BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Utility Service Schedules and Electric Service Regulations	)))))))))	**DOCKET NO. 10-035-124** **Exhibit No. DPU 2.0** **Direct Testimony and Exhibits** **Matthew Croft**

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Test Year Testimony of

Matthew Croft

March 9, 2011

Q. Please state your name and occupation?

A. My name is Matthew Allen Croft. I am employed by the Utah Division of Public Utilities ("Division") as a Utility Analyst.

Q. What is your business address?

A. Heber M. Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84114.

Q. On whose behalf are you testifying?

A. The Division.

Q. Please describe your education and work experience.

A. I graduated in December of 2007 from the University of Utah with a Bachelor of Arts degree in Accounting. I completed my Masters of Accounting at the University of Utah in May 2010. I began working for the Division in July of 2007.

Q. Have you previously testified before the Commission?

A. Yes. I have testified in several rate case proceedings as well as tax related matters before the Commission.

Q. What is the purpose of the testimony that you are now filing?

A. The purpose of my testimony is to explain how Rocky Mountain Power's ("Company") actual plant additions have compared to its forecasted plant additions. I performed this analysis in order to ascertain if:

1) The Company has been typically under or over forecasting its plant additions

2) The absolute dollar deviation between actual and forecasted additions increases over time; and

3) For any under or over forecasting or an increasing absolute deviation, is it material enough to warrant a forecasted period that is less than the 24 months (July 1, 2010 to June 30, 2012) from the end of the base period as proposed by the Company in this case.

Q. Have you included your analysis with your testimony?

A. Yes. Included with my testimony is a large excel file that details my analysis. This excel file includes Exhibits 2.1-2.5 as well as various work papers.

Q. Can you please explain your findings from your analysis?

A. Yes. I will explain my findings in general terms and then go on to explain them in more detail as well as the methodologies I used in the analysis. Based on my analysis I have found that:

1) From an adjusted and weighted average perspective, the Company has over forecasted its plant additions in the previous five rate case filings.[1]

2) From a non-adjusted but weighted average perspective, the Company has over forecasted its plant additions in three of the last five rate case filings.[2]

3) Eight of the ten weighted average scenarios performed in this analysis yielded an absolute dollar deviation between forecasted and actual plant additions that increased over time.[3]

4) Despite the increase in absolute dollar deviations over time, the amount of the over forecasting is not material enough to warrant a rejection of the 24 month forecasted period proposed by the Company.

[1] The five filings include the original 2007 GRC filing, the supplemental 2007 GRC filing, the original 2008 GRC filing, the supplemental 2008 GRC filing, and the 2009 GRC filing.
[2] The five filings include the original 2007 GRC filing, the supplemental 2007 GRC filing, the original 2008 GRC filing, the supplemental 2008 GRC filing, and the 2009 GRC filing.
[3] See DPU exhibits 2.1 – 2.5.

Q. Can you please explain how you performed your analysis?

A. Yes. Exhibit 2.1 of my testimony is a summary of the 40 different scenarios (or perspectives) used in my analysis. Here, I will explain which aspects of those scenarios I believe to be the most relevant. Exhibits 2.2 - 2.5 and the additional work papers show the deviation trends between the forecasts and actuals.

Cumulative Additions vs. Monthly Additions

In a general rate case proceeding, the revenue requirement includes a return on rate base. That return is based in part on a cumulative plant addition balance. Accordingly, I did not consider the actual/forecasted deviation between each month's total additions.

Ending Cumulative Balance vs. Weighted (13 Month Average) Balance

In a general rate case proceeding, the revenue requirement includes a return on rate base. That return is based in part on a 13 month average plant balance. Under this method, the balance on which the return is calculated is different than the actual cost of all the additions added together. For example, in the current case, only $1/13^{th}$ of a plant addition cost going into service in June 2012 will go into the rate base upon which the return is calculated. On the other hand, the entire cost of a plant addition going into service in July 2010 will be included in the rate base upon which the return is calculated. In addition, the calculation of depreciation expense, as used by the Company, is based more on a type of average balance rather than an ending balance. In other words, depreciation expense is not calculated by multiplying the June 2012 ending plant addition balance by the applicable depreciation rate. My analysis does include scenarios using the ending balance method but I believe the

weighted average method is more relevant because that is what's used in calculating the return on rate base.

Type of Actuals and Forecasts Used

In my analysis I initially considered three types of actuals and forecasts. These three types included:

1) The overall forecast and overall actuals regardless of which projects were or were not included in the forecast or actuals.
2) Adjusted forecasts and adjusted actuals that account for large, significant projects that were
    a) included in the forecast but didn't occur in actuals or
    b) were not in the forecast but did occur in actuals.

   For example, the original 2007 general rate case did not include three wind plants (Seven Mile Hill II, Glenrock III or Rolling Hills) or the Chehalis power plant. The total cost of these facilities was approximately $657 million or $397 million on a weighted average basis. Including these additions in actuals would obviously make it appear as though the Company significantly under forecasted. Adjusting for these projects would provide a better "apples to apples" comparison of forecasts to actuals.
3) Only specific projects that could be identified in both the forecast and in actuals. I attempted to perform this specific analysis but was ultimately not able to do so due to the extreme difficulty in matching specific forecasted projects with their related actual dollars placed in service. For example, each of the previous five rate case filings included anywhere between about 400 and 2,800 plant addition projects or

aggregate plant addition projects. The actuals for the July 2007 to June 2010 time frame include over 217,000 entries to plant in service. Even when specific work order numbers can be matched together, the true projects themselves are not always one and the same. An analysis could probably be done on large projects such as those greater than $10 million dollars, but after my initial attempt to match all specific projects, this more narrow analysis was not possible given the short time involved in analyzing the data and preparing testimony in this phase of the docket.

Trend Analysis using Absolute Deviation vs. Positive and Negative Deviations

One of the goals of this analysis was to see how accurate the Company's plant addition forecasts are. From that standpoint, whether a deviation is positive or negative is not as relevant as how the magnitude of the deviation is changing over time.

Q. How did you come to the conclusion that the combination of over forecasting and increasing absolute deviations was not material enough to warrant a shorter forecast period?

A. Inherently, just about any forecast will be "wrong." Adjustments can be made either to the proposed test year or an adjustment in test year itself can be proposed. As can be seen in Exhibit 2.1, the over-forecasting of the weighted (13 month average), adjusted actuals and forecasts resulted in an average Utah revenue requirement effect of approximately $4 million.[4] It should be noted that the $4 million does not represent what was actually under or over collected. The $4 million is only based on the difference between initial or supplemental filings and adjusted actuals. A $4 million adjustment would be material enough to propose in

[4] As noted in Exhibit 2.1, this approximate revenue requirement effect is based on the return on gross plant additions. If accumulated depreciation, depreciation expense and accumulated deferred income taxes were taken into effect the revenue requirement effect would be greater, but this amount has not been calculated.

testimony in a rate case proceeding but it does not in my opinion rise to the level of which an alternative test period should be used. As far as the deviation trends are concerned, and as has been referred to before, it only takes a few significant projects to swing the deviation trend in one direction or the other. This can be evidenced by the 2007 supplemental filing in which just two significant unforecasted projects included in the actuals caused the deviation trend to change directions[5]. This sensitivity could exist regardless of the length of forecast chosen. I should also point out that only one of the filings included a forecasted period of 24 months. The other four filings included forecasted periods of 18 months. As such, my findings regarding the deviation trends represent a smaller forecasted period than that included in the current case. Furthermore, given the difficulty of comparing the forecasts to actual, five cases may not be enough to establish a pattern of over or under forecasting by the Company.

Q. Can you please restate what your conclusions are in regard to the proposed test year and the Company's forecasted plant additions?

A. Yes. Although there are some inaccuracies in the Company's plant addition forecasts they do not appear to be significant enough to the point of rejecting the proposed 24 month forecasted period.

Q. Does this conclude your testimony?

A. Yes.

[5] See Exhibit 2.3 and 2.5