

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)	
)	
)	<u>Docket No. 10-035-124</u>
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)	<u>DPU Exhibit No. 8.0SR-RR</u>
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**Surrebuttal Testimony of
Brenda Salter**

**For the Division of Public Utilities
Department of Commerce
State of Utah**

July 19, 2011

1 **I. INTRODUCTION**

2
3 **Q. Please state your name and occupation.**

4 A. My name is Brenda Salter. I am employed by the Division of Public Utilities of the Utah
5 Department of Commerce (DPU or Division) as a Utility Analyst.
6

7 **Q. Are you the same Brenda Salter that previously filed Direct Testimony and Rebuttal**
8 **Testimony in this docket?**

9 A. Yes, I submitted Direct Testimony on May 26, 2011. My Direct Testimony introduced
10 the Division's witnesses in this case and summarized all of the Division's adjustments to
11 Rocky Mountain Power's (Company) application. I presented testimony on four
12 adjustments, REC revenue, uncollectibles expense, challenge grants and FERC account
13 930. My Rebuttal Testimony filed on June 30, 2011 addressed the REC revenue deferral
14 from Docket 10-035-14.
15

16 **Q. What is the purpose of your Surrebuttal Testimony and Exhibits?**

17 A. My surrebuttal testimony summarizes the Division's overall surrebuttal position. I also
18 address Mr. Steven McDougal's rebuttal position concerning the Division's uncollectible
19 expense adjustment.
20

21 **Q. What is the Division's surrebuttal revenue requirement recommendation?**

22 A. The Division's surrebuttal revenue requirement recommendation is approximately
23 \$105.13 million on a Utah-allocated basis. After Rebuttal Testimony, which was filed on

24 June 30, 2011, the Division adopted or modified a number of specific adjustments. DPU
25 Exhibit 8.2SR-RR summarizes each of the Division adjustments and adopted adjustments
26 and is arranged in two columns that compare “DPU Direct” and “DPU Surrebuttal.” In
27 addition comments are presented as a guide for comparing DPU Direct and DPU
28 Surrebuttal positions. The numerical values that appear in DPU Exhibit 8.2SR-RR have
29 been run through the JAM model, DPU Exhibit 8.1SR-RR, and may differ slightly from
30 those found in other Division surrebuttal testimony. The numerical values that are found
31 in Division surrebuttal testimony and related exhibits provide approximate values.

32

33 **Q. Please describe how the Division arrived at its surrebuttal position.**

34 A. The Division reviewed the rebuttal testimony of the Company and the various parties on
35 a case-by-case basis and either accepted, rejected, or modified each adjustment.

36 Adjustments not proposed by the Division but adopted are listed in Exhibit 8.2SR-RR as
37 witness “OCS/RMP.”

38

39 **Q. What adjustments has the Division adopted in response to the Company rebuttal?**

40 A. The Division has adopted the following adjustments to revenue requirement as put forth
41 by the Office of Consumer Services (Office) and agreed to by the Company: Outside
42 Services & Miscellaneous Expense, TRiP Labor Savings, Powerdale Decommissioning,
43 and Incremental Generation O&M. The Division has also adopted the following
44 adjustments to revenue requirement as put forth by the Company in Rebuttal Testimony:
45 State Income Taxes, Joint Use Revenue, Cottonwood Coal Lease and Incremental Bonus

46 Depreciation Update. The Division has modified its adjustments involving Klamath
47 Hydroelectric Settlement Agreement Accumulated Depreciation update, Plant Additions
48 and Retirement updates, Depreciation Expense, Trapper and Bridger updates, Plant
49 Related Tax update and Miscellaneous Asset Removal (Blackhills) in response to the
50 Company rebuttal testimony. In addition, the Division has dropped its adjustments for
51 Non-Recurring Entries FERC 930 Glenrock Mine Closure and Credit for Wind
52 Integration charges to non-Owned Wind Producers in response to the Company rebuttal
53 testimony. Division witness Charles Peterson addressed the change to Cost of Debt in his
54 Surrebuttal Testimony in the Cost of Capital phase of this case.

55

56 **Q. Has the Division changed any of the policy recommendations it made in Direct or**
57 **Rebuttal testimony?**

58 A. No, it has not.

59

60 **Uncollectible Expense**

61 **Q. In Rebuttal testimony, Mr. Steve McDougal states your adjustment seems to be**
62 **guided more by trying to get a lower amount than to reduce volatility¹. How do you**
63 **view your adjustment?**

64 A. The use of an average rate, based on the percentage of net write-offs to revenues, is a
65 reasonable method both for normalizing and for projecting uncollectibles expense.

66 Generation overhaul expense is an example of the use of a four-year average to normalize

¹ Rebuttal Testimony of Mr. Steven McDougal, p 42, lines 885-886.

67 an expense that fluctuates from year to year. The Company has supported the generation
68 overhaul normalizing adjustment in the last four rate cases. The Division is not “cherry
69 picking” as implied by the Company. The Division is using accepted practices in order to
70 come to a reasonable uncollectible expense.

71

72 **Q. From your analysis do you agree that the Company’s proposed uncollectible**
73 **expense is reasonable?**

74 A. No. Mr. McDougal’s Rebuttal testimony at lines 887 – 889 states the purpose of
75 adjusting uncollectible expense should be to set a reasonable level that will as closely as
76 possible represent the actual expense that will be incurred during the test period. As
77 shown in my Direct Testimony Table 8.1, the Company’s uncollectible rate has declined
78 since the 12 months ended June 2009. The Company’s use of the base period
79 uncollectible rate is at the high end of the uncollectible rates. It does not appear that the
80 Company’s proposed uncollectible rate of 0.315% is within a reasonable range
81 considering the decline shown in Table 8.1.

82

83 **Q. What reason does Mr. McDougal give for adjusting the uncollectible expense?**

84 A. Mr. McDougal states that the Company only adjusted the uncollectible expense to
85 account for the additional revenue that will arise as a result of this case². The Division
86 has shown in my Direct Testimony Table 8.2 that uncollectible expense does not

² Rebuttal Testimony of Mr. Steven McDougal, p 41, lines 879-880.

87 necessarily follow revenues. In fact in three out of the five years shown there has been a
88 decrease in the uncollectible expense as a percentage of net write-offs to revenues.

89

90 **Q. Does the Company provide sufficient evidence to support their proposed change to**
91 **uncollectible expense?**

92 A. No. The Company in Direct and Rebuttal testimony provided uncollectible expense data
93 for three years ending, June 2008, June 2009 and June 2010³. This is the only support
94 provided for their uncollectible expense. According to Table 8.1 all three years fall
95 above the rolling five year average.

96

97 **Q. Does this complete your testimony?**

98 A. Yes it does.

³ Rebuttal Testimony of Mr. Steven McDougal, p 41, line 881.