Docket No. 11-035-200
DPU Exhibit No. 7.0 Dir-Rev Req
Witness: Clair Oman
June 11, 2012

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	:	Docket No. 11-035-200

DIRECT TESTIMONY

OF

CLAIR OMAN
STATE OF UTAH
DIVISION OF PUBLIC UTILITIES

JUNE 11, 2012

Q. Please state your name and business address for the record.

A. Clair Oman. My business address is Heber M. Wells Building 4th Floor, 160 East 300 South, Salt Lake City, Utah 84114-6751.

Q. For which party will you be offering testimony in this case?

A. I will be offering testimony on behalf of the Utah Division of Public Utilities ("Division").

Q. Please describe your position and duties with the Division of Public Utilities?

A. I am employed by the Division as Technical Consultant. I examine public utility financial data submitted for determination of rates; review applications for rate increases; conduct research; examine, analyze, document and recommend regulatory positions on a variety of regulatory matters; review operations reports and ensure compliance with laws and regulations, etc.; and testify in hearings before the Utah Public Service Commission ("Commission").

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to review various account balances as provided by Rocky Mountain Power (the "Company") in its application requesting a proposed overall revenue increase request of $172.3 million, as set forth in the testimony of Steven R. McDougal (Exhibit SRM-3) and to consider any necessary adjustments.

Q. What areas of the application were you assigned to review?

A. I was assigned to review the following accounts: property insurance (FERC Account 924); injuries and damages (FERC Account 925); regulatory commission expenses (FERC Account 928); general advertising expenses (FERC Account 930.1); miscellaneous general expenses (FERC Account 930.2); and rents (FERC Account 931). I also reviewed the Company's responses to data requests of other parties in this case to determine the impact if any upon the revenue requirement in this rate case

I reviewed Company accounting records and documentation directly related to the assigned areas of my review. I reviewed general rate case testimony, filings, and stipulations for other Company regulated jurisdictions concerning matters of adjustment and settlement in those filings that would relate to the Utah filing. I submitted data requests as necessary to resolve any questions and proprietary issues that arose and where explanation and clarification became an issue during my review and analysis.

Q. How will you present your adjustments?

A I have five adjustments and I will discuss them in the order of my attached DPU Exhibits 7.1 Dir-Rev Req through 7.5 Dir-Rev Req.

Q. Will you explain your first adjustment as set forth in DPU Exhibit 7.1 Dir-Rev Req?

A. During my review of the insurance expense (FERC account 924) and injuries and damages (FERC account 925) included in the Company's Application, it was noted that the losses recorded relating to these accounts seemed to vary significantly. After requesting and receiving from the Company the loss data for the last six years the variation appears to be significant. The Company has been continuously using the three year average since the Docket No. 07-035-93 rate case. As result of the fluctuations in losses, the charges to these accounts vary significantly which has lead to rate fluctuations from rate case to rate case. The Division therefore recommends moving to a five year average from the three year average currently in use. This change would lessen the rate fluctuation caused by the loss variation. In the 2007 rate case Docket No. 07-035-93 Revenue Requirement Order the Commission stated

> "While we view a five-year average acceptable for this type of account, neither party provides testimony specific to the appropriate time frame. Without such testimony we defer to the Committee's position to use a three year average and accept the Committee's adjustment. This adjustment, relative to the Company's rebuttal position, increases total Company expense by $0.048 million and Utah Revenue requirement by $0.020 million."

In this current rate case moving to a five-year average from a three-year average decreases the total Company test year expenses by $1.566 million and the Utah

Revenue requirement by $0.643 million. The Division recommends the use of a five-year average in the calculation of these costs.

Q. What is your second adjustment as set forth in DPU Exhibit 7.2 Dir-Rev Req?

A. The Company was assessed an Equal Employment Opportunity Commission penalty in the amount of $50,000. In the Company's Response to DPU Data Request 28.1 dated 05-11-2012 the Company has agreed to remove the $50,000 penalty from the rate case. Including the escalation factor the amount to be removed from the total Company test year is $0.052 million and from the Utah allocated revenue requirement is $0.026 million. The Division recommendation is that this amount be excluded from rates and be moved below the line.

Q. Will you please describe your third adjustment as set forth in Exhibit DPU 7.3 Dir-Rev Req?

A. The Company has recorded expenses for chamber of commerce organizations within the Company's service territory. These contributions have been allocated to Utah jurisdiction using two different methods. In one method the amounts contributed are directly allocated to the state in which the chamber of commerce is located. In the second method the amounts are included in a pool of dues paid and are allocated using the SO allocator. As the Company's accounting system is capable of tracking these expenses by state jurisdiction the Division recommends that all contributions be tracked by jurisdiction. This would give the affected state regulatory body the ability to determine the treatment of such expenses for rate making purposes. It is the Division's argument that these contributions do not provide a direct quantifiable benefit to the ratepayer, were not necessary for the provision of safe and adequate electric service are a benefit to the shareholders and are not a benefit to ratepayers. Regulatory bodies in other states and jurisdictions have also disallowed this type of expense. The Divisions recommends that the Commission disallow the recovery of chamber of commerce dues. The application of this adjustment to the total Company test year amount results in a decrease of $0.247 million and a decrease in the Utah revenue requirement of $0.129 million.

Q. Will you please describe your fourth adjustment to FERC 930.2 Miscellaneous General Expenses Exhibit 7.4 Dir-Rev Req?

A. Miscellaneous general expenses fall within FERC Sub-Account 930.2 and include the cost of industry based dues and memberships. Dues paid to Edison Electric Institute ("EEI") included in this account total $678,271. Using estimates[1] provided by EEI, 19.54%[2] of this amount would be allocated to lobbying expenses. As per Utah Code R746-406-1 "Except as provided in Subsection C, no

[1] See EEI's Annual Dues Statements for 2010, and 2011 in RMP's Response to DPU Data Request 28.7(1) included as Exhibit 7.4.2 Dir-Rev Req, and RMP's Response to DPU Data Request 28.7(2) included as Exhibit 7.4.3 Dir-Rev Req

[2] The 19.54% is calculated on Exhibit 7.4.1 Dir-Rev Req using the estimates provided on EEI's Dues Statements referenced above.

electric or gas utility may recover from a person, other than shareholders or other owners of the utility, a direct or indirect expenditure by the utility for political promotional or institutional advertising." The Division therefore recommends that the Commission accept this adjustment to prevent these costs from being included in rates and remove these costs including escalation from the Company's test year. The application of this adjustment to the total Company test year amount results in a decrease of $0.138 million and a decrease to Utah revenue requirement of $0.059 million.

Q. What is your fifth adjustment as shown in Exhibit 7.5 Dir-Rev Req?

A. PacifiCorp leases space in One Utah Center in downtown SLC to house a portion of its corporate operations. The space leased is in excess of the requirement for the departments presently housed there. The expense for the lease and associated expense is properly charged to FERC Account 931 Rents. The Company subleases the excess space to recover the lease costs. These lease revenues are recorded in FERC Account 454 Rent From Electric Property in the amount of $2,635,056[3]. This creates an issue with matching in the development of applicable test year expenses. Expense amounts are escalated to create a forward looking expense amount but a corresponding escalation of the revenue received is not included in rates by the Company. In essence the rent expense and the rent

[3] Revenue amount provided in the Company's 1st Supplemental Response to DPU Data Request 28.9

revenues should offset each other, reducing the rent expense to zero. The Division argues that the amounts offset by the revenues should not be escalated but should be removed from the expenses eligible for such treatment. It could be argued that these sub-lease receipts are not revenues at all but in fact reduction of the related expenses and should be recorded as offsets in FERC Account 931. This in my opinion would provide a more straight forward statement of operations. The Division recommends that the Commission accept this adjustment removing the described expenses from the escalation factor for the development of the test year expenses. The application of this adjustment to the total Company test year amount results in a decrease of $0.150 million and a decrease to the Utah revenue requirement of $0.064 million.

Q. Does this conclude your testimony?

A. Yes.