

1 **Q. Please state your name, business address and present position with Rocky**
2 **Mountain Power (the “Company”), a division of PacifiCorp.**

3 A. My name is Gregory N. Duvall, my business address is 825 NE Multnomah St.,
4 Suite 600, Portland, Oregon 97232, and my present title is Director, Long Range
5 Planning and Net Power Costs.

6 **Q. Have you previously filed testimony in this case?**

7 A. Yes. I filed direct testimony, supplemental direct testimony and rebuttal testimony
8 in Phase I of this case. I also filed rebuttal testimony in Phase II-1 and
9 supplemental direct testimony and rebuttal testimony in Phase II-2 of this case.

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

11 A. My surrebuttal testimony responds to issues raised by the Utah Association of
12 Energy Users (“UAE”), presented in the testimony of Mr. Kevin C. Higgins; the
13 Division of Public Utilities (“DPU”), presented in the testimony of Mr. Charles E.
14 Peterson; and the Utah Industrial Energy Consumers (“UIEC”), presented in the
15 testimony of Mr. Maurice Brubaker.¹

16 **Summary of Testimony**

17 **Q. Will you please summarize the topics you will cover in your surrebuttal**
18 **testimony?**

19 A. In my surrebuttal testimony, I cover the following topics:

- 20 • Treatment of Renewable Energy Credit (“REC”) revenues – I respond to Mr.
21 Higgins’ unfair and biased proposal to pass 100 percent of the benefits of REC
22 revenues in excess of the amount included in present rates during the last general

¹ Unless otherwise noted, cites to testimony contained in this surrebuttal testimony refer to the testimonies filed with the Commission on September 15, 2010.

23 rate case to lower those rates while recommending that the Commission either not
24 approve an Energy Cost Adjustment Mechanism (“ECAM”) for net power costs
25 (“NPC”) at all or that it approve one with dead bands and sharing mechanism thus
26 ensuring that the difference in NPC will not be fully recovered. I note that the
27 Company’s proposal to include REC revenues in the ECAM would accomplish
28 Mr. Higgins’ goal of providing 100 percent of the benefits of REC revenues to
29 customers.

30 • Load growth adjustment mechanism – I respond to Mr. Peterson’s rationale for
31 including all revenues in his load growth adjustment mechanism and show that it
32 creates a mismatch between costs and revenues. I also respond to Mr. Brubaker’s
33 inequitable proposal to make the load growth adjustment one-sided under which
34 any over collection of retail revenues are returned to customers and any under
35 collection of revenues are absorbed by the Company.

36 • Cost allocation issues – I respond to Mr. Brubaker’s proposal to delay the
37 implementation of the ECAM until his perceived concern with inter-jurisdiction
38 allocation factors is addressed. This issue could have been addressed in UIEC’s
39 direct testimony but was not identified until the rebuttal portion of this design
40 phase. No other party raised it as an issue in any testimony, and Mr. Brubaker
41 offers no alternative solution.

42

43 **Treatment of REC Revenues**

44 **Q. Mr. Higgins' recommends that the Commission defer making any**
45 **determination regarding inclusion of REC revenues in the ECAM at this**
46 **time and rather rule on the proper ratemaking treatment of deferred REC**
47 **revenues in Docket No. 10-035-14, the Company's second major plant**
48 **addition case ("MPA II"). (Higgins Rebuttal, lines 24-33, 82-87, 92-125.) Do**
49 **you agree?**

50 A. No. As I have testified in my Supplemental Direct and Rebuttal Testimony in this
51 Phase of this Docket, REC revenues have many of the same characteristics as
52 NPC and are related to NPC and, if deferred, should be appropriately treated the
53 same way NPC is treated by including them in the ECAM. It is apparent that other
54 parties wish to treat REC revenues differently so that the dead bands and sharing
55 mechanisms they are proposing will not apply to them. They want to capture 100
56 percent of the benefit of these volatile revenues in excess of the amount included
57 in present rates during the last general rate case to lower those rates while
58 recommending that the Commission either not approve an ECAM for NPC at all
59 or that it approve one with dead bands and sharing mechanisms, thus ensuring that
60 the difference in NPC will not be fully recovered. (e.g., Higgins Rebuttal, lines
61 130-139.) This is an obviously unfair and biased approach and should be rejected
62 by the Commission.

63 Mr. Higgins' recommendation that ratemaking treatment of REC revenues
64 be dealt with in the MPA II docket is also inconsistent with the purpose of the

65 alternative method of rate recovery for major plant additions between general rate
66 cases. The purpose of the alternative is to remove any disincentive that the
67 Company might have to invest in major plant additions resulting from the fact that
68 it will not receive rate recovery for the additions until the next general rate case
69 and to reduce the number and frequency of general rate cases. This alternative is
70 clearly an authorized exception to the presumption that single-item rate cases are
71 generally not appropriate. The alternative mechanism authorizes a single-item rate
72 case dealing solely with the rate effects of major plant additions that go into
73 service in reasonable proximity to a general rate case where all other matters are
74 dealt with. Now, Mr. Higgins wants to stand that process on its head by
75 introducing another element into the case. If it is appropriate to include
76 consideration of the ratemaking treatment of REC revenues in the MPA II docket,
77 it is probably also appropriate to consider the ratemaking treatment of many other
78 items that have varied from the projections used in setting rates in the last general
79 rate case, including the significant variance in NPC that have occurred. In opening
80 the door to one exception to the single-item alternative for major plant additions,
81 the Commission would be opening the door to many other exceptions. The major
82 plant addition alternative should not become a tool for any rate adjustment
83 deemed appropriate by any party.

84 Finally, Mr. Higgins ignores the fact that the deferred REC revenues are
85 accruing interest at the same rate as deferred NPC and at the rate he recommends
86 for ECAM balances. If this is an appropriate rate for NPC and ECAM balances, it
87 is also an appropriate rate for REC revenues. Therefore, ratepayers will not be

88 harmed by either including REC revenues in the ECAM as the Company
89 recommends or deferring consideration of the ratemaking treatment of REC
90 revenues until the next general rate case.

91 **Q. Mr. Higgins claims that REC revenues should be treated differently because**
92 **UAE's application for a deferred accounting order for incremental REC**
93 **revenues preceded the Company's proposal to include REC revenues in the**
94 **ECAM. (Higgins Rebuttal, lines 90-91, 109-111.)**

95 A. The Company filed its application for approval of the ECAM on March 16, 2009.
96 This was over three months before the Company even filed its last general rate
97 case and was many months before the unexpected increase in REC revenues
98 started to take place in late 2009. The first phase of this case was devoted to the
99 issue of whether an ECAM was in the public interest. Phase II was designated as
100 the phase to address ECAM design issues. The Commission issued its order on
101 Phase I on February 8, 2010. UAE filed its application for deferred accounting
102 two weeks later, just after the Commission issued its order in the last general rate
103 case. Within several days of that filing, the Company stated in a scheduling
104 conference that while it opposed separate deferral of incremental REC revenues, it
105 was willing to consider inclusion of REC revenues in the ECAM. There was also
106 extensive discussion of this issue in connection with the drafting and filing of a
107 proposed scheduling order.

108 The next round of testimony filed in this case dealt with market reliance
109 and hedging. That testimony and the hearing on it consumed the next portion of
110 this case. Testimony on design issues was not due until August 4, 2010. This was

111 the proper place to make recommendations on the design of the ECAM including
112 the specific components to be included in it. Thus, while the Company's
113 recommendation was not made until August 4, 2010, it was made in a timely way
114 and was no surprise to anyone. There is no basis to suggest that there has not been
115 an opportunity to review this issue in this docket.

116 Finally, there is no first-in, first-out rule in ratemaking of which I am
117 aware. If there were such a rule, it would certainly require that the Commission
118 rule on and implement the ECAM long before it rules on and implements the
119 ratemaking treatment of the REC deferral. Given the long pendency of the ECAM
120 filing and the Company's logical and fair recommendation that REC revenues be
121 included in the ECAM, the Commission should not defer the issue for future
122 consideration as recommended by Mr. Higgins.

123 **Q. Mr. Higgins also suggests that consideration of REC revenues for inclusion**
124 **in the ECAM will preempt consideration on its merits of the ratemaking**
125 **treatment of the UAE application. (Higgins Rebuttal, lines 88-89, 111-114.)**
126 **How do you respond?**

127 A. Mr. Higgins ignores two things in this suggestion. First, UAE's application sought
128 deferral of incremental REC revenues and requested that their ratemaking
129 treatment be considered at some time in the future. The Commission granted the
130 application. There is nothing more to do on the application.

131 Second and more importantly, he ignores the fact that if the Commission
132 includes REC revenues in the ECAM as recommended by the Company,
133 ratepayers will receive the full benefit of incremental REC revenues. In other

134 words, if the Commission adopts the ECAM as proposed by the Company, there
135 is no need to have any detailed consideration of the merits of the ratemaking
136 treatment of incremental REC revenues. It is only because UAE and other parties
137 are not willing to afford REC revenues the same treatment as incremental NPC
138 that they oppose their inclusion in the ECAM and claim there is a need for
139 detailed consideration. The most logical and efficient way to deal with the issues
140 is to allow ratepayers the full benefit of incremental REC revenues by including
141 them in the ECAM as proposed by the Company. Ratepayers would receive no
142 greater benefit through a detailed consideration of the issue.

143 **Load Growth Adjustment Mechanism**

144 **Q. In Mr. Peterson’s rebuttal testimony, he presents the rational he used to**
145 **support his proposed load growth adjustment mechanism. What is his**
146 **rational?**

147 A. Mr. Peterson claims that at the margin, all of the Company’s costs are mostly
148 fixed except for NPC, and that his method will prevent the Company from
149 recovering twice for “these costs” in an ECAM. I presume his reference to “these
150 costs” refer to non-NPC costs.

151 **Q. Is this rationale sound?**

152 A. No. First, the Company’s dollar-per-megawatt-hour ECAM proposal ensures that
153 NPC revenues are not recovered twice. Including any additional portion of the
154 retail revenue that is meant to cover non-NPC expenses would result in a
155 mismatch between revenues and expenses unless the costs of these items were
156 also included in the ECAM along with the revenues. Mr. Peterson’s assumption

157 that all of the Company's costs are mostly fixed except for NPC may be true if
158 both of the following occur: 1) the test period in the most recent rate case is
159 perfectly aligned with rate effective period and 2) those rates are in effect for no
160 more than one year. His assumption is certainly incorrect over time. Both
161 customer growth and load growth can lead to increases in all costs.

162 **Q. Does Mr. Brubaker comment on the load growth adjustments proposed by**
163 **other parties?**

164 A. Yes. On page 19 of Mr. Brubaker's testimony, he proposes that any load growth
165 adjustment mechanism should be one-sided by only working to offset increases in
166 costs tracked through the ECAM. This proposal fails any equity test and should be
167 rejected by the Commission for that reason alone.

168 **Q. What is Mr. Brubaker's criticism of the load growth adjustment**
169 **mechanisms?**

170 A. He claims it is not reasonable to compensate the Company for a decline in sales
171 revenues due to economic downturn or below normal weather in terms of heating
172 degree days and/or cooling degree days through an ECAM. Presumably this is
173 due to a concern that the load growth adjustment mechanism is a form of
174 decoupling. Whatever Mr. Brubaker's reason, his solution is to make the load
175 growth adjustment one-sided. A more appropriate solution would be to reject the
176 load growth adjustment altogether.

177

178 **Cost Allocation Issues**

179 **Q. On page 18 of Mr. Brubaker's testimony, he suggests it is premature at this**
180 **time to adopt an ECAM because of the failure to address the allocation of all**
181 **the costs that are proposed to be included in the ECAM. How do you**
182 **respond?**

183 A. First, it is not premature to adopt an ECAM at this time since this is the design
184 phase of the ECAM as ordered by the Commission. Second, there has not been a
185 failure to address the allocation of all costs that are proposed to be included in the
186 ECAM. The allocation of costs proposed by the Company has been available for
187 parties to review since March 16, 2009, when the Company filed its direct
188 testimony in this docket. To date, the Company's proposed allocation method has
189 gone unchallenged. This issue was not raised as a concern in the direct testimony
190 of Mr. Brubaker or any of the other parties direct testimony in this phase of the
191 case and is brought up for the first time by Mr. Brubaker in his rebuttal testimony.

192 **Q. What is Mr. Brubaker's concern about cost allocation?**

193 A. Mr. Brubaker raises a potential concern that the per kilowatt-hour method
194 proposed by the Company may not be appropriate since the allocation of NPC
195 under the current allocation methodology is partly on a kilowatt-hour basis and
196 partly on a 75 percent demand and 25 percent energy basis, yet provides no
197 evidence that his concern is valid or has any material impact on cost allocation. In
198 addition, he recommends delaying the implementation of the ECAM until this

199 issue is addressed and has proposed no alternative cost allocation method to
200 address his perceived concern.

201 **Q. Is Mr. Brubaker’s concern valid?**

202 A. No, his concerns are not valid for several reasons, including the following:

- 203 • First, the Company’s ECAM proposal does not allocate costs, so Mr.
204 Brubaker’s claim is an inaccurate characterization of the Company’s proposal.
- 205 • Second, the Revised Protocol is used to allocate base NPC while the kilowatt-
206 hour method proposed by the Company only applies to the difference between
207 base NPC and actual NPC. The Company does not propose to change the
208 allocation of base NPC.
- 209 • Third, in the Company’s last general rate case in Utah, it filed for base NPC of
210 \$999 million, of which \$1,097 million were allocated on the System Energy
211 (“SE”) factor². The implication of this is that all of the components of NPC
212 allocated on the System Generation (“SG”)³ and other factors netted to a
213 reduction to base NPC of \$98 million.
- 214 • Fourth, the kilowatt-hour method is applied to both the base NPC and the
215 actual NPC. This symmetric application of the kilowatt-hour method to the
216 difference between base NPC and actual NPC minimizes any chance of a
217 mismatch between the allocation of in-rates and actual costs.

² The SE factor is the same as the “kilowatt-hour basis” referred to by Mr. Brubaker.

³ The SG factor is the same as the “75 percent demand and 25 percent energy basis” referred to by Mr. Brubaker.

218 • Fifth, the difference between the Utah SE and SG factors in the Company's
219 last Utah general rate case was 0.13 percent. Allocating costs that net to \$98
220 million on an allocation factor that is 0.13 percent different than the SE factor
221 would likely produce a small number, which could either increase or decrease
222 the allocation of actual NPC to Utah. However, Mr. Brubaker provides no
223 detail on how an alternative allocation method would work so the Company is
224 unable to determine the impact of his proposal.

225 **Q. What do you recommend?**

226 A. The Commission should reject Mr. Brubaker's proposal (i.e., that it is premature
227 to adopt an ECAM since the allocation issue has not been addressed) because it
228 has been addressed in the design of the ECAM and because of the reasons
229 identified above. This design feature has been known to parties since March 16,
230 2009. No party has presented an alternative proposal to the kilowatt-hour
231 allocation method included in the ECAM design. The Company's kilowatt-hour
232 method should be adopted by the Commission because it is uncontested by all
233 parties other than UIEC and it alleviates the need to adjust for load and changes
234 and allocation factors.

235 **Miscellaneous**

236 **Q. Mr. Brubaker lists 16 findings and recommendations beginning on page 2 of**
237 **his rebuttal testimony. Do you have any observations about these items?**

238 A. Yes. UIEC waited until they filed their rebuttal testimony to raise these issues.
239 Mr. William R. Griffith and I have addressed a few of these issues in our
240 surrebuttal testimonies. The bulk of the remainder of Mr. Brubaker's findings and

241 recommendations simply reiterate issues that were identified in the direct
242 testimony of other parties in this phase of this proceeding and have already been
243 addressed by the Company in its rebuttal testimonies. Issues 1 through 3 on Mr.
244 Brubaker's list raise issues that were fully addressed in the hedging and market
245 reliance phase of this proceeding where UIEC presented no witness.

246 **Q. Does this conclude your testimony?**

247 A. Yes.