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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 Populus to Ben Lomond Transmission Line and Dunlap I Wind Project

Docket No. 10-035-89

ERRATA TO

PREFILED DIRECT TESTIMONY OF KEVIN C. HIGGINS

Non-Confidential Version

Attached hereto are Errata corrections to pages 6, 16, 30 and 31 to the Prefiled Direct Testimony of Kevin C. Higgins on behalf of the UAE Intervention Group (“UAE”) in this docket. Changes are shown in underscore and strikethrough. Confidential information has been redacted.

DATED this 12th day of November, 2010.

/s/ _____
Gary A. Dodge,
Attorney for UAE

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 12^h day of November, 2010, on the following:

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/s/ _____

107 2011 relative to the pro-forma loads used in the test period ending June 2010.

108 Using RMP's load projection for 2011, I calculate this scalar to be 95.2 percent.

109 (4) I recommend that the Commission approve transmission cost recovery
110 in this docket with the express condition that transmission costs can be allocated
111 between retail and wholesale customers in a different manner in the future.

112 (5) I recommend adoption of the MPA rate spread relationships among the
113 customer classes in shown in UAE Exhibit 1.6 (KCH-56). These relationships
114 comport with the rate spread recommendation presented by RMP witness William
115 R. Griffith in his direct testimony. I believe this rate spread reasonable in light of
116 the cost-of-service studies developed in the last general rate case proceeding, as
117 well as the updates to this analysis presented by RMP in this case. If the
118 Company's MPA revenue requirement is reduced, I recommend retention of the
119 relationships among the customer classes shown in UAE Exhibit 1.6 (KCH-56).

120 Absence of comment on my part regarding a particular aspect of RMP's
121 proposal does not signify support (or opposition) toward the Company's filing
122 with respect to the non-discussed issue.

123

124 **Recovery of Deferred of Renewable Energy Credits**

125 **Q. Briefly describe the nature of Renewable Energy Credits.**

126 A. RMP is able to sell the renewable energy "attributes" associated with the
127 generation output of certain renewable generation facilities such as wind,
128 geothermal, and small hydro plants. These attributes have value to other utilities

319 highly unlikely that any party would have objected to the receipt of such
320 beneficial information. Yet the Company apparently chose to do nothing. And by
321 doing and saying nothing, the Company appears to have booked over \$[redacted]
322 in test-period REC revenue prior to the start of the REC deferral period, according
323 to the monthly pattern of REC receipts provided by the Company.

324 **Q. In light of the foregoing discussion, how should the deferred REC revenues**
325 **be measured for purposes of crediting these revenues to customers?**

326 A. In light of the curious monthly pattern of REC revenue booking, the
327 apparent discretion as to timing on the part of the seller, and the lack of disclosure
328 by RMP to Utah parties concerning the surge in REC revenues, I recommend that
329 the measurement of REC revenues for purposes of deferral be measured from
330 January 1, 2010 through December 31, 2010, and pro-rated at 85.75 percent, to
331 correspond to the 313 days of the calendar year that occur from February 22, 2010
332 – the start of the deferral period – to the end of the year.

333 Thus far, \$[redacted] in REC revenues have been booked from January
334 through September 2010. Using the proration approach described above, this
335 corresponds to a prorated value of \$[redacted]. This total exceeds the REC
336 revenues reflected in Utah rates by \$[redacted] which is the (total Company)
337 deferred REC revenue that should be booked through September 2010.

338 **Q. What is your recommended course of action?**

339 A. One hundred percent of the deferred REC revenues should be credited to
340 customers in this proceeding. This can be implemented through a sur-credit that

625 percent above the jurisdictional average), which would cause it experience total
626 rates that were 2 percent higher than parity (i.e., 15 percent versus 13 percent).

627 The upshot is that a mechanistic formula that simply mimics the rate
628 spread determined in the most recent general rate case would not produce
629 reasonable results for MPA rate spreads. In fact, the only mechanistic formula for
630 the MPA increase that would produce arguably reasonable results, a priori, is an
631 equal percentage increase for all classes. This is defensible under the premise that
632 in the first step of the increase the Commission moved classes toward parity to the
633 extent that was consistent with the public interest. An equal percentage increase
634 in the second step merely retains this relationship among the customer classes.

635 **Q. Have you reviewed the MPA rate spreads proposed by Mr. Griffith?**

636 A. Yes, I have. Mr. Griffith has proposed rate spreads for the requested
637 going-forward MPA revenue requirement as well as the MPA deferral. These rate
638 spreads are summarized in UAE Exhibit 1.56 (KCH-56).

639 **Q. Do you believe that the MPA rate spreads proposed by Mr. Griffith are**
640 **reasonable in light of the cost-of-service studies developed in the last general**
641 **rate case proceeding and the Commission's Order dated October 13, 2010?**

642 A. Yes, I do. I believe that the rate spread relationships among the customer
643 classes in UAE Exhibit 1.56 (KCH-56) are reasonable in light of the cost-of-
644 service studies developed in the last general rate case proceeding, as well as the
645 updates to this analysis presented by RMP in this case. I recommend adoption of
646 the rate spreads shown in UAE Exhibit 1.56 (KCH-56); if the Company's revenue

647 requirement is approved; if the Company's MPA revenue requirement is reduced,
648 I recommend retention of the relationships among the customer classes shown in
649 UAE Exhibit 1.56 (KCH-56).

650 **Q. Does this conclude your direct testimony?**

651 A. Yes, it does.