BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions of the Populus to Ben Lomond Transmission Line and the Dunlap I Wind Project	**Docket No. 10-035-89**

Direct Testimony and Exhibit of

Maurice Brubaker

On behalf of

Utah Industrial Energy Consumers

October 26, 2010
Project 9360

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

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Direct Testimony of Maurice Brubaker

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation and president of Brubaker & Associates, Inc., energy, economic and regulatory consultants.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the Utah Industrial Energy Consumers ("UIEC"). Members of UIEC purchase substantial quantities of electricity from Rocky Mountain Power Company ("RMP") in Utah, and are vitally interested in the outcome of this proceeding.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q WHAT SUBJECTS ARE ADDRESSED IN YOUR TESTIMONY?

A In my testimony, I address the manner in which RMP proposes to allocate revenue requirements associated with this proceeding which is filed in accordance with the "Alternative cost recovery for major plant addition – Procedure" ("MPA Statute"). The specific facilities that are involved in this filing ("MPA II") are the Populus to Ben Lomond segment of the Energy Gateway Transmission Expansion ("Gateway") and the Dunlap I Wind Project. In addition, RMP also wants to include in rates the previously authorized increase for the Ben Lomond – Terminal segment of Gateway ("MPA I") costs, as well as an amortization of the accrued balance as of December 31, 2010 with respect to the deferred MPA I costs.

Q PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

A They may be summarized as follows:

1. RMP's proposal to allocate revenue requirements associated with MPA I and MPA II is based on data from Docket No. 09-035-23.

2. The load data and cost of service studies from Docket No. 09-035-23 are based on defective load data and should not be used to allocate MPA I and MPA II revenue requirements.

3. RMP had available to it the results of its recently installed improved research data, but declined to provide that information for use in this case.

4. RMP will be filing a new rate case in early 2011. In order to avoid basing the revenue allocation on defective data, the Commission should defer the implementation of any increase associated with MPA I and MPA II until the conclusion of the 2011 general rate case.

5. Another reason to defer increasing rates at this time is the many issues concerning Gateway, of which the Populus to Terminal transmission segment is a part. Deferral would provide an opportunity to comprehensively analyze the nature, purpose, cost and beneficiaries of Gateway in general, and Populus to Terminal in particular.

6. If the Commission declines to defer implementation of higher rates, it should make any increase that it grants subject to refund, pending the more thorough investigation of the transmission system issues discussed by Mr. Russell.

Q HOW DOES RMP PROPOSE TO ADJUST CURRENT BASE RATES TO REFLECT THE ADDITIONAL REVENUE REQUIREMENT ASSOCIATED WITH MPA I AND MPA II?

A As explained in the testimonies of RMP witnesses Paice and Griffith, RMP bases the adjustment to rates on class cost of service studies. These studies use the same class load research and allocation data that was used in the recently concluded 09-35-23 general rate case. [See pages 1 and 2 of Exhibit UIEC ____ (MEB-1).]

Q WERE THERE ISSUES ABOUT THE CLASS LOAD DATA IN THAT CASE?

A Yes, there were substantial questions about the accuracy of the class load data in that case.

Q PLEASE DESCRIBE IN MORE DETAIL THE PROBLEMS WITH THE LOAD DATA.

A First, the load data used in the 09-035-23 case came from old load research data that is not as accurate as the new load data. Second, RMP does not weather normalize the hourly load data for purposes of its class cost of service study, so normal "peak making" weather is not reflected in the load data used in the class cost of service study. The end result is that in many months there are substantial differences between the sum of the class loads as calculated and included in the class cost of service study and the jurisdictional load. Ideally, the two numbers would be equal in each month.

Part of the differences were corrected in RMP's rebuttal testimony by changing the alignment of days between the base year and the test year. In addition, RMP revealed that certain loads included in the jurisdictional demand data are not included in the class cost of service data. Even adjusting for these factors, the

differences between the two sets of load data exceeds 5% in six of the months of the test year. Critically, three of these are in the all-important summer months of July, August and September. In July and August, even after the correction, the sum of the class loads is less than the jurisdictional total by 398 MW (July) and 321 MW (August). The result of using this data is to over-allocate costs to demand metered classes like Schedule 9, and to under-allocate costs to residential, Rate 6 and Rate 23 customers.

Because of these large differences, the class load data for sampled classes should be adjusted to eliminate all, or substantially all, of these differences. This was not done in the 09-035-23 case, and that defect has been carried forward into the class cost of service data utilized in this case.

Q WHAT ARE THE IMPLICATIONS OF USING THIS DEFECTIVE DATA?

A The use of inaccurate class load data produces class cost of service results that are inaccurate. To the extent those inaccurate cost studies are relied upon in setting rates, the resulting rates will not be an accurate reflection of cost of service and there will be subsidies.

When those same studies are relied upon for spreading MPA I and MPA II revenue requirements, those inaccuracies and subsidies are amplified and perpetuated.

Q IS BETTER LOAD RESEARCH DATA AVAILABLE NOW THAN WAS AVAILABLE DURING THAT LAST RATE CASE?

A Yes. RMP now has, and could have provided, load research data through June 2010. This more current data would be based on the results of the new load samples

for residential, Rate 6 and Rate 23 customers and their use would have eliminated at least part of the problems that were noted in connection with the data in the 09-035-23 case, which continues to be used for the class cost of service calculations and revenue spread in this case. [See pages 3 and 4 to Exhibit UIEC ____ (MEB-1).]

Q DID UIEC ATTEMPT TO OBTAIN THIS INFORMATION FROM RMP?

A Yes, we did. As noted in the attached Exhibit UIEC ____ (MEB-1), pages 5-7, RMP's responses to those questions stated that they had not prepared the data needed for use in cost allocation.

Q DOES RMP BASE ITS PROPOSED MPA I AND MPA II REVENUE ADJUSTMENTS ON THE RESULTS OF THESE CLASS COST OF SERVICE STUDIES?

A Yes. RMP proposes to increase each class's revenues based on the results of these flawed cost of service studies.

Q HOW CAN THE COMMISSION AVOID IMPLEMENTING RATES BASED ON THIS DEFECTIVE DATA?

A Since RMP is going to be filing a full rate case in early 2011, the Commission could allow RMP to capitalize and defer the MPA II costs associated with these capital additions until such time as this new rate case has been processed. Although the new load data used in the cost study in that case may not be fully adjusted for temperatures, the fact that the data is much more current should reduce the degree of inaccuracy.

Q MIGHT NOT RECOVERY OF THE DEFERRED COSTS CAUSE A GREATER INCREASE IN RATES WHEN THE COMMISSION LATER PERMITS THESE NEW COSTS TO BE INCLUDED IN RATES?

A The increase would be somewhat larger than if rates are increased at the conclusion of this case. The amount by which it is larger will be a function of the period of time over which the deferred revenue requirement is amortized. Customers would see increases later in time, when hopefully the economy is better, and customers are better able to deal with rate increases.

Q IF THE COMMISSION ALLOWS RMP TO EARN ON THE REGULATORY ASSET, WHAT EARNINGS RATE WOULD BE APPROPRIATE?

A The earnings rate should be consistent with the expected life of the asset. The regulatory asset would have a life considerably shorter than the life of the underlying transmission lines and other assets that are part of MPA I and MPA II. Accordingly, a short-term interest rate would be appropriate, at least until such time as the regulatory asset begins to be amortized into rates. (And perhaps thereafter as well, depending upon the length of the amortization period.)

Choosing a financing source that is consistent with the life of the asset is the same concept as the choice of a debt interest rate in the case of the proposed ECAM, or the use of the short-term borrowing rate of the utility which is sometimes used on under/over-recoveries of fuel costs.

Q ARE THERE OTHER REASONS TO DEFER INCREASING RATES WITH RESPECT TO THESE ASSETS?

A Yes. As Mr. Russell's testimony points out, there are numerous issues surrounding Gateway in general, and the Populus to Terminal transmission line in particular. By taking time to more comprehensively examine the nature and purpose of Gateway in light of the considerations expressed by Mr. Russell, the Commission would be in a better position to judge how much of these costs should be charged to Utah customers. Implementing a rate increase now, without having the benefit of this more comprehensive review, could lead to the imposition of unreasonable costs on Utah customers.

Q IF THE COMMISSION DECLINES TO DEFER IMPLEMENTATION OF HIGHER RATES, IS THERE A MEANS TO AFFORD PROTECTION TO CUSTOMERS?

A The Commission could make any increase subject to refund, pending the more thorough investigation of the transmission system issues discussed by Mr. Russell. This would afford a means of protection regarding the amount of the increase, but not of the allocation among Utah retail classes. Clearly, deferral is the preferred approach because it addresses both issues.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

Qualifications of Maurice Brubaker

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation and President of the firm of Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I was graduated from the University of Missouri in 1965, with a Bachelor's Degree in Electrical Engineering. Subsequent to graduation I was employed by the Utilities Section of the Engineering and Technology Division of Esso Research and Engineering Corporation of Morristown, New Jersey, a subsidiary of Standard Oil of New Jersey.

In the Fall of 1965, I enrolled in the Graduate School of Business at Washington University in St. Louis, Missouri. I was graduated in June of 1967 with the Degree of Master of Business Administration. My major field was finance.

From March of 1966 until March of 1970, I was employed by Emerson Electric Company in St. Louis. During this time I pursued the Degree of Master of Science in Engineering at Washington University, which I received in June, 1970.

In March of 1970, I joined the firm of Drazen Associates, Inc., of St. Louis, Missouri. Since that time I have been engaged in the preparation of numerous

studies relating to electric, gas, and water utilities. These studies have included analyses of the cost to serve various types of customers, the design of rates for utility services, cost forecasts, cogeneration rates and determinations of rate base and operating income. I have also addressed utility resource planning principles and plans, reviewed capacity additions to determine whether or not they were used and useful, addressed demand-side management issues independently and as part of least cost planning, and have reviewed utility determinations of the need for capacity additions and/or purchased power to determine the consistency of such plans with least cost planning principles. I have also testified about the prudency of the actions undertaken by utilities to meet the needs of their customers in the wholesale power markets and have recommended disallowances of costs where such actions were deemed imprudent.

I have testified before the Federal Energy Regulatory Commission (FERC), various courts and legislatures, and the state regulatory commissions of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Guam, Hawaii, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Virginia, West Virginia, Wisconsin and Wyoming.

The firm of Drazen-Brubaker & Associates, Inc. was incorporated in 1972 and assumed the utility rate and economic consulting activities of Drazen Associates, Inc., founded in 1937. In April, 1995 the firm of Brubaker & Associates, Inc. was formed. It includes most of the former DBA principals and staff. Our staff includes consultants with backgrounds in accounting, engineering, economics, mathematics, computer science and business.

Brubaker & Associates, Inc. and its predecessor firm has participated in over 700 major utility rate and other cases and statewide generic investigations before utility regulatory commissions in 40 states, involving electric, gas, water, and steam rates and other issues. Cases in which the firm has been involved have included more than 80 of the 100 largest electric utilities and over 30 gas distribution companies and pipelines.

An increasing portion of the firm's activities is concentrated in the areas of competitive procurement. While the firm has always assisted its clients in negotiating contracts for utility services in the regulated environment, increasingly there are opportunities for certain customers to acquire power on a competitive basis from a supplier other than its traditional electric utility. The firm assists clients in identifying and evaluating purchased power options, conducts RFPs and negotiates with suppliers for the acquisition and delivery of supplies. We have prepared option studies and/or conducted RFPs for competitive acquisition of power supply for industrial and other end-use customers throughout the Unites States and in Canada, involving total needs in excess of 3,000 megawatts. The firm is also an associate member of the Electric Reliability Council of Texas and a licensed electricity aggregator in the State of Texas.

In addition to our main office in St. Louis, the firm has branch offices in Phoenix, Arizona and Corpus Christi, Texas.