Witness OCS – 2R

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. 09-035-23** **Rebuttal Testimony of Donna Ramas For the Office of Consumer Services**

November 12, 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 SUBMITTED DIRECT TESTIMONY IN THIS DOCKET ON OCTOBER 8, 2009?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I am addressing some of the positions taken by the Department of Public Utility (DPU) witnesses in their direct testimony filed on October 8, 2009. Specifically I will be addressing:

(1) Brenda Salter's recommended adjustments to uncollectible account expense, unspent environmental remediation funds held by PERCO, and green tag revenues;

(2) Dave Thompson's recommended adjustment to rent expense; and

(3) Matthew Croft's proposed adjustment regarding the allocation of Washington Public Utility Taxes.

Each of the above referenced issues will be addressed below.

Uncollectible Expense

Q. COULD YOU PLEASE SUMMARIZE MS. SALTER'S PROPOSED ADJUSTMENT TO UNCOLLECTIBLE EXPENSE?

A. In her direct testimony, beginning at line 173, DPU witness Brenda Salter addresses the uncollectible expense incorporated in RMP's filing. In her testimony, Ms. Salter recommends uncollectible expense be reduced by $1,542,930 to $3,635,335. The recommended reduction is based on applying the three-year average percentage of Utah specific net write-offs to Utah general business revenues, which results in an average uncollectibles rate, to the test year ended June 2010 general business revenues. Based on Ms. Salter's testimony, the resulting three-year average uncollectibles rate using the period 2006 through 2008 is 0.247%, which is lower than the uncollectible rate incorporated in the filing of 0.352%.

Q. DO YOU AGREE THAT USE OF AN AVERAGE UNCOLLECTIBLES RATE IS AN APPROPRIATE AND REASONABLE METHODOLOGY FOR PROJECTING UNCOLLECTIBLE EXPENSE?

A. Yes. The use of an average uncollectible rate based on the percentage of net write-offs to revenues is a reasonable methodology both for normalizing and for projecting uncollectibles expense. Typically, the level of uncollectible expense will fluctuate from year to year and use of an average approach in estimating uncollectibles expense can result in a normalized level for inclusion in rates.

Q. HAS THE UNCOLLECTIBLES RATE EXPERIENCED BY RMP IN ITS UTAH JURISDICTION FLUCTUATED IN RECENT YEARS?

A. Yes. As pointed out by Ms. Salter in the table at Line 239 of her direct testimony, the uncollectibles rate was 0.216% in 2006, decreased slightly to 0.213% in 2007, then increased to 0.312% in 2008.

Q. GIVEN THE LARGE INCREASE IN THE UNCOLLECTIBLES RATE IN 2008, IS THE THREE-YEAR AVERAGE RATE RECOMMENDED BY MS. SALTER A REASONABLE EXPECTION FOR THE TEST YEAR?

A. Based on actions taken by the Company to control and mitigate its uncollectibles, it is reasonable to assume that the uncollectibles rate should decline from the rate experienced by the Company in the base year in this case of 0.312%. As indicated by Ms. Salter at lines 198-207 of her direct testimony, the Company has indicated that it has a targeted uncollectible rate of 0.27% of retail revenue. Additionally, in response to OCS Data Request 16.10(a), the Company has implemented several new strategies to reduce uncollectible debt. The strategies recently implemented include the following:

"- Launch widespread communications encouraging customers to contact the Company early for help in managing their bills. This

> included media updates, winter energy efficiency posters that were distributed by local customer and community managers, and television and radio spots.
> - Additional refresher training was given to call center agents on energy efficiency. This training will better enable call center staff to help customers with high bills.
> - Continuing to partner with low income agencies to ensure customers receive any Federal Energy Assistance Funds or fuel funds that may be available.
> - Deliver 48-hour notices year-round. Rather than disconnect services after a mailed final notice, the Company will leave a 48-hour notice in place of disconnecting the service. This allows customers time to contact the Company to make payment arrangements.
> - Review financial status of non-managed and managed business customers and obtain deposits as appropriate. Customers are researched using Web tools to locate financial information.
> - Maintain third party collection agency performance at a high level."

Based on the Company's stated uncollectible rate target and the efforts referenced above, I agree with Ms. Salter that the uncollectible expense and the uncollectibles rate included in the Company's filing are too high and should be normalized. Thus, a reduction to both the uncollectibles rate and uncollectible expense incorporated in the test year in RMP's filing is appropriate.

<u>Environmental Settlement (PERCO)</u>

Q. AT LINES 134 THROUGH 171 OF HER DIRECT TESTIMONY, MS. SALTER RECOMMENDS AN ADJUSTMENT TO THE UNSPENT ENVIRONMENTAL REMEDIATION FUNDS AT PERCO THAT OFFSET RATE BASE. DO YOU AGREE THAT THIS ADJUSTMENT IS APPROPRIATE?

A. Yes, I find Ms. Salter's testimony on this issue to be highly compelling. The unspent environmental remediation funds are reflected as an offset to rate base in the Company's general rate case filings. As environmental remediation funds are spent, the balance is reduced. In projecting the offset to rate base in the current case, the Company began with the actual balance at the end of the base period, December 31, 2008 of $9,800,860. It then projected that it would spend $6.3 million in 2009 and $2.4 million in 2010, resulting in a projected average test year balance of unspent funds of $4,492,062.

As pointed out in Ms. Salter's direct testimony, at lines 136 – 146, the Company has over-projected the environmental expenditures in the past and for 2009 based on available year-to-date information. The projected annual expenditures for 2009 incorporated in the Company's filing of $6.3 million are significantly higher than actual expenditure levels for the past three-years. Based on the Company's October 26, 2009 response to DPU Data Request 56.3, the actual expenditures for 2009 through September were $1,352,609, which is significantly lower than the projected 2009 expenditures of $6.3 million.

Based on Ms. Salter's testimony, the actual environment remediation expenditures for the period 2006 through 2008 were $2,625,184, $1,478,413 and $2,706,522, respectively. In deriving her adjustment, Ms.

Salter recommends that the forecasted expenditures incorporated in the Company's filing be replaced with the actual expenditures through June 2009 and expenditures for the twelve-months ended June 30, 2010 based on the average of actual expenditures for the period 2006 through 2008 of $2,270,040. This results in a $3,294,088 reduction to rate base on a total Company basis. Given the over-projections in the past coupled with the 2009 expenditures to date, I agree that Ms. Salter's approach is reasonable in this case.

Q. DO YOU RECOMMEND ANY REVISIONS TO MS. SALTER'S RECOMMENDED ADJUSTMENT?

A. Yes. Subsequent to Ms. Salter's testimony being filed, RMP provided the actual environmental remediation expenditures through September 30, 2009 in response to DPU Data Request 56.3. As mentioned above, Ms. Salter's recommended adjustment incorporated actual expenditures through June 30, 2009. I recommend Ms. Salter's adjustment be updated to reflect the impact of actual expenditures through September 30, 2009. For the remaining months in the test year in this case, October 1, 2009 through June 30, 2010, I recommend that Ms. Salter's proposed annual expenditure level of $2,270,040 be used with a factor of 9/12ths applied. As shown on Exhibit OCS-2.1(Rebuttal), attached to this rebuttal testimony, the result is a recommended average test year environmental remediation offset to rate base of $7,833,446 on a total Company basis and $3,236,388 on a Utah jurisdictional basis. This is a reduction of $3,341,384 ($1,380,439 Utah basis) to the amount incorporated in RMP's filing, and slightly higher than Ms. Salter's recommended reduction of $3,294,088 (total Company).

<u>Green Tag Revenues</u>

Q. THE DPU RECOMMENDED AN INCREASE IN GREEN TAG REVENUES OF $4,531,093 ON A TOTAL COMPANY BASIS AND $1,863,658 ON A UTAH ALLOCATED BASIS. IN YOUR OPINION, IS THIS ADJUSTMENT SUFFICIENT?

A. No, it is not. As addressed in my direct testimony filed on October 8, 2009, a larger adjustment to RMP's filing of $11,163,691 ($5,787,680 Utah basis) is warranted. I do agree with DPU witness Brenda Salter that the green tag sales price of $3.50 per REC incorporated by RMP in its filing is significantly understated. However, I have recommended a rate that is higher than the $5.27 per REC rate recommended by the DPU. Ms. Salter's recommended rate is based on an average sales price for 2008, while I have recommended a different rate be used. The OCS' recommended rate per REC is addressed in my confidential direct testimony at page 23, line 503 through page 25, line 548.

The OCS has recommended several additional adjustments to the projected green tag revenues incorporated in the Company's filing which were not addressed by the DPU. In my pre-filed direct testimony, I also recommended that the percent of available wind-related MWh sold incorporated in the Company's adjustment be increased from 75% to 85%. I also recommend that the projected test year include $2,340,000 associated with the sale of Green Tags generated from production output from the geothermal facilities - Blundell Units 1 and 2. I recommended an additional adjustment to green tag revenues in the confidential section of my direct testimony at lines 577 through 616. I continue to recommend all of the green tag revenue adjustments presented in my direct testimony, resulting in an increase in green tag revenues of $5,878,680 on a Utah basis.

Rental Expense

Q. WOULD YOU PLEASE DISCUSS THE DPU'S RECOMMENDED ADJUSTMENT FOR RENTAL EXPENSE?

A. At lines 145 through 153 of his direct testimony, DPU witness David Thomson recommends that rental expense associated with unused or vacant office space be removed from the test period. This is consistent with adjustments recommended by the DPU in prior rate cases. I agree with Mr. Thomson that the Company's customers should not be required to pay for unused or vacant office space and that such costs should be excluded. Mr. Thomson recommends that test year expenses be reduced by $463,811 ($191,625 Utah basis).

In Company Data Request 3.5 to the DPU, the Company inquires whether the DPU is aware that the Lloyd 700 Building – Suites 500 and 519 lease expired June 2008, and that Mr. Thomson's adjustment removes a full year of lease expense instead of the six months booked in the base period. With the information I currently have available, I was unable to confirm the Company's contention that only six-months of expense were included in the base period. In DPU Exhibit 4.3.1, base year expenses were reduced by $290,092 for this lease and test year expenses were reduced by $298,795 after application of a 3% inflation factor. If the Company provides information in its surrebuttal testimony that confirms the assertion that only six months of expense was included in the base period for the Lloyd 700 Building, Suites 500 and 519, then Mr. Thomson's adjustment should be reduced by $149,397 ($298,795 x 50%) on a total Company basis or $61,724 on a Utah basis, resulting in a revised reduction to test year expenses of $129,901. Again, this reduction to Mr. Thomson's adjustment is contingent upon RMP providing supportive documentation for its assertion that the base period only included six months of expense for the Lloyd 700 Building – Suites 500 and 519 lease.

Washington Public Utilities Tax

Q. DPU WITNESS MATTHEW CROFT RECOMMENDED THAT COSTS ALLOCATED TO UTAH FOR THE WASHINGTON PUBLIC UTILITY TAX BE REMOVED FROM TEST YEAR EXPENSES. COULD YOU

PLEASE SUMMARIZE YOUR UNDERSTANDING OF HIS RECOMMENDATION?

A. At lines 23 through 75, DPU witness Matthew Croft addresses the allocation to the Utah jurisdiction of the Washington Public Utility Tax (WPUT), indicating that the Company allocated the tax to Utah ratepayers using the System Overhead (SO) allocation factor. The total WPUT tax included in the test year was $9.3 million, with $3.9 million allocated to the Utah jurisdiction. Mr. Croft indicates that the tax is based on the Company's Washington related gross income. Mr. Croft recommends that the WPUT be assigned 100% situs to the state of Washington as the tax only benefits the people of Washington. This results in a recommended reduction to expenses, on a Utah basis, of $3,851,132.

Q. IS THERE ANY ADDITIONAL INFORMATION THE COMMISSION SHOULD CONSIDER IN EVALUATING MR. CROFT'S RECOMMENDED ADJUSTMENT?

A. Yes. I recommend that the Commission also take into consideration how the Washington Public Utility Tax was treated in the Company's recent rate case filing in the State of Washington. In PacifiCorp's current general rate case filing before the Washington Utilities and Transportation Commission, Docket No. UE-090205, in Exhibit No.__(RBD-3) at page 7.10, the Company allocated 100% of the Washington Public Utility Tax situs to the State of Washington. While the Company utilizes a different jurisdictional allocation methodology in the State of Washington, the West Control Area methodology, it is relevant to note in evaluating this issue that 100% of the WPUT was allocated to the state of Washington and not based on a system allocation factor in the Company's Washington rate case filing.

Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?

A. Yes.