issue should be considered in a separate docket. This is consistent with the recommendation of Dr. Powell that a separate docket be opened "…to allow for a thorough investigation into the implications of the ETO contributions, and allow parties an opportunity to make recommendations that could be implemented in a subsequent rate case or other appropriate proceeding." The Committee supports this recommendation.

Q. DOES THIS RECOMMENDATION HAVE AN IMPACT ON THE REVENUE REQUIREMENT IN THIS CASE?

A. Yes, it does. As indicated on page 28 of Dr. Powell's testimony, the Company's revenue requirement in this case should be reduced by approximately $1.1 million on a Utah allocated basis in order to remove the offset to the ETO contribution reflected by the Company in its Second

Supplemental Filing in this case. The reduction on a total Company basis, based on Company Exhibit RMP__(SRM-2SS), page 4.23.3, is $2,634,000. This recommendation has not yet been incorporated in the Committee's revenue requirement calculations. Thus, the Committee's recommended revenue requirement should be reduced approximately $1.1 million.

Q. DOES THIS COMPLETE YOUR PREFILED REBUTTAL TESTIMONY?

A. Yes.