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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 Populous to Ben Lomond Transmission Line and the Dunlap I Wind Project

Docket No. 10-035-89
**MOTION OF ROCKY MOUNTAIN
POWER TO STRIKE PRE-FILED
DIRECT TESTIMONY**

Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), pursuant to Utah Code Ann. § 63G-4-206(1)), Utah Admin. Code R746-100-3.H and R746-100-10.E.3, hereby moves the Commission to strike lines 48 through 50, 67 through 93, 124 through 406, and 452 through 462, and UAE Exhibits 1.1 through 1.3 of the Pre-Filed Direct Testimony (“Direct Testimony”) of Kevin C. Higgins appearing on behalf of the UAE

Intervention Group (“UAE”) dated October 26, 2010. The Company moves to strike because Mr. Higgins’ testimony addresses topics including revenues not associated with the plant proposed to be recovered in this major plant addition (“MPA”) filing nor permitted under the statute governing the application. Utah Code Ann. §54-7-14.3 (the “MPA Statute”), specifically the treatment of incremental revenues from the sale of Renewable Energy Credits (“RECs”), that are outside the scope of this proceeding.

I. Background

1. On August 3, 2010, the Company filed an Application requesting approval for alternative cost recovery of the MPA investments the Company is making in the Populus to Ben Lomond transmission line and the Dunlap I wind project, resulting in an increase in its retail electric utility service rates in Utah in the amount of \$39.0 million.

2. The Company is also seeking to begin amortizing and collecting the revenue requirement deferred between July 1 and December 31, 2010, in the previous MPA case, Docket No. 10-035-13, consisting of \$30.8 of going forward annual revenue requirement plus \$15.7 million of deferred revenues, including interest.

3. On October 26, 2010, Mr. Higgins filed the Direct Testimony on behalf of UAE, in which he argues that: (1) 100 percent of the REC revenues being deferred pursuant to the Commission’s decision in Docket No. 10-035-14 (“Deferred REC Revenues”) should be credited to customers in this docket; (2) an ongoing deferral of 100 percent of the incremental REC revenues should continue from January 1, 2011, until the start of the rate-effective period associated with the Company’s next general rate case; (3) total Company REC revenues from the Dunlap I wind project are understated and should be increased by \$8.4 million; and (4) additional adjustments should be made related to billing, transmission costs, and rate spread.

II. Argument

4. The Direct Testimony with regard to Deferred REC Revenues should be stricken because it is outside of the scope of this proceeding. The MPA Statute is designed as an alternative cost recovery mechanism to allow the utility to begin recovery of its investment for any single capital investment project of a gas corporation or an electrical corporation that in total exceeds one (1) percent (%) of the gas corporation's or electrical corporation's rate base when the project goes into service. Nothing in the Company's Application relates to the Deferred REC Revenues, and the Deferred REC Revenues are not relevant to whether the Company does or does not recover its prudently incurred costs for the Populus to Ben Lomond transmission line or the Dunlap I wind project.

5. Whether or not the Commission ultimately accepts Mr. Higgins' contentions regarding the appropriate ratemaking treatment of the Deferred REC Revenues has no impact on the rate recovery for MPAs in this docket.

6. The Direct Testimony on Deferred REC Revenues should also be stricken because there is already a venue where the disposition of the Deferred REC Revenues is being considered. The Company proposed that the Deferred REC Revenues and all other REC revenues going forward be included as a component of its proposed energy cost adjustment mechanism ("ECAM") for which it is currently seeking approval in Docket No. 09-035-15. The Company's proposal credits 100 percent of the Deferred REC Revenues to customers, the same remedy that is erroneously being sought by UAE in this docket.

7. The Direct Testimony on Deferred REC Revenues should also be stricken because Mr. Higgins seeks to isolate and adjust a single item of revenue without considering changes in the multitude of other costs and revenues found just and reasonable by the

Commission in its order setting the revenue requirement in the 2009 general rate case.

8. The provision in the MPA Statute that allows recovery in an MPA case only if the Commission has entered a final general rate case order in the prior 18 months was enacted specifically to limit the issues considered in an MPA case. Mr. Higgins' Direct Testimony concerning treatment of the Deferred REC Revenues is not relevant to Rocky Mountain Power's MPA application. In ruling against the motion to defer by UIEC in this same case this commission opined:

“UIEC's argument overlooks a fundamental premise of the MPA Statute. Its procedures are only available to a utility if the utility has received a final general rate case order within 18 months of the projected in-service date of the MPA... If a new cost-of-service study is required now as UIEC claims, the MPA process would be at risk of becoming a general rate case.....frustrating its purpose.”¹

Granting UAE's testimony on consideration of deferred REC's not generated from a transmission line or the wind project in this case in isolation of cost of service or other normal updates that would occur similarly frustrates the purpose of the MPA statute and risks turning these proceedings into general rate cases.

9. The Direct Testimony on Deferred REC Revenues should also be stricken because the Deferred REC Revenues are accruing interest at a rate stipulated as reasonable by UAE and other parties. Therefore, continued deferral of the Deferred REC Revenues will not harm customers. There is no need to go beyond the intent and plain language of the statute and complicate this single-item rate adjustment docket with consideration of Deferred REC Revenues or a host of adjustments the company or parties will surely make in the future if allowed here. Indeed the risk here is not only departure from the law, but also in creating general rate cases out of MPA proceedings. In the event the Commission elects to not make a final

¹ Decision on UIEC's Motion to Defer Recovery of Major Plant Addition Costs, Docket No. 10-035-89, issued October 13, 2010, p. 9.

determination in the ECAM docket concerning if and how the Deferred REC Revenues should be credited to customers, the next appropriate venue to consider the ratemaking treatment of the Deferred REC Revenues is in the next general rate case filing. Rocky Mountain Power expects to file its next general rate case around January 17, 2011, and this filing will allow for the timely consideration of issues related to the Deferred REC Revenues, and all other issues UAE or any other intervenor wish to raise that do not relate to the recovery of costs for the MPAs.

III. CONCLUSION

By striking the portion of Mr. Higgins' Direct Testimony dealing with Deferred REC Revenues, the Commission will confine this proceeding to those issues appropriately raised before the Commission in accordance with the MPA Statute. In the event the Commission does not make a final decision concerning the Deferred REC Revenues in Docket No. 09-035-15, Rocky Mountain's next general rate case filing is the appropriate venue to address the Deferred REC Revenues. Customers will not be harmed by delaying consideration of the Deferred REC Revenues to the next general rate case because they are bearing interest at a rate acceptable to UAE and other parties. For these reasons, the Commission should strike lines 48 through 50, 67 through 93, 124 through 406, and 452 through 462, and UAE Exhibits 1.1 through 1.3 of the Direct Testimony of Mr. Kevin C. Higgins filed on behalf of UAE on October 26, 2010.

RESPECTFULLY SUBMITTED: November 8, 2010.

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