

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of Rocky Mountain Power for Approval of Settlement Agreement with Heber Light & Power Company and Amendment of Certificate of Public Convenience and Necessity	Docket No. 10-035-117
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**TESTIMONY OF  
BLAINE STEWART  
FOR  
ROCKY MOUNTAIN POWER**

**EXHIBIT RMP 6**

**November 4, 2010**

1 **Witness Identification, Qualifications and Purpose and Summary of Testimony**

2 **Q. Please state your name, business address and present position with Heber Light &**  
3 **Power Company (“HLP”).**

4 A. My name is Blaine Stewart. My business address is 31 South 100 West, Heber City,  
5 Utah. I am the General Manager of Heber Light & Power.

6 **Q. Please briefly describe your education and business experience.**

7 A. I received a Bachelor of Science Degree in Electrical Engineering from the University of  
8 Utah in 1969, and am a registered professional engineer in the state of Utah. In addition  
9 to formal education, I have attended various educational, professional and electric  
10 industry seminars and regular continuing education courses as required by the Utah State  
11 Department of Business Regulation.

12 My experience in the energy industry has covered 40 years. After graduating  
13 from engineering school in 1969, I became an engineer for Utah Power & Light holding  
14 various positions in engineering, mid-level and upper level management. As Rocky  
15 Mountain Area Manager, I had customer service and operations responsibility for  
16 Northern Utah, Southeastern Idaho and Wyoming. As Assistant Vice-President for the  
17 Rocky Mountain Region, I was responsible for the utility functions in Northern Utah,  
18 Idaho and Western Wyoming. After the merger of Utah Power & Light with Pacific  
19 Power, forming PacifiCorp, until retirement in 1998, I was Assistant Vice President for  
20 Operations with corporate-wide responsibility for Field Engineer Services and capital  
21 budget preparation for operations in PacifiCorp’s seven state service area. In 2007, I was  
22 engaged as Chief Engineer for Heber Light & Power and in 2008 was selected for the  
23 General Manager’s position.

24 **Q. Please describe your present duties.**

25 A. As General Manager, I am responsible for overall management of Company operations  
26 including customer service, construction/maintenance, energy production/procurement,  
27 rates and budgets for capital, operations and maintenance. I also develop and implement,  
28 with Board of Director’s approval, the policies for the Company. I report to the Heber  
29 Light & Power Board of Directors.

30 **Q. What is the purpose of your testimony in this proceeding?**

31 A. The purpose of my testimony is to support approval by the Commission of Rocky  
32 Mountain Power’s Application for Approval of Settlement Agreement and Amendment  
33 of Certificate of Public Convenience and Necessity (“Application”). The Application  
34 seeks approval of the Settlement Agreement and General Release (“Settlement  
35 Agreement”) entered by HLP and Rocky Mountain Power to modify their respective  
36 service areas in Wasatch County as authorized by Senate Bill 227, 1st Substitute, as  
37 amended (“SB 227”) passed in the 2010 General Session of the Utah Legislature.

38 **Q. Please summarize your testimony.**

39 A. My testimony has three parts: In Part I, I discuss HLP’s organization and governance.  
40 Part II contains a description of HLP’s System including its current service area,  
41 customers, resources, load, and rates. Part III describes the effect of the Settlement  
42 Agreement on HLP and its customers.

43 **I. HLP’s ORGANIZATION & GOVERNANCE**

44 **Q. Describe the organization and governance of HLP.**

45 A. Heber Light & Power Company, or its predecessors, has provided retail electric service to  
46 residents and businesses in the Heber Valley for over 100 years. These operations, which  
47 have evolved over the years, began in 1909 when a hydroelectric power plant was built

48 on the Provo River north of Heber City. In the 1930's, Heber City, Midway City, and  
49 Charleston Town ("Members") formalized the organization of what is now known as the  
50 Heber Light & Power Company. Later, these member municipalities reorganized HLP  
51 under the Utah Interlocal Cooperation Act, *Utah Code Ann.* §§ 11-13-101, et seq., and  
52 HLP continues to operate under this Act to the present.

53 HLP, as an energy services interlocal entity, is a separate legal entity from its  
54 members and a political subdivision of the State under the Utah Interlocal Cooperation  
55 Act (the "Act"). The Act authorizes local governments or public agencies to jointly  
56 exercise their powers to more efficiently use those powers and to benefit from the  
57 economies of scale, economic development and efficient utilization of natural resources  
58 from such joint action.

59 Under its organization agreement, executed September 9, 2002, HLP is governed  
60 by a six-member board of directors. The Heber City mayor is designated as the chair and  
61 appoints two other board members from the city council of Heber City. The mayor of  
62 Midway City and mayor of Charleston Town are also designated as board members. The  
63 chair of the county council of Wasatch County is also a designated member (with voting  
64 rights limited in certain situations).

65 **II. HLP'S ELECTRIC SYSTEM**

66 **A. HLP's Current Service Area and Customers**

67 **Q. Where does HLP currently serve?**

68 A. HLP has historically served the Heber Valley floor south of Highway 32. It also serves  
69 customers in Snake Creek and Interlaken and provides service to RMP for its Lake Creek  
70 and Timber Lakes area customers. The service area includes the municipalities of Heber

71 City, Midway City and Charleston Town, as well the towns of Daniel and Independence.  
72 The service area currently covers 80 square miles. The rough outline of this service area  
73 is shown on Exhibit A.

74 **Q. How many customers does HLP currently serve?**

75 A. HLP currently services approximately 8,700 customers.

76 **Q. Does HLP have franchises from the various governmental entities within its service**  
77 **area?**

78 A. Under HLP's Organization Agreement, each of the Members grants to HLP an exclusive  
79 franchise and right to provide electric power and energy to the Members, their inhabitants  
80 and others. HLP also has non-exclusive franchises to provide electric power and energy  
81 from Wasatch County, the Town of Daniel, and the Town of Independence. Copies of  
82 these franchises are Appendices 2, 3, and 4 to the Settlement Agreement.

83 **B. HLP's Operations and Distribution System**

84 **Q. Describe HLP's operations and distribution system.**

85 A. HLP's System presently includes internal generation facilities, substations and  
86 approximately 400+ miles of distribution lines. The HLP System is interconnected with  
87 the interstate transmission grid through a RMP substation in Midway that connects to the  
88 138 kV transmission system of PacifiCorp. PacifiCorp provides transmission service at  
89 46kV to HLP through an agreement with UAMPS.

90 HLP utilizes a system control and data acquisition (SCADA) system, installed in  
91 1986, which is continually upgraded, to provide data acquisition and to control the  
92 operations of the HLP System.

93 **Q. How many employees does HLP have?**

94 A. HLP presently employs 31 permanent, full-time employees and 1 permanent, part-time  
95 employee. These employees provide all services necessary for the operation and  
96 maintenance of the HLP System, including metering, billing, collection, personnel, line  
97 crews, service installation crews, customer service, energy conservation, engineering,  
98 plant and substation operation and maintenance (which include mechanics and power  
99 dispatchers). The employees of HLP are not members of any union or labor organization,  
100 and HLP has never experienced a strike or work stoppage.

101 **Q. Has HLP received any awards for the quality of its service?**

102 A. HLP's employees and management take pride in providing high-quality, local service to  
103 customers. Our employees strive to provide timely, courteous service to customers who  
104 are often their neighbors or friends. In addition because our work force lives in or near  
105 the Heber Valley, the response time in the event of after-hours problems is ordinarily  
106 measured in minutes, rather than hours.

107 The American Public Power Association has awarded HLP its Reliable Public  
108 Power Provider Award for providing the highest degree of reliable and safe electric  
109 service. This award given to ninety-four of more than 2,000 public utilities nation-wide  
110 in 2010 is based on excellence in reliability, safety, workforce development and system  
111 improvement. In addition, HLP was one of six utilities of its size to receive the APPA's  
112 Safety Award for Excellence in 2010 for meeting the award criteria including no loss  
113 time accidents.

114 **C. HLP's Resources**

115 **Q. What are HLP's total resources from all sources?**

116 A. HLP's electricity is supplied through company owned generation and through long-term  
117 power purchase contracts. The total capacity from these sources is approximately 26 -31  
118 MW, depending on the seasonal variations of Colorado River Storage Project ("CRSP")  
119 power.

120 **Q. What electric generation capacity does HLP own?**

121 A. HLP currently owns and operates two hydroelectric generators and seven natural gas  
122 generating units with an overall generating capacity of approximately 13MW. HLP  
123 utilizes its gas and other diesel generators to provide a firm, back-up generating resource  
124 that enables HLP to opportunistically purchase low-cost, non-firm energy through market  
125 and other sources.

126 **Q. What resources does HLP purchase to meet its loads?**

127 On average, HLP generates approximately 19% of the electric energy requirements of its  
128 customers and purchases the balance of the energy needed to meet such requirements  
129 from various outside sources. HLP purchases (or has available to it) electric power and  
130 energy from the following sources to meet the net requirements of the HLP System:

- 131 1. CRSP
- 132 a. Winter – 8.9 MW (firm)
- 133 b. Summer – 3.1 MW (firm)
- 134 2. Hunter Steam Electric Generating Unit No. 2 – 3.63 MW
- 135 3. Intermountain Power Project – 10.57 MW
- 136 4. Jordanelle Hydroelectric Project – 4.33 MW

137 5. Pleasant Valley Wind Project (southwest Wyoming) – 300 KW

138 6. Morgan Stanley (five year term) – 1 MW

139 In addition, depending on market conditions, HLP purchases electricity through  
140 the UAMPS pool.

141 **Q. Will the implementation of the Settlement Agreement affect HLP's resource  
142 capacity?**

143 A. The Settlement Agreement gives HLP an option to purchase additional capacity that will  
144 provide HLP an additional clean resource to serve all of its customers. This option is  
145 confidential and is Appendix 9 to the Settlement Agreement.

146 **D. HLP's Current and Projected Load**

147 **Q. What is HLP's current load?**

148 A. HLP's current peak load is 31 MW.

149 **Q. What has been the HLP System's load growth?**

150 A. HLP has experienced sustained growth in its customer base and energy sales. Over the  
151 past four years, HLP's customer count has increased by 9% and its energy sales have  
152 increased by 12%. This follows a period of tremendous growth in which HLP  
153 experienced an average growth of 20% per year from 2004 to 2006. Given current  
154 economic conditions nationally, HLP expects load growth over the next several years will  
155 be approximately 2% increasing with any economic recovery.

156 **Q. Does HLP have sufficient resources to meet its current and projected loads?**

157 A. Given current growth assumptions, HLP's owned and purchased electric resources will  
158 cover the projected loads.

159 **E. HLP's Rates and Other Charges**

160 **Q. What does HLP charge for its electric service?**

161 A. HLP recently adopted, for residential customers, an inverted rate with a monthly service  
162 fee added. The rates for electricity increase with consumption and thus encourage  
163 conservation. HLP's current monthly residential rates (not including sales and other  
164 taxes) are: (1) Service Charge \$12.00, (2) First 1,000 kWh 0.0715 ¢ per kWh, and (3) All  
165 additional kWh 0.0900 ¢ per kWh. Based on 1000 kWh of monthly energy consumption  
166 by a typical household, HLP's current rate structure produces an average residential rate  
167 of 8.35¢ per kWh.

168 HLP's monthly commercial rates are: (1) 0-500 kWh 14.31¢ per kWh, (2) 501-  
169 1,000 kWh 10.01¢ per kWh, and (3) Over 1,000 kWh 7.66¢ kWh.

170 **Q. What are HLP's other charges?**

171 A. The current fees for various other services are as follows:

- 172 1. Connection fee for first-time metered service (100 to 200 amp): \$100.00
- 173 2. Fee for Single Phase, 240 Volts : \$9.94 per additional 10 amps
- 174 3. Fee for Three Phase, 120 / 208 Volts: \$14.90 per additional 10 amps
- 175 4. Fee for Three Phase 277 / 480 Volts: \$34.40 per additional 10 amps
- 176 5. Connection fee on existing services: \$20.00
- 177 6. Underground connection fee -- Construction fees determined on a case by case basis  
178 as provided in HLP's policies
- 179 7. Three-phase connection fee -- Construction fees determined on a case by case basis as  
180 provided in HLP's policies
- 181 8. Line extension fee -- Construction fees determined on a case by case basis as  
182 provided in HLP's policies

183 9. Three-phase line extension fee -- Construction fees determined on a case by case  
184 basis as provided in HLP's policies

185 **III EFFECT OF SETTLEMENT AGREEMENT**

186 **Q. How does the Settlement Agreement change HLP's service area?**

187 A. The Settlement Agreement does not significantly change HLP's Service area. For the  
188 most part, the service area described in the Settlement Agreement, which is likely to be  
189 developed in the foreseeable future, is the area that HLP is currently serving.

190 A significant change is HLP expanding its service area to include Timber Lakes.  
191 This area however is currently being served with electricity provided by HLP from its  
192 existing resources.

193 **Q. How will the Settlement Agreement affect HLP's customer base?**

194 A. The customer transfers will result in a net increase of approximately 800 customers to  
195 HLP. This represents a less than 10% increase in our customer base.

196 **Q. How will the transfers affect rates charged to customers?**

197 A. Rocky Mountain Power's current residential rates have a substantially lower customer  
198 charge and an energy charge that on average is slightly higher than Heber Light &  
199 Power's. As a result and because many of the customers to be transferred from Rocky  
200 Mountain Power to Heber Light & Power are seasonal home customers, the residential  
201 customers transferred from Rocky Mountain Power to Heber Light & Power will  
202 experience an average increase in monthly charges of less than \$5.00 assuming past  
203 usage patterns continue in the future.

204 **Q. Does the Settlement Agreement protect the interests of customers located outside**  
205 **the Members' municipal boundaries?**

206 A. Before the passage of SB 227, in 2010, HLP had been sensitive to the interests of  
207 customers located outside of the Members' municipal boundaries. In 2008, HLP  
208 obtained franchises from Wasatch County and the Town of Daniel containing detailed  
209 provisions providing for the equal treatment of all of HLP's customers and for a neutral  
210 ombudsman to resolve customer complaints. Moreover, throughout its history, HLP has  
211 operated as a single, integrated system providing service without regard to the customer's  
212 location.

213 HLP supported putting these customer services provisions in SB 227 and  
214 making them a condition to HLP providing service in these areas. These protections  
215 are also included in our franchises.

216 **Q. Is the Settlement Agreement in the public interest?**

217 A. Yes. For the reasons stated in the Testimony of Mark C. Moench and the Testimony of  
218 Craig Broussard, the Settlement Agreement is in the public interest.

219 **Q. In the Application, Rocky Mountain Power requests that the Commission's Order**  
220 **approving the Settlement Agreement be conditioned on the Order not being**  
221 **reversed on appeal and completion of the transfers of facilities and customers**  
222 **contemplated in the Settlement Agreement and the Transfer Agreement. Does**  
223 **Heber Light & Power agree with this request?**

224 A. Yes.

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

226 A. Yes.

