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** **DPU Exhibit No. 5.0SR**

Surrebuttal Testimony of

Joseph Mancinelli
Witness 5.0SR

For the Division of Public Utilities

Department of Commerce

State of Utah

November 30, 2009

I. INTRODUCTION

Q. Please state your name and occupation.

A. My name is Joseph Mancinelli. I am employed by R. W. Beck as Vice President of the Management and Economics Consulting practice.

Q. Have you submitted Rebuttal and Direct Testimony in this proceeding?

A. Yes. I submitted Direct Testimony on October 8, 2009 and Rebuttal Testimony on November 12, 2009.

Q. What is the purpose of your Surrebuttal Testimony?

A. In my surrebuttal testimony I will address the following issues:

1. In Mr. Paice's rebuttal testimony he takes exception to my comments concerning the ease of use and transparency of the Rocky Mountain Power (RMP or Company) Cost of Service (COS) model. I will clarify my comments pertaining to the RMP COS model and the Logan Model.
2. Mr. Paice, Mr. Brubaker, and Mr. Higgins all take general exception to my proposed recommendations related to functionalization, classification and allocation adjustments to the RMP model for a variety of reasons. Arguments used by these witnesses to refute my recommendations can be categorized as follows:
    a. Use of better information. RMP may have better information to functionalize, classify and allocate costs at the Company level, therefore, it is justified to change assumptions surrounding cost causation in the RMP COS as compared to the Jurisdictional Allocation Model (JAM). Mr. Paice makes this argument and points

to the MSS allocator as an example. I will clarify my functionalization and classification proposal and re-examine the MSS allocator.

b. Lack of analysis. Mr. Brubaker argues that analysis must support any changes to cost of service. He confuses the proper calculation of allocation factors with the proper application of such factors. I will explain the difference and clarify the scope of my testimony.

c. Different Data. Mr. Brubaker argues that class usage data at the Company level differs substantially from the jurisdictional level. This difference warrants different cost of service treatment between the RMP COS Model and the JAM model. I will explain why this may be true with respect to the application of class allocation factors but not so when functionalizing and classifying costs.

d. Cost allocation issues have already been decided. Each witness points to a variety of prior Commission rulings or working group recommendations as the basis for not making changes to the RMP COS. I will show that these prior rulings and/or decisions do not prohibit making continued improvements to the RMP COS model.

3. Mr. Paice, Mr. Brubaker, and Mr. Higgins all take general exception to my recommendations with respect to the classification and allocation of PacifiCorp wind resources using many of the arguments described above. Mr. Paice and Mr. Higgins point to prior decisions of the Multi-State Process (MSP) working group recommending use of the F10 – Coincident Peak, System factor (F10) for all production and transmission assets. The F10 factor classifies generation fixed costs as 75% demand-related and 25% energy-related compared to my recommendation of classifying wind

assets as 100% energy-related. These witnesses, therefore, argue that changes to the classification and allocation of costs related to wind resources cannot be made without the MSP working group approval.. Additionally, Mr. Brubaker claims that there is no basis for changing wind allocation factors without supporting analyses. Taking this feedback into consideration, I will clarify my recommendation with respect to wind.

RMP COS MODEL COMPARED TO THE LOGAN MODEL

Q. Mr. Mancinelli, in Mr. Paice's rebuttal testimony he takes exception to your comments regarding the ease of use and transparency of the RMP cost of service model and states that the RMP model is a useful tool to those who are trained properly. How do you respond to his comments?

A. I want to make it clear that my comments related to the RMP cost of service model (RMP COS model) are not related to training. I attended, either in person or by phone, all three of the Company training sessions that were conducted between June 11, 2009 and August 6, 2009. I found the sessions helpful in that they furthered my understanding of model logic and operation. Additionally, at that time, all parties were exposed to Dr. Logan's cost of service model (Logan model) which very closely replicates RMP model results. Upon review of the Logan model by RMP, RMP indicated that the model was an acceptable alternative to the RMP COS model. My review of Dr. Logan's model compared to the RMP cost of service model indicated that the models are designed and operated considerably different yet rendered similar results. Both the Logan model and the RMP COS model are Excel based, however the RMP COS model contains numerous macros which manipulate data through various algorithms and create multiple reports that contain

pasted numeric values with no traceable logic. Conversely the Logan model contains no macros and all model logic used to functionalize, classify and allocate the RMP revenue requirement is easily visible and traceable. DPU Exhibit 5-1SR shows a simplified one-line diagram of the RMP COS model and the Logan Model. As indicated in these diagrams, the Logan model logically follows the cost allocation process from the JAM to the class level, Schedule Allocation Model (SAM) in a straight forward manner. One can trace logic throughout the model without multiple macro iterations as required by the RMP COS model. The model structure of the RMP COS model prevents a comprehensive review of model logic short of recreating the model as Dr. Logan has. Both models render similar results but through very different methods.

With this in mind, I believe the Logan model is a better tool for the purposes of reviewing and making adjustments to the RMP cost of service in a regulatory environment. I agree with RMP's assertion that the RMP COS model has a variety of uses internal and external to the Company. For RMP, the COS model is the tool of choice. However, in a public proceeding such as this, the added transparency gained by the Logan model is highly valuable.

Q. Mr. Paice takes exception to your direct testimony pages 6-7 lines 97-110 particularly with respect to the following statement: "In the RMP COS model, the explicit classification of cost is not directly identified at the functional level and could be considered skipped." Mr. Mancinelli, could you please clarify your statement?

A. Yes. Clearly the RMP COS model functionalizes and classifies costs, although cost classification is presented in the "Func Study" tab in the RMP COS model for only the

generation and transmission functions but not so for the distribution, retail and miscellaneous functions. Generation and transmission function costs are classified between demand and energy. Typical distribution function costs are classified as both demand-related and customer-related but this information is not included in the "Func Study" tab. My skipping comment refers to the fact that allocation of the revenue requirement to the rate classes is performed in the "Hot Sheet" tab for each unbundled function (generation, transmission, distribution, etc.) as shown in DPU Exhibit 5-1SR. The "Hot Sheet" relies only on the RMP functionalized revenue requirement by FERC account as calculated in the "Func Study" tab. As a result, there is no explicit recognition of the underlying cost classification in the "Hot Sheet". The recognition of cost classification is implicit within the allocation factors used for the various cost accounts. In certain cases, such as the generation and transmission function, where the F10 factor is used heavily, the underlying cost classification associated with the F10 factor is easy to discover (75% Demand and 25% Energy). However, when other allocation factors are used, it is very difficult to discover this information, as is the case with many distribution function cost accounts.

CONSISTENCY OF JAM AND RMP COS ALLOCATION METHODS

Q. Mr. Mancinelli, in your earlier testimony you list four arguments that various witnesses have used to suggest that the application of cost of service principals can differ from the JAM to the RMP COS. The first argument is related to better information, as is made by Mr. Paice of RMP. Mr. Paice states that the RMP cost of service does not have to agree with the JAM if better information exists. Do you agree with this statement?

A. With respect to the functionalization and classification of costs, I do not agree. With respect to the application of allocation factors, there can be some flexibility within the boundaries of cost classification.

Q. Please explain further.

A. A cost of service analysis should always consider specific information that would improve the end result. Under optimal circumstances, maximum use of direct assignment would yield the best possible cost of service result. However, the ability to directly assign costs to specific functions and specific customer classes is limited under accounting methodologies. Therefore a cost of service analysis must contain numerous allocations to assign costs to the various rate classes. For PacifiCorp this is done in two steps, first at the jurisdictional level in the JAM, and second, at the class level in the RMP COS model. Given that the revenue requirement input into the RMP COS model is nothing more than an allocation of jurisdictional costs, I recommend that the functionalization and classification of costs in the JAM and RMP COS models remain as consistent as possible. Within the limits of the various cost classifications (demand, energy, customer, etc.), it is appropriate to allocate costs to the classes using different approaches that make sense for RMP customers. However, changing the functionalization and classification of costs in the RMP COS compared to the JAM does not render a better result but only shifts costs in a manner inconsistent with cost incurrence as stipulated by JAM. Mr. Paice indicates that such a shift can occur if there is better information at the Company level compared to the jurisdictional level. Further, he describes the source information supporting the functionalization and classification of costs in the rebuttal testimony page 28, lines 642-

661. Further, Mr. Paice in his rebuttal testimony, specifically discusses Account 154-Material and Supplies as an example of where better information justifies use of an allocation method that is inconsistent with JAM functionalization factors. To illustrate my point, I have developed DPU Exhibit 5-2SR which compares the functionalization, classification and allocation of Account 154-Material and Supplies between the JAM and RMP COS. As shown in the exhibit, there is little cost of service consistency between the two models. It makes little sense that material and supply costs functionalized as generation and classified as energy in the JAM as is sub account 154 SE are then functionalized as generation, transmission, and distribution in the RMP COS and then classified and allocated to the rate classes based on gross plant. By doing so the cost class responsibility is out of sync with the determination of the revenue requirement. Either the JAM or the RMP COS must be adjusted to properly reflect the correct underlying functionalization and classification information as contained in the business warehouse database. .

Q. A second argument against consistency in allocation methodology between the JAM and RMP COS model pertains to lack of analysis or inconsistencies surrounding the development of certain allocation factors. Mr. Brubaker points to significant discrepancies in the development of jurisdiction demand and class demand allocation factors in the JAM and RMP COS Model. Given these discrepancies, Mr. Brubaker proposes that no changes in cost of service methodology be made in the RMP COS model until these differences have been resolved. What is your response to Mr. Brubaker's position?

A. Getting the cost of service correct is a matter of accurately developing various allocation factors and then properly applying these allocation factors to all aspects of the revenue requirement. Mr. Brubaker is comingling these two concepts and arguing that issues surrounding the proper calculation of allocation factors should override any discussion of proper application. I disagree with this reasoning as the application of allocation factors is independent of its derivation and should be evaluated as such. For example, it is appropriate to allocate the demand-related costs associated with generation assets on the basis of coincident peak. This is a fundamental cost causation principle and should be applied correctly in a cost of service study even if the calculation of coincident peak by class may be in error. In my evaluation of the RMP COS model, I focused exclusively on the application of existing allocation factors and did not review the underlying calculations.

Q. A third argument against consistency in allocation is the fact that there is different data at the jurisdictional level compared to RMP customer class level. Mr. Brubaker describes these differences related to monthly coincident peaks. He describes differences between jurisdictional demands compared to class demands. How can you reconcile this fact with your testimony?

A. Remember that the RMP revenue requirement is nothing more than an allocation of PacifiCorp company costs to the various jurisdictions. The RMP revenue requirement is not a direct assignment reflecting actual RMP costs. Therefore, the RMP Test Year revenue requirement is derived based on the underlying cost causation of RMP ratepayers as reflected in the JAM allocators. If RMP deviates from the functionalization, classification and allocation of PacifiCorp costs as dictated in JAM, then the relationship

between cost causation and cost responsibility is broken. As I have said earlier in my testimony, deviation from JAM allocators renders a different answer but not a better one. With this in mind, I do believe that it is acceptable to use different class allocation factors at the class level compared to the jurisdictional level as a matter of policy as long as the allocation factors honor the underlying cost classification. For example, the RMP system has a pronounced summer peak. Allocation of demand related cost in JAM are based on the jurisdiction's annual contribution to the PacifiCorp system peak (12 CP). Using the 12 CP approach in the RMP COS may align well with JAM but does not consider seasonality, which is more pronounced on the RMP system than the greater PacifiCorp system. Use of the 12 CP in the RMP COS does not accentuate seasonality in the cost of service analysis and the corresponding rates. To improve the summer/winter cost differential it may be appropriate to allocate demand related costs in the RMP COS model based on a 3 or 4 CP. Although strictly deviating from the JAM, the alternative demand allocation promotes a desired end result giving consideration to customer usage characteristics specific to the RMP system.

Q. A fourth argument against consistency in allocation is the fact that allocation issues between the JAM and RMP COS model have already been decided by the Commission in prior rulings, or have been previously agreed to by all parties participating in the COS review committee. Mr. Mancinelli how do you respond to these statements?

A. In the rebuttal testimony of Mr. Paice, he refers to Proposal No. 9 from the December 15, 2005 Utah Cost of Service and Rate Design Task Force. The task force achieved general

consensus regarding the use of the F10 Factor in lieu of seasonal allocation factors (presumable F14-Season System Generation – CT & F16-Season System Generation - Cholla) used prior to that time.

In the rebuttal testimony of Mr. Chernick, he refers to the genesis of the JAM allocation factors and suggests that the JAM allocators were derived in a manner to reach consensus among the various states participation in the MSP and do not necessary reflect cost causation. Additionally, Mr. Chernick references Docket 97-035-01 (Commission Report and Order 113) issued on March 4, 1999 which states with respect to allocation issues:

> "Many cost allocation issues arise in the Docket. Submitted cost-of-service studies reveal the importance of them in surprising shifts in class cost-of-service responsibility, when compared to the results of earlier studies. With certain exceptions, the issues we identify are of a technical rather than a policy nature, making them good candidates for the technical workshop approach we envision.
>
> The very basis for task force evaluation of allocations must be that all functionalization, classification, and allocation decision are correct. This means that the decisions flow from an acceptable characterization of the engineering economics of integrated, single system operation. We expect the task force to assure us that this is so. We also want to insure that these fundamental cost-of-service decisions are applied consistently at interjurisdictional and class levels. The task force therefore should address changes to interjurisdictional allocation method that may be necessary. Moreover, we see no reason why the added stop of functionally unbundling cost of service should alter the apportionment of cost of service to classes that results from a properly conducted, but not unbundled, cost-of-service study. In our view, these presumptions must hold unless good and sufficient cause shows otherwise."

In the rebuttal testimony of Mr. Brubaker, he refers to the Docket 09-035-23 Order dated October 19, 2009 that (i) requested RMP and other interested parties to evaluate the continued use of the 2004 Stipulation terms in the development of the Utah revenue

requirement, and (ii) whether there are alternatives to the 2004 Stipulation such as the Rolled-in method. This order was subsequently stayed on November 9, 2009. Mr. Brubaker argues that,

> "While the ultimate resolution of these issues cannot currently be known, the fact that the Commission has raised these issues about the current jurisdictional allocation model should give one further cause for concern, and reason to pause, in the extension of the application of this methodology even further for use in allocation between customer classes."

Each witness does a good job of explaining the rationale behind the use of the current allocation factors in the RMP COS model. However, I make the following observations:

1. Commission Order 113 states, "We also want to insure that these fundamental cost-of-service decisions are applied consistently at interjurisdictional and class levels." The Order allows deviation of this principal only if there is good and sufficient cause showing otherwise. The tone of the Commission Order emphasizes the proper application of cost of service principles and consistency between the JAM and the RMP COS to the greatest extent possible. Based on my review of the current cost allocation approach in both the JAM and RMP COS models, I believe that certain costs are out of alignment given assumptions in the JAM model. In 1999 the Commission suggested a technical workshop to discuss and review cost-of-service issues. I believe another technical workshop is warranted to review the cost of service process and determine if the current cost of service methodology remains in alignment with the cost of service principals described in Order 113.
2. Mr. Paice justifies the use of the F10 factor for all generation and transmission fixed costs based on the December 15, 2005 Utah Cost of Service and Rate Design Task

Force, Proposal No. 9 (Proposal 9). However, a review of comments related to the recommendation of Proposal No. 9 indicated that several participants had concerns regarding the effectiveness of the proposed F10 factor in creating a seasonal cost differential that would in-turn further support seasonal rates. Examining the impact of applying a F10 factor on seasonal generation identified in JAM, it is easy to determine that the application of the F10 factor on these generation resources actually reduce the seasonal cost differential rather than improve the situation. This is shown in the following tables which compare the seasonal allocation of Combustion turbines and Chollas/APS in the JAM with that used in the RMP COS:

Jurisdictional Allocation Model – Allocation of Summer CTs – SSGCT Factor
(Total System) Source: Paice Direct Testimony and Supporting Exhibits

Month	Demand	Energy	SSGCT Factor
January	0%	0%	0%
February	0%	0%	0%
March	0%	0%	0%
April	0%	0%	0%
May	0%	0%	0%
June	0%	0%	0%
July	37.1%	37.8%	37.30%
August	38.8%	39.0%	38.83%
September	24.1%	23.2%	23.88%
October	0%	0%	0%
November	0%	0%	0%
December	0%	0%	0%
Total	100%	100%	100%

RMP COS Model – Allocation of Summer CTs Using F10 Factor
(Total System) Source: Paice Direct Testimony and Supporting Exhibits

Month	Demand	Energy	F10 Factor
January	11.1%	9.8%	10.8%
February	10.5%	9.8%	10.3%
March	8.1%	8.4%	8.2%
April	6.7%	7.9%	7.0%
May	7.7%	7.8%	7.7%
June	9.1%	8.5%	8.9%
July	7.8%	8.4%	8.0%
August	8.1%	7.5%	8.0%
September	6.5%	7.8%	6.8%
October	6.9%	7.6%	7.0%
November	7.4%	7.9%	7.5%
December	10.1%	8.6%	9.8%
Total	100.0%	100.0%	100%

Jurisdictional Allocation Model – Allocation of Cholla & APS – SSGCH Factor
(Total System) Source: Paice Direct Testimony and Supporting Exhibits

Month	Demand	Energy	SSGCH Factor
January	14.7%	15.2%	14.8%
February	10.8%	10.3%	10.7%
March	4.4%	4.6%	4.4%
April	8.1%	8.3%	8.1%
May	6.0%	5.9%	6.0%
June	4.0%	3.8%	3.9%
July	4.0%	4.0%	4.0%
August	4.0%	3.9%	4.0%
September	6.1%	5.7%	6.0%
October	10.0%	10.5%	10.1%
November	13.4%	12.8%	13.2%
December	14.5%	15.1%	14.7%
Total	100%	100%	100%

RMP COS Model – Allocation of Cholla & APS Using F10 Factor
(Total System) Source: Paice Direct Testimony and Supporting Exhibits

Month	Demand	Energy	F10 Factor
January	11.1%	9.8%	10.8%
February	10.5%	9.8%	10.3%
March	8.1%	8.4%	8.2%
April	6.7%	7.9%	7.0%
May	7.7%	7.8%	7.7%
June	9.1%	8.5%	8.9%
July	7.8%	8.4%	8.0%
August	8.1%	7.5%	8.0%
September	6.5%	7.8%	6.8%
October	6.9%	7.6%	7.0%
November	7.4%	7.9%	7.5%
December	10.1%	8.6%	9.8%
Total	100.0%	100.0%	100%

As shown in the above tables, application of the F10 factor on the seasonal CTs spreads demand related costs to all months of the year rather than the summer season when these generation assets operate and provide maximum value to the system. Application of the F10 factor on Cholla ignores that this resource has a greater seasonal weighting during non-summer months in the JAM. Use of the F10 factor in the RMP COS un-winds this seasonality and, in effect, spreads Cholla costs equally over the year.

3. In a similar fashion, applying the F10 factor to wind produces an erroneous result as wind does not provide reliable capacity on the system as I describe in my direct testimony. Given the Commissions directive in Order 113 as described above, I do not believe that there is good and sufficient cause to treat wind like other carbon based generation resources. Therefore, the blind use of the F10 factor is unwarranted.
4. Mr. Chernick and Mr. Higgins suggest that any changes to generation, classification and allocation must be addressed at the MSP. I agree with these comments as the JAM must align with the RMP COS. The JAM dictates cost of service methodology in the RMP COS.
5. Mr. Brubaker's assertion that the Commission's concerns pertaining to revised protocol is justification for not addressing allocation methodology in the JAM and RMP COS models is irrelevant. The Docket 09-035-23 Order on MSP does not address intra-jurisdictional cost allocation issues and should not prevent the various parties from discussing such in this proceeding.

In closing, I recommend that the Commission appoint a task force to review, update and revise as necessary allocation issues that exist between the JAM and the RMP COS.

ALLOCATION OF WIND RESOURCES

Q. Mr. Mancinelli, in your direct testimony you recommend classifying wind resources as 100% energy-related, is that correct?

A. Yes. I came to this conclusion given the fact that wind is not a reliable source of capacity.

Q. Based on your review of rebuttal testimony, do any of the witnesses in this proceeding provide an alternative cost based method for classifying wind resources?

A. Only one. Mr. Higgins suggests that wind resources may be classified as 20% demand-related and 80% energy-related based on treatment of these types of resources in the 2004 PacifiCorp IRP. Mr. Higgins suggests that such a classification would be consistent with the decisions made by RMP at the time of the investment.

Q. Do you agree with Mr. Higgins?

A. Partially. I agree that planning considerations should be taken into account when determining the classification of wind resources. However, operational considerations must also be considered. In the direct testimony of Mr. Gregory Duvall, on page 17 lines 380 – 383, he states "The shape of a wind energy delivery pattern is different than the delivery patterns of other generation resources. Because wind is intermittent and variable, so is wind generation. Generation from wind resources is both non-dispatchable and uncertain." It is true from a planning perspective that wind provides a minimal capacity value which is derived through the consideration of diversity. In other words, at any given time, somewhere on the PaciCorp system the wind is blowing and a wind turbine is producing power. However, as Mr. Duvall states, at any instance, wind is not a reliable source of capacity. To firm up the PacifiCorp wind resources, PacifiCorp must backup

wind generation with wind integration services. Both Mr. Duvall and Mr. Higgins discuss this in detail in their respective direct and rebuttal testimonies as they debate the appropriate cost of these services. However, from an operational perspective, wind integration services are 100% demand-related as this service provides a source of dependable and dispatchable capacity associated with wind turbines, which provide energy and are classified as 100% energy-related. Giving more weight to a planning perspective, it may be a reasonable compromise to classify a small component of wind as demand-related but I believe the operational consideration is important and it is more appropriate to classify wind resources as 100% energy-related.

Q. Mr. Paice and Mr. Higgins suggest that the F10 factor should be applied to wind resources consistent with Proposal 9 recommendations. How do you respond to their suggestion?

A. As I mentioned earlier in my comments pertaining to prior Commission ruling and related task force decisions, I believe the most important consideration is to appropriately allocate costs based on their usefulness and value to customers. Clearly, wind is a renewable energy resource and therefore should be classified as energy-related and allocated to classes based on class energy usage. Arbitrarily applying the F10 factor that classifies cost as 75% demand-related and 25% energy-related violates cost of service principles.

Q. Mr. Mancinelli, do you have any other comments pertaining to the allocation of wind resources?

A. Yes. Mr. Chernick in his rebuttal testimony pointed out that the classification and allocation of wind resources should consider the underlying investments and related

benefits. As such, he has suggested that associated cost and benefits associated with wind, specifically renewable energy credits (REC) and green tag revenues, should be classified and allocated consistently with wind resources. I agree with Mr. Chernick on this issue.

COS CHANGES REFLECTED IN RMP REBUTTAL TESTIMONY

Q. Mr. Mancinelli are you aware of any significant changes to the RMP COS analysis as compared to the analysis filed under the Companies direct testimony?

A. Yes. RMP has made several changes to the revenue requirement and associated allocation factors in their rebuttal testimony. These changes are mentioned in Mr. Paice's rebuttal testimony on pages 2-3, lines 29-55 and Mr. Thornton's rebuttal testimony pages 7-8, lines 143-153. Both Mr. Paice and Mr. Thornton describe changes made to class coincident peak calculations in review and response of the testimony of Mr. Nunes, Mr. Brubaker and others.

Q. What was the overall impact of RMP's revised cost of service calculation on the various rate classes?

A. The impact was significant as shown in the following table.

COS Compared to Current Class Revenues

(A)	(B)	(C)	(D)	(C-D)
Schedule No.	**Class**	**Paice Rebuttal Indicated Rate Change Compared to COS**	**Paice Direct Indicated Rate Change Compared to COS**	**Difference**
1	Residential	4.01%	0.60%	3.41%
6	General Service - Large	1.23%	3.99%	-2.76%
8	General Service - Over 1 MW	3.33%	6.11%	-2.78%
7,11,12,13	Street & Area Lighting	-15.95%	-15.19%	-0.76%
9	General Service - High Voltage	8.44%	11.87%	-3.43%
10	Irrigation	20.64%	21.68%	-1.04%
12TS	Traffic Signals	6.25%	8.40%	-2.15%
12OL	Outdoor Lighting	-43.90%	-43.03%	-0.87%
23	General Service - Small	0.52%	4.60%	-4.08%
25	Mobile Home Parks	4.14%	0.42%	3.72%
SpC	Customer A - SpC	20.03%	24.67%	-4.64%
SpC	Customer B - SpC	29.84%	39.64%	-9.80%
SpC	Customer C - SpC	-0.97%	16.81%	-17.78%
	Total	3.80%	4.63%	-0.83%

The cost of service for the residential class increased substantially whereas virtually all other classes received a reduction in their cost of service. The assumptions used by RMP in the rebuttal cost of service analysis shifts costs to the residential class from other rate classes.

Q. Mr. Mancinelli did you examine the possible causes for the significant cost shift to the Residential class?

A. Yes, I looked at changes in the RMP COS with respect to revenue requirements and allocation factors. I have found that the RMP revenue requirement was adjusted downward by approximately $12M as shown in the following table.

Revenue Requirement Comparison
RMP Filed Rebuttal versus RMP Filed Direct

(A)	(B)	(C)	(B-C)	(D/C)
Description	**Paice Rebuttal Testimony Utah Jurisdiction**	**Paice Direct Testimony Utah Jurisdiction**	**Difference ($)**	**Difference (%)**
Return on Rate Base @ Target ROR	387,509,341	392,817,618	(5,308,271)	-1.35%
Total Operating Expenses Adjusted for Taxes	1,527,712,987	1,524,548,588	3,164,398	0.21%
Revenue Credit	(414,447,805)	(406,455,366)	(7,992,439)	1.97%
Total Target Revenue Requirements	1,500,774,529	1,510,910,841	(10,136,312)	-0.67%
Class Revenue	1,445,813,156	1,444,027,176	1,785,980	0.12%
Increase/(Decrease) Required to Earn Target Rate of Return	54,961,373	66,883,665	(11,922,292)	-17.83%
Percent %	3.80%	4.63%	-0.83%	-17.93%

This reduction in the RMP revenue requirement, although important, does not explain the significant cost shift to the Residential class observed in the Company's revised cost of service. Holding all things equal, one would expect a reduction in the revenue requirement to benefit all rate classes. Therefore, such a cost shift must be attributed to changes in class allocation factors. Given the testimony of Mr. Thornton and the proposed adjustments to class coincident peak, I focused my review on demand allocation factors in the revised RMP COS model compared to the COS model as originally filed. This comparison indicated a significant change in class monthly coincident peaks that explained a large portion of the cost shift to the residential class. These changes are shown in detail in DPU Exhibit 5-3SR. The changes associated with the calculation of the residential class

coincident peak factors is significant during the summer months of March, May, June, July, August and September as shown in the following table.

Schedule 001-Residential Monthly Coincident Peaks (CPs)

(A)	(B)	(C)	(B-C)	(B/C-1)
Months	**CPs (kW) Rebuttal COS**	**CPs (kW) Direct COS**	**Difference (kW)**	**% Difference**
January	852,795	779,589	73,206	9.4%
February	805,368	805,642	(273)	0.0%
March	739,213	547,137	192,076	35.1%
April	716,108	656,445	59,663	9.1%
May	1,003,539	538,495	465,044	86.4%
June	1,224,910	1,006,413	218,498	21.7%
July	1,409,492	1,197,567	211,926	17.7%
August	1,433,845	1,083,086	350,759	32.4%
September	1,052,394	713,514	338,879	47.5%
October	1,073,474	608,539	464,935	76.4%
November	1,092,948	996,421	96,527	9.7%
December	1,283,879	1,247,421	36,457	2.9%
Total	12,687,964	10,180,267	2,507,697	24.6%

In total, Residential Class - Schedule 1's overall contribution to the system peak increased by nearly 25% compared to the RMP COS filed with direct testimony. The second largest increase in coincident peak contribution on an annual basis was associated with the General Service Small - Schedule 23 class. This rate class's contribution to system peak increased by 5.6%. The greatest beneficiary of the new coincident peak demand calculation is Customer C. Customer C's contribution to system peak decreased by over 28%. These changes in the development of class coincident peak factors are significant and result in a dramatic change to COS results.

Q. Mr. Mancinelli have you reviewed RMP's calculation in support of the revised demand allocators?

A. Mr. Nunes, representing DPU, has reviewed available information and addresses revisions to RMP's class load information in his surrebuttal testimony. He remains concerned that RMP's approach to developing class load responsibility is flawed.

Q. Given, Mr. Nunes' concerns regarding the development of class load data and the significant impact that revised demand allocators have on the cost of service results, do you recommend adoption of revised allocation factors as proposed by RMP?

A. No I do not. The dramatic impact on cost of service results associated with class coincident peak indicates that the methodology must be well thought-out and thoroughly vetted by the RMP and intervening parties in this case. If customer class usage characteristics, specifically demand and energy consumption, are properly derived and adjusted for key variables (such as weather), one would expect that the resulting class allocation factors would be relatively stable between rate cases, or at least explainable give changes in class load (growth, customer loss, etc,). However, in this proceeding, it is clear that RMP does not have a method for calculating class contribution to system demand in a manner that renders a reasonable consistent and repeatable result, thereby throwing the entire calculation into doubt. Until confidence can be restored with respect to the development of such allocation factors, no changes should be accepted by the Commission beyond that initially filed by RMP. At least coincident peak factors filed in RMP's direct testimony correspond better to those used in the last rate case. A comparison of class coincident peaks between Docket 08-035-38 with a Test Year ending December 2009 and the direct testimony filed by RMP in the current Docket (Test Year ending June 2010) indicate that class coincident peaks are similar; at least when compared to the differences between the

Company's direct and rebuttal cost of service analysis in Docket 09-035-23. Given that the Test Years of both Dockets are so close, only six months apart, one would expect little variation in cost of service results, but this is not the case.

SEASONAL ALLOCATION FACTOR DERIVATION

Q. Mr. Mancinelli, have you made corrections and adjustments to your Direct Testimony regarding Seasonal Allocation Factors?

A. Yes. In my direct testimony on page 12 , lines 214 through 253, I recommend the use of the seasonal generation allocation factors F14- Seasonal System Generation Combustion Turbine (F14) and F16-Seasonal System Generation Cholla (F16) rather than F10-Coincident Peak System for seasonal CT's and Cholla generation resources. This change will improve the consistency between the JAM and the RMP COS. Additionally, I suggested that the calculation of the F14 and F16 factors could be improved by properly reflecting both the seasonality weighting in the JAM and the seasonal weightings applied in the RMP COS. In effect, I recommend combining and compounding the weighting factors. I calculated the impact of this compounding compared to the existing F14 and F16 factors in DPU Exhibit 5-4 of my direct testimony. In further review of that calculation, I realize that I improperly reflected RMP's calculation of the F14 and F16 allocation factors as contained in the direct testimony of Mr. Paice. Subsequently, I have modified my calculation and provide a revised Exhibit 5-4SR. As a result of this revision, the only difference between my proposed calculation and that developed by the Company is the added CP Seasonality Weightings. These weightings impact the seasonal F14 factor during the summer months of July, August and September, and the F16 factor over the entire year.

448 The end result, is that the corrected F14 and F16 allocation factors are not materially
449 different from the Company's, as shown in the following tables.

450 **Allocation of Seasonal CT Costs**

Schedule No.	Class	F10 Allocator, Coincident Peak System	F14 Allocator, Seasonal System Generation Combustion Turbine	Adjusted F14 Allocator, Seasonal System Generation Combustion Turbine
1	Residential	30.77%	33.16%	33.28%
6	General Service - Large	30.95%	30.93%	30.87%
8	General Service - Over 1 MW	9.20%	8.92%	8.90%
7,11,12,13	Street & Area Lighting	0.17%	0.09%	0.09%
9	General Service - High Voltage	15.46%	13.73%	13.70%
10	Irrigation	0.76%	1.39%	1.39%
12TS	Traffic Signals	0.02%	0.02%	0.02%
12OL	Outdoor Lighting	0.03%	0.01%	0.01%
23	General Service - Small	6.68%	7.55%	7.53%
25	Mobile Home Parks	0.06%	0.05%	0.05%
SpC	Customer A - SpC	0.98%	0.85%	0.85%
SpC	Customer B - SpC	2.32%	0.88%	0.88%
SpC	Customer C - SpC	2.62%	2.42%	2.42%
	Total	100.00%	100.00%	100.00%

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Allocation of Seasonal Cholla Costs

Schedule No.	Class	F10 Allocator, Coincident Peak System	F16 Allocator, Seasonal System Generation Cholla	Adjusted F16 Allocator, Seasonal System Generation Cholla
1	Residential	30.77%	30.82%	31.06%
6	General Service - Large	30.95%	30.47%	30.36%
8	General Service - Over 1 MW	9.20%	9.25%	9.24%
7,11,12,13	Street & Area Lighting	0.17%	0.22%	0.22%
9	General Service - High Voltage	15.46%	16.08%	16.03%
10	Irrigation	0.76%	0.49%	0.49%
12TS	Traffic Signals	0.02%	0.02%	0.02%
12OL	Outdoor Lighting	0.03%	0.03%	0.04%
23	General Service - Small	6.68%	6.31%	6.33%
25	Mobile Home Parks	0.06%	0.06%	0.06%
SpC	Customer A - SpC	0.98%	1.01%	1.01%
SpC	Customer B - SpC	2.32%	2.63%	2.54%
SpC	Customer C - SpC	2.62%	2.61%	2.60%
	Total	100.00%	100.00%	100.00%

As a result, the use of the current F14 and F16 allocation factors is acceptable as long as RMP's approach to seasonal weighting remains unchanged. However, if seasonal class weighting change dramatically, then the results could differ more substantially. If the Commission agrees to allocated seasonal generation based on F14 and F16 factors, then I would recommend that the formula be adjusted as presented in DPU Exhibit 5-4SR.

REVISED COST OF SERVICE AND RATE SPREAD

Q. Mr. Mancinelli have you updated your cost of service analysis as presented in your direct testimony?

A. Yes I have.

Q. Can you please describe any changes that you made?

A. The primary changes to the cost of service analysis reflect adjustments to the PacifiCorp revenue requirement as described by Mr. Brill in his supplemental direct, rebuttal and surrebuttal testimony. In addition, I have made three classifications and allocation factor adjustments as described in my surrebuttal testimony. However, in order to preserve the revenue requirement recommendation as calculated by Mr. Brill, I have adjusted classification and allocation factor changes only in the RMP COS model rather than both the RMP COS model and the JAM model. If my recommended changes to classification and allocation factors are accepted by the Commission, the JAM should be adjusted accordingly. My classification and allocation adjustments are as follows:

1. In the RMP revenue requirement, I have classified renewable energy credits as 100% energy-related and allocated this cost to the customer classes using the F30 – MWh at input factor.
2. In the RMP revenue requirement, I have removed green tag revenues from Account 456-Other Electric Revenue and have classified these revenues as100% energy-related and allocated such using the F30 – MWh at input factor.
3. In the RMP revenue requirement, I have removed wind integration charges from Account 555-Purchase Power. Once removed, I have classified these costs as 100% demand-related and allocated these costs to the customer classes using the F12-coincident peak factor.

The results of these changes are reflected in DPU Exhibit 5-5SR and are summarized in the following table.

Cost of Service Comparison – Revised versus Direct

(A)	(B)	(C)	(D)	(E)
Schedule No.	**Rate Class**	**COS From Mancinelli Surrebuttal**	**COS From Mancinelli-Direct**	**Difference (C) – (D)**
1	Residential	(2.6%)	(3.0%)	0.4%
6	General Service-Large	(0.1%)	(0.9%)	0.8%
8	General Service–Over 1 MW	2.8%	1.9%	0.9%
7,11,12,13	Street & Area Lighting	(15.7%)	(15.6%)	(0.1%)
9	General Service-High Voltage	8.8%	7.7%	1.1%
10	Irrigation	19.0%	18.2%	0.8%
12TS	Traffic Signals	5.7%	5.3%	0.4%
12OL	Outdoor Lighting	(41.4%)	(41.3%)	(0.1%)
23	General Service-Small	0.7%	0.0%	0.7%
25	Mobile Home Parks	(2.7%)	(3.1%)	0.4%
SpC	Customer A	19.8%	21.2%	(1.4%)
SpC	Customer B	35.8%	26.2%	9.6%
SpC	Customer C	11.7%	12.1%	(0.4%)
	Total	1.2%	0.4%	0.8%

Overall, the revised cost of service reflects a 0.8% increase in RMP retail rates compared to that proposed in Mr. Brill's direct testimony. Changes in cost allocation results in a slight cost shift to Rate Schedules 6, 8, 9,10, 23, and Customer A compared to other rates classes. Customer B's cost of service was impacted greater than the other rate classes due to a corresponding adjustment in class revenues. In my direct testimony, I adjusted Customer B's revenues by $3 million in consideration of a pending rate adjustment. However, based on subsequent discussions with RMP this adjustment has been revised downward to $1,171,065.

With respect to a recommended rate spread, consideration must be given to significant issues with RMP class load data, a rising RMP cost structure and the possibility of a much needed review of the entire cost of service allocation methodology. As mentioned in my

earlier testimony, rates should be cost based, however, in this proceeding I believe it is prudent to modify this position in light of the circumstances surrounding the quality of the cost of service analysis. Therefore, I recommend the rate spread be determined as follows:

1. Until issues surrounding class load responsibility can be properly addressed, no rate classes should receive a revenue reduction. Therefore, classes with an indicated revenue reduction, namely the Residential, Street & Area Lighting, Outdoor Lighting and Mobile Home Parks should remain unchanged.
2. The remaining classes should pick up their prorated share of the overall $16,673,181 revenue increase as shown in Exhibit DPU Exhibit 5-6SR.

The impact of this approach is that classes with an indicated revenue increase will realize a revenue increase only about ½ of that suggested by the revised cost of service. This adjustment takes into consideration cost of service results but leaves room for some cost shifting that may result from future changes in allocation factor calculations and cost of service methodology. The following table summarizes the resulting rate spreads from such an approach.

Revised Rate Spread Proposal

(A) Schedule No.	(B) Rate Class	(C) Class Revenue	(D) Revised COS Adjusted for Subsidies to Customers A, B &C	(E) Difference (C) – (D)	(F) Percentage difference (D)/(C) -1	(G) Recommended Rate Spread ($)	(H) Recommended Rate Spread (%)
1	Residential	570,908,120	561,625,178	-9,282,942	-1.63%	0	0.00%
6	General Service-Large	407,879,106	411,845,564	3,966,458	0.97%	2,334,158	0.57%
8	General Service–Over 1 MW	117,330,242	121,811,705	4,481,463	3.82%	2,637,225	2.25%
7,11,12,13	Street & Area Lighting	13,383,047	11,401,103	-1,981,944	-14.81%	0	0.00%
9	General Service-High Voltage	159,688,687	175,553,944	15,865,257	9.94%	9,336,294	5.85%
10	Irrigation	10,962,790	13,181,112	2,218,322	20.24%	1,305,425	11.91%
12TS	Traffic Signals	470,828	502,636	31,808	6.76%	18,718	3.98%
12OL	Outdoor Lighting	933,273	552,514	-380,759	-40.80%	0	0.00%
23	General Service-Small	102,234,904	104,004,497	1,769,593	1.73%	1,041,360	1.02%
25	Mobile Home Parks	850,935	836,861	-14,074	-1.65%	0	0.00%
SpC	Customer A	9,544,739	9,544,739	0	0.00%	0	0.00%
SpC	Customer B	25,732,720	25,732,720	0	0.00%	0	0.00%
SpC	Customer C	25,893,765	25,893,765	0	0.00%	0	0.00%
	Total	1,445,813,156	1,462,486,337	16,673,181	1.15%	16,673,181	1.15%

The Irrigation Rate Class will receive a 11.9% revenue increase under this approach, but this level of increase is still well below the class cost of service. If a policy decision is made such that this class cannot bear the magnitude of this increase in one step, I recommend that any additional subsidy afforded to the Irrigation class be borne by the all

523 remaining classes equally. This approach is similar to my treatment of special contract
524 customer subsidies.

525 **Q. Does this complete your surrebuttal testimony?**

526 A. Yes it does.