

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>IN THE MATTER OF THE APPLICATION OF</b>	)	<b>DOCKET NO. 10-035-124</b>
<b>ROCKY MOUNTAIN POWER FOR AUTHORITY TO</b>	)	
<b>INCREASE ITS RETAIL ELECTRIC UTILITY</b>	)	
<b>SERVICE RATES IN UTAH AND FOR APPROVAL</b>	)	<b>DPU Exhibit 16.0 D-COS</b>
<b>OF ITS PROPOSED ELECTRIC SERVICE</b>	)	
<b>SCHEDULES AND ELECTRIC SERVICE</b>	)	<b>Supplemental</b>
<b>REGULATIONS</b>	)	

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COST OF SERVICE

**SUPPLEMENTAL DIRECT TESTIMONY OF LEE SMITH**  
**ON BEHALF OF**  
**THE UTAH DIVISION OF PUBLIC UTILITIES**

1 **Q. What is your name and business address?**

2 A. My name is Lee Smith, and I work for La Capra Associates, One Washington Mall,  
3 Boston, MA 02108.

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5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of the Utah Division of Public Utilities (Division).

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8 **Q. Did you file direct testimony on the cost of service previously in this docket?**

9 A: Yes I did.

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11 **Q: Do Tables 12 and 13 in your direct testimony express the final revenue requirements**  
12 **and rate spread of the Division?**

13 A. No, they do not. They are based on the table in the Logan model that is labeled  
14 “including the MSP adjustment.” There are two additional sources of reduction to the  
15 revenue requirement that must be reflected in the final rate targets. This includes the  
16 adjustment for moving to the Rolled-In methodology, for which the revenue requirement  
17 table is labeled “exclusion of the MSP adjustment,” and the reflection of the negative  
18 \$8.6 million adjustment for Apex sponsored by Mr. Charles Peterson. I address these  
19 two modifications separately.

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21 **Q. What are class revenue requirements with the “exclusion of the MSP adjustment”?**

22 A. The average jurisdictional percentage adjustment at this lower revenue requirement, of  
23 \$116.3 million, becomes 7.04 %. The capped increase, at 150% of this number, becomes  
24 10.57%. I have also reduced the dollars in the revenue requirement that I shift from the  
25 irrigation class to Schedule 23 in order to result in a final increase number that was higher  
26 than the residential class. Table 14 below shows the capped increase and the increases  
27 after the shortfalls are spread across classes.

**Table 14**

**Rate Spread Based on Division Revenue Requirement excluding MSP**

Schedule No.	Description	Capped Increase	Shortfall	Decreases Capped at 5%	Shortfall Allocator	Allocated Shortfall	Class Increase	New % Increase
1	Residential	56,451,125	-		46.35%	(4,499,943)	60,951,068	9.78%
6	General Service - Large	11,842,744	-		34.22%	(3,322,180)	15,164,924	3.30%
8	General Service - Over 1 MW	9,977,913	-		10.33%	(1,003,086)	10,981,000	7.91%
7,11,12,13	Street & Area Lighting	(1,552,285)	-	861,307	0.00%	-	(690,978)	-5.00%
9	General Service - High Voltage	22,780,608	(828,763)		0.00%	-	22,780,608	10.57%
10	Irrigation	1,284,680	(463,951)		0.00%	-	1,234,680	10.16%
15	Traffic Signals	43,377	-		0.04%	(3,765)	47,142	9.04%
15	Outdoor Lighting	(222,389)	-	161,482	0.00%	-	(60,907)	-5.00%
23	General Service - Small	3,803,792	-		9.06%	(879,675)	4,733,467	3.89%
25	Mobile Home Parks	87,851	(65,234)		0.00%	-	87,851	10.57%
SpC	Customer A	1,115,603	(509,151)		0.00%	-	1,115,603	10.57%
SpC	Customer B	-	(5,681,536)					
SpC	Customer C	-	(3,182,805)					
	Total Utah Jurisdiction	105,613,018	(10,731,439)				116,344,457	7.04%

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33 **Q. How does the Apex Adjustment change class revenue requirements?**

34 A. This adjustment must be allocated across the various rate classes. My understanding is  
35 that this adjustment was recommended by the Division because RMP elected not to  
36 pursue a generation resource that would have reduced costs over many years. Dr.

37           Abdulle also addresses this adjustment. Although there are a number of reasonable ways  
38           to allocate this adjustment, I have allocated this adjustment on the basis of the current  
39           revenues to all classes except the Special Contract customers whose rates cannot be  
40           increased, so that all customers benefit from this reduction.

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**Table 15**

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**Rate Spread After Apex Adjustment**

Schedule No.	Description	Capped Increase	Shortfall	Decreases Capped at 5%	Shortfall Allocator	Allocated Shortfall	Class Increase	New % Increase
1	Residential	53,110,008	-		46.35%	(4,731,024)	57,841,031	9.28%
6	General Service - Large	9,376,092	-		34.22%	(3,492,780)	12,868,873	2.80%
8	General Service - Over 1 MW	9,233,142	-		10.33%	(1,054,597)	10,287,739	7.41%
7,11,12,13	Street & Area Lighting	(1,626,397)	-	935,419	0.00%	-	(690,978)	-5.00%
9	General Service - High Voltage	21,102,268	(1,350,933)		0.00%	-	21,102,268	9.79%
10	Irrigation	1,190,032	(493,398)		0.00%	-	1,140,032	9.38%
15	Traffic Signals	40,581	-		0.04%	(3,958)	44,539	8.54%
15	Outdoor Lighting	(228,922)	-	168,015	0.00%	-	(60,907)	-5.00%
23	General Service - Small	3,150,651	-		9.06%	(924,848)	4,125,499	3.39%
25	Mobile Home Parks	81,378	(67,248)		0.00%	-	81,378	9.79%
SpC	Customer A	1,033,412	(534,722)		0.00%	-	1,033,412	9.79%
SpC	Customer B	-	(5,681,536)					
SpC	Customer C	-	(3,182,805)					
	Total Utah Jurisdiction	96,462,246	(11,310,641)				107,772,887	6.53%

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46 **Q.     What is the reason for the above changes?**

47 **A.     I simply made an error in utilizing the Revenue Requirements table labeled “included**  
48 **MSP.” I also did not account for the Apex Adjustment. The reduction that I have made**  
49 **to the Irrigation revenue requirement is smaller in order to result in their increase**  
50 **percentage remaining above the residential percentage.**

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52 **Q. Does this conclude your supplemental direct testimony?**

53 A. Yes, it does.