Witness OCS – 3SR

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. 10-035-124** **Surrebuttal Testimony of Donna Ramas For the Office of Consumer Services**

July 19, 2011

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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 MAY 26, 2011 AND REBUTTAL TESTIMONY ON JUNE 30, 2011 ON BEHALF OF THE OFFICE OF CONSUMER SERVICES (OCS)?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is three-fold.

- First, I identify the OCS' support or adoption of several adjustments reflected by Rocky Mountain Power (RMP or Company) in its rebuttal position.
- Second, I agree to no longer pursue several issues in the interest of narrowing the amount of outstanding issues in this case in order to focus attention on those that are more critical or have a greater impact on ratepayers.

- Third, my surrebuttal testimony will respond to the pre-filed rebuttal testimony of Rocky Mountain Power (RMP or Company) witnesses Steven McDougal and Stephan Bird. I respond to Mr. McDougal's rebuttal testimony in the areas of pro forma plant additions, generation overhaul average expense escalation, uncollectible expense and treatment of deferred REC revenues. I also respond to the rebuttal testimony of Stephan Bird in the area of REC revenue projections.

Silence on an issue in this surrebuttal testimony should not be construed as agreement with RMP's rebuttal position or the rebuttal position of other intervenors.

<u>ADOPTION OF RMP REBUTTAL ADJUSTMENTS</u>

Q. ARE YOU MODIFYING ANY OF YOUR RECOMMENDATIONS BASED ON THE REBUTTAL TESTIMONIES FILED BY RMP OR ADOPTING ANY OF THE REBUTTAL ADJUSTMENTS PRESENTED BY RMP?

A. Yes. Based on modifications to its filing made by the Company, and in the interest of narrowing issues in this case in areas in which RMP's rebuttal position is close to the Office's position, I am making several changes to the recommendations contained in my direct testimony filed on May 26, 2011. These consist of the following modifications:

- <u>REC Revenues – Update</u> In Exhibit RMP__(SRM-2R), Page 12.2, RMP updated its REC revenue forecast. The revision includes an update for known contracts, which was reflected in my direct testimony, and a correction to remove out of period items. This update provided in RMP Adjustment 12.2 should replace Exhibit OCS 3.10 filed with my direct testimony, which did not include the removal of the out of period items. Additional REC revenues still remain in dispute and will be addressed later in this surrebuttal testimony.

- <u>Reduction to Salaries & Wages</u> In Exhibit RMP__(SRM-2R), Page 12.8, RMP accepted my position on salaries and wages, which was calculated in Exhibit OCS 3.16. In RMP's adjustment, the Company also includes the impact on payroll taxes resulting from the agreed to reduction to projected test year salaries and wages. In my recommendation, I failed to include the impact on payroll tax expense. I agree that Adjustment 12.8 of RMP's rebuttal filing should replace my Exhibit OCS 3.16 in order to include the payroll tax impact.
- <u>TRiP Labor Savings</u> In direct testimony, I recommended that the costs associated with six positions be removed to reflect the cost savings that were projected to result from RMP's implementation of the TRiP Energy Trading System. The impact was a $623,218 reduction to O&M expense, or approximately $260,000 on a Utah basis. In rebuttal, RMP witness Steven McDougal agreed that an adjustment is needed to reflect labor savings in the Test Period resulting from the implementation of the system, but indicated that some of the positions that were eliminated were already excluded from the base year labor

costs. In Adjustment 12.7, RMP agreed to a reduction of approximately $173,000 on a total Company basis, or $73,000 on a Utah basis. While I question the timing of some of the purported staff reductions presented by Mr. McDougal as compared to the timing of the implementation of the TRiP system, I will adopt RMP's Adjustment 12.7 in place of my adjustment presented on OCS Exhibit 3.16 in the interest of reducing the number of issues in this case.

- <u>Incentive Compensation Expense</u> In my direct testimony, I recommended that test year incentive compensation expense be reduced to reflect the average cost incurred by the Company in 2009 and 2010, escalated for the post-base year salary increases incorporated in the filing. The result was a recommended reduction to incentive compensation of $2,896,157 on a total Company basis. In rebuttal, the Company agreed to reduce the projected annual incentive plan expense in the test year by $2,698,184. Thus, the difference between RMP's rebuttal position and my recommendation is less than $200,000 on a total Company basis and less than $85,000 on a Utah jurisdictional basis. While I may not fully agree with the method used by RMP in calculating its revised test year incentive compensation expense request, given the low level of variance between the two positions, I agree that the amount reflected in RMP's rebuttal filing for test year incentive compensation expense is reasonable.

- Outside Services and Miscellaneous Expense In my direct testimony, I recommended the removal of nine items from outside services expense and two items from miscellaneous expense. In its rebuttal filing, RMP witness Steven McDougal agreed to remove all but two of the items related to charges from Tegarden & Associates, Inc. Mr. McDougal indicated that one of the two invoices from Tegarden & Associates, Inc. was reversed during the base year so the costs were not included in the Company's filing. Given that the remaining difference in this area between RMP and OCS is minimal, I agree that the adjustment in Exhibit OCS 3.21 should be replaced with RMP Adjustment 12.4.
- Challenge Grants/Rent Contributions In my direct testimony, I recommended that test year expenses be reduced by $163,182 to remove the subsidization of office space to the Economic Development Corporation of Utah and the Utah Sports Authority. Additionally, DPU witness Brenda Salter made a similar recommendation, and removed an additional $42,000 for other "challenge grants" in the base period. RMP agreed with both mine and Ms. Salter's recommendations, reducing expenses by $207,182. I agree that my adjustment, presented on OCS Exhibit 3.20, should be replaced with RMP Adjustment 12.11.
- Pension and Post Retirement Benefits Expense In direct testimony, I recommended several revisions to RMP's test year pension expense

projection. In rebuttal testimony, RMP updated both its pension expense and its post retirement benefits expense based on more recent information provided by its external actuarial firm applicable to the test period in this case. I agree that my recommendation in OCS Exhibit 3.18 should be replaced with RMP's updated pension and post retirement benefit expense adjustment, Adjustment 12.10.

Q. RMP'S REBUTTAL FILING INCLUDES SEVERAL NEW ADJUSTMENTS. WOULD YOU PLEASE IDENTIFY THE NEW ADJUSTMENTS THAT YOU AGREE EITHER IN FULL OR IN PART ARE APPROPRIATE AND SHOULD BE ADOPTED BY THE COMMISSION?

A. Yes. First, RMP has adopted several of the OCS' recommended adjustments in this case. These include RMP Rebuttal Adjustments 12.5 – Incremental O&M, 12.19 – Correct Deferred Tax Allocation Factors, and 12.21 – Powerdale Decommissioning. These items are already reflected in the OCS' recommended revenue requirement calculations in this case.

The OCS, DPU and RMP are also in agreement that the forecasted plant additions and plant retirements incorporated in RMP's original filing for the months of July 2010 through March 2011 should be replaced with the actual additions and retirements in those same months for purposes of forecasting the test year plant in service, accumulated depreciation, accumulated deferred income taxes and depreciation expense. This update to the plant additions and retirements was made in OCS Exhibit 3.3. The update is also included as part of RMP's updated pro forma plant additions and retirements adjustment in RMP Adjustment 12.13. However, RMP Adjustment 12.13 also includes several revisions to the projected additions for the period April 2011 through June 2012. The parties differ on the amount of plant additions and retirements for the period April 2011 through June 2012. The portion of the forecasted plant additions in which the OCS and RMP do not agree will be addressed later in this testimony.

Next, in my direct testimony, at page 9, I indicated that IRS Revenue Procedure 2011-26 would impact the amount of bonus depreciation on several of the projects RMP incorporated in its initial filing, and that changes should be made to the filing to reflect the impact. The adjustment, which I agree should be made, is presented in RMP Adjustment 12.12. RMP witness Steven McDougal indicates that the impact of the modification is an increase in revenue requirement of approximately $9.3 million, which would be based on RMP's requested rate of return on equity.

Q. ARE THERE ANY ADDITIONAL AREAS IN WHICH RMP PARTIALLY ACCEPTED YOUR RECOMMENDATION, BUT NOT FULLY?

A. Yes. I recommended two modifications be made in calculating the test year generation overhaul expense. Specifically, I recommended that costs associated with the Little Mountain generating facility be removed since the plant is being retired and I revised the costs associated with the Lake Side overhauls for known contract changes. RMP accepted these adjustments as part of its Adjustment 12.6. However, RMP also accepted DPU Witness Artie Powell's recommendation that the historical generation overhaul amounts be escalated prior to averaging the costs, and used DPU's proposed inflation rates for purposes of escalating the historical costs.

Q. DO YOU FIND RMP'S ADOPTION OF DR. POWELL'S RECOMMENDED ESCALATION OF THE HISTORICAL COSTS PERSUASIVE?

A. No, I do not. I fully addressed Dr. Powell's recommended escalation of the historical costs for purposes of forecasting a normalized overhaul expense level in my June 30, 2011 rebuttal testimony in this case, at pages 2 – 8. No new information has been provided by RMP in its rebuttal testimony on this issue that was not already considered when I prepared my rebuttal testimony and that was not already considered by the Commission when it previously addressed this very same issue in its August 11, 2008 order in Docket No. 07-035-93 and in its February 18, 2010 order in Docket No. 09-035-23. The proposed escalation of the historical costs prior to averaging, adopted by RMP in its rebuttal position based on Dr. Powell's recommendation, should be rejected.

ISSUES NO LONGER BEING PURSUED

Q. ARE THERE ANY RECOMMENDATIONS CONTAINED IN YOUR DIRECT TESTIMONY THAT YOU AGREE TO NO LONGER PURSUE FOR PURPOSES OF THIS RATE CASE?

A. Yes. Given the number of items still at issue in this case, and in the interest in narrowing the amount of issues to be litigated in order for the Commission and parties to focus on some of the more critical issues, there are two recommendations presented in my direct testimony that the OCS agrees to no longer pursue for purposes of this rate case.

First, I agree to withdraw my recommended revision to the calculation of the line loss factor and the associated impact of that revision on the loads for jurisdictional allocation. This adjustment was presented in my direct testimony at lines 2166 through 2244 and in Exhibits OCS 3.23 and 3.24. OCS witness Randy Falkenberg is also removing the impact of the line loss adjustment presented in my original testimony from his recommended power cost adjustments. The OCS will continue to review and evaluate this issue for purposes of future IRP proceedings and rate cases. With this modification, it is my understanding that the OCS and RMP are now in agreement on the jurisdictional allocation factors to be used in this case.

Q. WHAT IS THE SECOND ISSUE YOU AGREE TO NO LONGER PURSUE FOR PURPOSES OF THIS RATE CASE?

A. Second, I agree for purposes of this case to withdraw my recommended adjustment to the non-transmission and distribution ("non-T&D") plant damage costs, which has been classified by RMP as either self insurance expense or maintenance expense in the test year. This adjustment was presented in my direct testimony on lines 887 through 1000 and Exhibit OCS 3.12.

With the March 2011 discontinuation of the captive insurance with MEHC, RMP is proposing for the first time in this case that a portion of the T&D damages costs be self-insured in separate accounts on a jurisdiction by jurisdiction basis. This new approach has been requested by RMP in this case. While I agree to withdraw my recommended adjustment to the expense level to be incorporated in base rates for purposes of this case, the appropriate level of self-insurance should be reviewed and evaluated in future rate cases. In the next rate case, and in future rate cases, the balances in the various self-insurance reserves being established by RMP as part of its proposal in this case should be re-evaluated and reconsidered based on actual experience to determine if the level of "self-insurance" collected from customers on an annual basis should be modified.

<u>RESPONSE TO RMP REBUTTAL TESTIMONIES</u>

Q. WHAT SPECIFIC ITEMS IN RMP'S REBUTTAL TESTIMONY WILL YOU BE RESPONDING TO?

A. I respond to Mr. McDougal's rebuttal testimony in the areas of forecasted plant additions, uncollectibles and deferred REC revenues. I respond to the rebuttal testimonies of Stephan Bird in the area of projected test year REC revenues. Each of these items will be discussed below.

<u>Forecast Plant Additions</u>

Q. WOULD YOU PLEASE PROVIDE A BRIEF SUMMARY OF YOUR RECOMMENDED ADJUSTMENTS TO FORECAST PLANT ADDITIONS FOR THE PERIOD APRIL 2011 THROUGH JUNE 2012?

A. Yes. In my direct testimony, at page 13, line 273 through page 14, line 298, I recommended that the projected monthly plant additions for the months April 2011 through June 2012 be reduced by 4.34% in determining the average test year plant in service balance. The 4.34% is based on the over-projection of plant additions contained in RMP's filing for the first 9 months following the base year and results in a $43,272,559 reduction to the average test year plant in service on a total Company basis, exclusive of the distribution plant that is fully allocated to other states.

As indicated in my direct testimony, at lines 240 through 250, and shown on Exhibit OCS 3.3, page 3.3.1, the actual capital additions for the nine-months ended March 31, 2011 were $70,246,220 less than the projected amount incorporated in RMP's filing for that same period. The projected plant retirements for that same period were understated by $149,863,354, or 54.52%. On a combined basis, the result was that net changes to plant in service for the period June 2010 through March 2011 was $151,955,843, or 10.35% less than RMP projected in its initial filing. I have left the projected plant retirements for the period April 2011 through June 2012 at the same level requested by RMP in its original filing, but recommend that the projected monthly plant additions be reduced by 4.34%.

Q. DID RMP AGREE WITH YOUR RECOMMENDED 4.34% REDUCTION TO THE FORECAST PLANT ADDITIONS?

A. No. While RMP updated its filing to reflect a revised level of plant additions for the period April 2011 through June 2012, it is assuming that its full level of revised projected additions will occur and be accurate.

Q. ON WHAT BASIS IS RMP UPDATING ITS FORECASTED PLANT ADDITIONS FOR THE PERIOD APRIL 2011 THROUGH JUNE 2012?

A. RMP's updated plant additions for the period April 2011 through June 2012 includes: (1) eight projects that were delayed from the June 2010 to March 2011 timeframe into April 2011 through June 2012 time period; (2) adds seven new projects that were not presented in the original filing that RMP now projects to be added between November 2011 and June 2012;

and (3) adds Transmission Clearance project costs that were not previously identified in response to discovery or in the original filing. These costs were partially offset by some projects that have been canceled or delayed, as well as reflecting the projected sale of Snake Creek hydroelectric plant and the retirement of the Condit Dam.

Q. ARE YOU ADOPTING RMP'S UPDATED PLANT ADDITION FORECAST?

A. No, I am not. I continue to recommend my adjustment, presented in my direct testimony in this case. While RMP has reflected some modifications to its projected April 2011 through June 2012 plant additions based on updated forecasts, it assumes that its updated projections will be accurate. I do not agree that this is a reasonable assumption.

Q. WHY NOT?

A. RMP's case was filed on January 24, 2011. The projected plant additions incorporated in that January 24, 2011 filing for the period June 2010 (which predates the filing date) through March 31, 2011, which is a little over two months after the filing date, was overestimated by $70,246,220 or 4.34%. During that same period, the net additions, consisting of plant additions less plant retirements, was overestimated by $151,955,843, or 10.35%. This entailed a period of nine months, much of which would have been known prior to the actual filing date. To assume that RMP revised projected additions to plant in service for the period April 2011 through June 2012, the end of which is eleven months out, is accurate is a naïve assumption. Several projects projected by RMP to be added to plant in service during the period July 2010 through March 2011 were either canceled or delayed, and some came in at costs that were lower than the forecasted amount. It is likely that some of the projects currently forecasted by RMP to be added during the April 2011 through June 2012 timeframe will also be canceled, delayed, or come in under budget.

Q. DO YOU HAVE ANY RECOMMENDATIONS IN THE EVENT THE COMMISSION DECIDES TO REFLECT RMP'S UPDATED FORECAST OF THE MONTHLY PLANT ADDITIONS FOR THE PERIOD APRIL 2011 THROUGH JUNE 2012?

A. Yes. If the Commission decides to adopt RMP's revision of the projected monthly plant additions for the period April 2011 through June 2012 presented in RMP's rebuttal position, then I recommend that those updated monthly additions still be reduced by my recommended 4.34% over-projection factor. There is no evidence presented by RMP that would lead one to assume that its revised projections for the fifteen month period April 2011 through June 2012 are any more accurate than the projections it presented in its original filing for the period July 2010 through March 2011.

Uncollectible Expense

Q. AT PAGE 41 OF HIS REBUTTAL TESTIMONY, RMP WITNESS STEVEN MCDOUGAL PRESENTS AN ANALYSIS WHICH HE CONTENDS INDICATES THAT USE OF A THREE-YEAR HISTORICAL AVERAGE IN DETERMINING UNCOLLECTIBLE EXPENSE WOULD HAVE RESULTED IN A HIGHER UNCOLLECTIBLE EXPENSE THAN WHAT IS REFLECTED IN THE CASE. WOULD YOU PLEASE COMMENT ON THE ANALYSIS.

A. Yes. Between lines 881 and 882 of Mr. McDougal's rebuttal testimony, he presents a table which purports to show that a three-year average uncollectible rate would be higher than the uncollectible rate effectively incorporated in RMP's filing. The table presents, by year, for the three years ending June 2010, the total booked Utah FERC 904 Expense, total Utah General Business Revenues and the resulting "uncollectible rate" which is derived by dividing the FERC 904 Expense by the general business revenues. The analysis shows a three year average rate of 0.331% and an "as-filed" base year rate of 0.315%. However, the analysis presented by Mr. McDougal is flawed.

Q. HOW IS THE ANALYSIS FLAWED?

A. The analysis includes the full bad debt expense on a Utah basis that was recorded on RMP's books in each of the three-years. This would include not only the net write-offs of bad debt, but would also include the impact of accruals or other adjustments made to FERC Account 904. Typically when evaluating the ratio of bad debt expense to include in rates, one uses the net write-offs which consists of the actual amount of bad debt expense written-off in a given year, reduced by the amount of recoveries of previously written-off amounts. This method would take into account the amounts actually being written-off by RMP and not subsequently recovered. The result of Mr. McDougal's analysis is that the bad debt rate presented is overstated.

Q. HAS A MORE ACCURATE PRESENTATION OF THE UNCOLLECTIBLE RATE, OR BAD DEBT RATE, BEEN PRESENTED IN THIS CASE?

A. Yes. On OCS Exhibit 3.19, page 3.19.1, presented with my direct testimony, I provided the write-offs, recoveries, net write-offs and retail sales revenues for each of the years in Mr. McDougal's analysis, as well as the amounts for the most recent period, July 2010 through March 2011. The retail sales revenues exclude unbilled revenues for determining the uncollectible rate. The page also presents the annual percentage of net write-offs to retail sales revenues as well as the resulting average rate. As shown on this exhibit, the percentage of net write-offs to revenues, on a Utah basis, was 0.2597%, 0.3492%, and 0.3124% for the years ended June 2008, June 2009 and June 2010. For the period July 2010 through

March 2011 the rate was 0.2304%, with a resulting average for the period presented of 0.2879%.

Q. HOW DOES THE AMOUNT OF "UTAH FERC 904 EXPENSE" PRESENTED IN MR. MCDOUGAL'S ANALYSIS COMPARE TO THE AMOUNT OF NET WRITE-OFFS IN EACH OF THE YEARS?

A. The table below provides the net write-offs as compared to the "Utah FERC 904 Expense used in Mr. McDougal's analysis:

	Year End June 2008	Year End June 2009	Year End June 2010
Write-offs	5,926,602	8,409,980	7,879,801
Recoveries	(2,264,120)	(3,392,484)	(3,232,103)
Net Write-offs	3,662,482	5,017,496	4,647,698
Utah FERC 904 Expense	4,396,680	5,208,240	4,709,966

As shown in the above table, the amount of Utah FERC 904 Expense has exceeded the amount of net write-offs realized by RMP in Utah in each of the three years presented in Mr. McDougal's analysis.

Q. DO YOU STILL RECOMMEND THAT UNCOLLECTIBLE EXPENSE BE BASED ON AN UNCOLLECTIBLE RATE OF 0.27%, AS PRESENTED IN YOUR DIRECT TESTIMONY?

A. Yes, I do. As indicated in my direct testimony, the recommended 0.27% rate is consistent with the average rate of net write-offs to revenues realized by RMP for the period June 2008, June 2009, June 2010 and the period July 2010 through March 2011 of 0.2879% and is less than the most recent percentage available of 0.2304% for the period July 2010 through March 2011. It is my opinion that the 0.27% rate, which is based on RMP's targeted level for the state of Utah, would result in a reasonable level of uncollectible expense in this case. As mentioned in my direct testimony, at lines 1833 through 1843, RMP has taken steps to improve its collections to achieve the targeted level.

<u>Additional REC Revenues</u>

Q. IN YOUR DIRECT TESTIMONY, YOU RECOMMENDED THAT TEST YEAR REC REVENUES BE INCREASED TO $130,686,411 ON A TOTAL COMPANY BASIS. HAS RMP'S REBUTTAL TESTIMONY CAUSED YOU TO MODIFY THIS RECOMMENDATION?

A. No, it has not. I continue to recommend that the amount of total REC revenues for the test year ending June 30, 2012 be projected at $130,686,411 on a total Company basis. It is my opinion, based on RMP's actual experience in the past several years, that this is a reasonable estimate for inclusion in base rates. I agree that there is a great deal of uncertainty regarding the level of REC revenues RMP will receive in the test year for the RECs available for sale that are not yet contracted for. The actual amount could end up being lower, or it could end up being higher. As the OCS, DPU and RMP are all in agreement that a mechanism should be put into place to true-up the difference between actual REC revenues and the amount included in rates in this case, RMP's shareholders and its ratepayers would both be protected if the actual amount varies from the recommended level.

Q. GIVEN THAT THE OCS, DPU AND RMP ALL AGREE THAT A MECHANISM SHOULD BE PUT INTO PLACE TO TRUE-UP THE REC REVENUES TO ACTUAL AMOUNTS, WHY SHOULDN'T THE LEVEL TO INCLUDE IN BASE RATES BE SET AT THE LEVEL PROPOSED BY RMP IN ITS REBUTTAL TESTIMONY?

A. Even though the parties agree that a true-up or tracking mechanism is appropriate for this issue, it is still important to include a reasonable forecast of the test year level in base rates. In using a future test year, as is the case in this docket, it is important to base the projections for the test period on both actual known and measurable amounts and on reasonable forecasts and projections. It is in ratepayers' interest to use a reasonable forecast and assumptions in determining the amount of REC revenues to incorporate in base rates. This is consistent with the matching principle in that the projected REC revenues are matched with the period in which they are projected to be realized.

Including a reasonable estimate of the REC revenues in base rates will help mitigate the substantial amount of rate increase being sought in this case. If the REC revenues are significantly understated in base rates, similar to the situation that occurred in the prior general rate case, the results will be rates that are higher than are necessary. While the amounts would be trued-up at a future time under the OCS, DPU and RMP proposals in this case, it is better for customers to have use of their funds instead of paying excess amounts to subsequently be returned to them at a future time.

Q. HAS RMP MODIFIED ITS FORECASTED PRICE OF $7.00/REC FOR WIND-RELATED EXCESS NET MARKETABLE RECS THAT ARE NOT PRESENTLY SUBJECT TO EXISTING CONTRACTS IN THE TEST YEAR?

A. No, it has not. Mr. Bird’s rebuttal testimony indicates at page 4 that the updated forecast presented in the rebuttal filing retains the $7.00/MWh price for incremental sales. It remains my opinion that rate is inconsistent with actual sales made by RMP and that it understates the projected test year REC revenues. I continue to recommend that a price per wind-related REC of $36 be used in place of the $7.00/REC used by RMP.

Q. IN YOUR DIRECT TESTIMONY, YOU RECOMMENDED THAT PROJECTION OF THE PERCENTAGE OF WIND-RELATED RECS GENERATED THAT ARE NOT HELD FOR RPS REQUIREMENTS TO BE SOLD DURING THE TEST YEAR BE INCREASED FROM 75% TO

90%. HAS RMP'S REBUTTAL TESTIMONY CAUSED YOU TO REVISE THIS RECOMMENDATION?

A. No, it has not. While I indicated in my direct testimony that the Company only sells 75% of the forecasted wind RECs that are not held for RPS compliance on a "forward basis", I also indicated that if the Company is able to generate RECs above the 75% level, it has the ability to offer the additional remaining RECs for sale in the market. In rebuttal testimony, RMP witness Stefan Bird, at page 11, lines 223 through 229, reiterates that the Company only sells 75% of the forecast wind RECs <u>on a forward basis</u> to ensure that it can perform under any contract that it may enter into, he is silent to the fact that the Company will subsequently attempt to sell any remaining RECs it has generated above this 75% level that it sells on a forward basis. I have not recommended that RMP sell more than 75% of its forecasted wind-related RECs on a forward basis; rather, I recommend that the projected REC revenues reflect the fact that RMP attempts to sell all of RECs after they are produced and has the ability to make sales beyond the forward contract levels if it does in fact generate more than the 75% projected level.

<u>Existing Deferred REC Balancing Account</u>

Q. DO YOU STILL RECOMMEND THAT THE BALANCE IN THE EXISTING DEFERRED REC BALANCING ACCOUNT BE FLOWED-BACK TO RATEPAYERS IN THIS CASE?

A. Yes, I do. In the rebuttal testimony of Steven McDougal, the Company indicates that the currently estimated balance as of September 21, 2011, the date rates set in this case will go into effect, is approximately $37 million. Assuming that estimate is accurate, which remains to be seen, the annual amortization back to customers would be approximately $12.3 million using my recommended 3 year amortization period.

Q. ARE THERE ANY ASSERTIONS PRESENTED IN MR. MCDOUGAL'S TESTIMONY PERTAINING TO THE DEFERRED REC ACCOUNT THAT YOU WISH TO ADDRESS?

A. Yes. There are several statements in Mr. McDougal's testimony that cannot go unanswered. At lines 1622 through 1628 of his rebuttal testimony, Mr. McDougal makes the following assertions:

> There is no underlying factual difference between the Deferred NPC Account and the Deferred REC Account. Both are the result of the fact that the Company, the parties and the Commission were unable to accurately predict the amount of NPC and REC revenue that would be incurred during the period rates set in the last general rate case have been in effect.

However, there is a clear distinction with regards to the deferred REC revenues. Specifically, at the time its rebuttal testimony was filed in the prior rate case, and prior to the start of hearings in that case, RMP was well aware that the sales price it was receiving per REC had increased substantially. RMP knowingly chose not to disclose this knowledge to the other parties in that prior rate case proceeding and chose not to disclose this information in its rebuttal to my recommended REC adjustment in that case. Mr. McDougal's comparison of the Deferred NPC Account and the Deferred REC Account is not an apples-to-apples comparison. The OCS has presented its legal arguments as to why the NPC deferred revenues are different in its Response to Rocky Mountain Power's Motion for Determination of Rate Making Treatment of Deferred Accounts.

At lines 1635 – 1637, Mr. McDougal also states: "Parties have also raised questions about whether the Company was prudent in its management of its RECs." I have not challenged whether or not the Company has prudently managed its RECs. However, one can argue that RMP has not prudently managed the information provided to regulators regarding its RECs, particularly during the course of the prior general rate case. What has been challenged is RMP's actions in knowingly choosing not to disclose relevant information on its REC sales at the time of the prior general rate case proceeding.

Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?

A. Yes.