Q. Please state your name.

A. My name is Darrell T. Gerrard.

Q. Are you the same Darrell T. Gerrard who filed direct testimony in this case?

A. Yes.

Q. What is the purpose of your testimony?

A. The first part of my testimony addresses the conclusions and recommendations offered in the direct testimony of Mr. Richard S. Hahn, testifying on behalf of the Division of Public Utilities ("DPU"), regarding the transmission interconnection facilities necessary for connection, testing and commercial operation of the Lake Side II generating unit ("Lake Side II"). Specifically, my testimony rebuts Mr. Hahn's statement that the Lake Side II Interconnect facilities ("Project") "*should not be placed in service ahead of the rest of the plant,"* and recommendation that *"[the] projected spending for this project should be removed from the Company's test year plant in-service."*[1]

The second part of my testimony addresses his conclusions and recommendations regarding the Terminal Substation capital additions. Specifically, my testimony rebuts Mr. Hahn's recommendation that the original 2009 cost estimate of $15.6 million be used as the basis for projecting capital additions for the purpose of determining the test year rate base.[2]

The third part of my testimony addresses the recommendation offered in the direct testimony of Mr. Mathew Croft, testifying on behalf of the DPU, to delay the in-service date of the Ben Lomond Transformer project. Specifically, my testimony

[1] Hahn, Direct Testimony p. 25, lines 478-480.
[2] Hahn, Direct Testimony p. 30, lines 572-573.

rebuts Mr. Croft's recommendation to move the Ben Lomond Transformer project in-service date from August 2012 to December 2012.[3]

The final part of my testimony addresses Utah Association of Energy Users' witness Mr. Kevin C. Higgins' recommendation in his direct testimony to remove a percentage of plant additions for the test period July 2011 through May 2013. Specifically, my testimony rebuts Mr. Higgins assumption that a portion of transmission plant additions include contingency costs.[4]

Q. Do you agree with Mr. Hahn's conclusions and his recommendation to remove the Lake Side II Project cost from the test period?

A. No, I do not agree. While Mr. Hahn correctly concludes that the Project is necessary for testing Lake Side II, during which energy is actually produced, he incorrectly concludes that the "*transmission interconnection is simply an integral part of the generating unit and should not be placed in-service ahead of the rest of the plant.*"[5] Significantly, the Project is also an integral part of the transmission system, serving the plant and serving the company's customers. Additionally, as Mr. Hahn acknowledges, it is not possible to test the generating unit without the interconnection facilities, therefore they must be placed in service ahead of the plant to facilitate testing.

Q. What is the required in-service date for the Lake Side II Project and why has that date been established?

A. The Company is required under its Federal Energy Regulatory Commission

[3] Croft, Direct Testimony p. 8, lines 116-117.
[4] Higgins, Direct Testimony p. 38-39.
[5] Hahn, Direct Testimony p. 25, lines 478-479.

("FERC") approved Open Access Transmission Tariff to provide transmission service and generator interconnection service to all customers on a non-preferential, non-discriminatory basis. Per the Company's binding FERC interconnection agreement with PacifiCorp Energy (the Customer), the Project must be completed by May 1, 2013. The Company committed to a "back-feed" date, (i.e. the date when power is available to back feed from the Project through all the required facilities to provide startup power for the plant) as requested by the customer. Subsequently, the Lake Side II Engineer, Procure and Construct ("EPC") contract was executed by PacifiCorp Energy and is predicated on the Project's timely completion per the interconnection agreement. To delay or otherwise not comply with this date could expose PacifiCorp to a significant claim from the EPC contractor and could delay the Lake Side II project completion.

Further, the energizing of the Project (Steel Mill Substation), as shown in Exhibit RMP___(DTG-1R) which is the one-line diagram provided in the Company's response to DPU Data Request 30.35, initiates a critical sequence of events consisting of energizing the Lake Side II switchyard, energizing the plant power distribution centers, checking out electrical and control circuits, energizing plant equipment, testing equipment and systems functionality, plant start-up and testing, and finally plant in-service. The local power distribution system cannot support the loads required during startup and testing of Lake Side II. The Project provides this necessary system support.

Q. Do you agree with Mr. Hahn's characterization of the transmission

interconnection facilities as "simply an integral part of the generating unit"?

A. No, I do not agree. The Project (Steel Mill Substation) is located separately and remote from the Lake Side II site, as is shown in Exhibit RMP___(DTG-2R), and is an integral part of the 345 kV transmission system serving both the generating unit and the company's customers. Interconnection facilities that would be considered an integral part of the generating unit include those physically located on the Lake Side II plant site, such as the generator step up unit transformers ("GSUs") and associated plant substation facilities and facilities interconnecting to the Project. These facilities, installed and owned by the Interconnection Customer are shown within the dashed lines in Exhibit RMP___(DTG-1R) and will be placed in service coincident with the Lake Side II plant in-service. These Interconnection Customer owned facilities are not part of the Project costs included in this proceeding.

Q. Please explain why the Lake Side II Project is beneficial to customers upon being placed in service in May 2013.

A. Again, please refer to the diagram provided as Exhibit RMP___(DTG-2R), which shows the Project facilities, (those shown outside of the dashed lines) are remote from the generating plant. These facilities are necessary not only to interconnect the plant but also to provide protection to the Company's existing 345 kV transmission system from any disturbances, faults or unusual conditions that may occur at the plant during construction, testing and start up, as well as during ongoing commercial operation when the plant is fully commissioned. Absent the energization of the Project facilities, one of the 345 kV transmission lines between

the Company's Spanish Fork and Camp Williams substations would be inoperative, reducing the capacity and reliability of the existing 345 kV transmission grid serving existing customers. It is neither prudent nor practical, from a testing and plant commissioning standpoint, to delay placing the Project in service until the Lake Side II plant is placed in-service.

Q. Are the Lake Side II Project costs included in this proceeding in accordance and in compliance with instructions by FERC to be placed in service?

A. Yes. FERC Electric Plant Instructions, Components of Construction Cost, No. 17 – *Allowance for funds used during construction*, states:

> When a part only of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service, shall be treated as Electric Plant in Service and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited in item 17, above.

The Project will be energized upon completion in May 2013 and will be an integral part of the transmission system.

Q. What is your conclusion and recommendation for the Lake Side II Project?

A. I recommend that the Commission approve the costs and in-service timing associated with the Project as filed because they are both prudent and justified for reasons stated in my testimony. In addition, I agree with Mr. Hahn that interconnection facilities integral to the plant should be placed in service with the plant. Accordingly, facilities integral to the plant, which I describe above, will be included in future proceedings related to the plant in-service. The Project, however,

consists of facilities that are integral to the electric transmission system and become necessary for reliably serving existing customers and serving the plant in order to establish its commercial operation.

Q. Do you agree with Mr. Hahn's recommendation that the original cost estimate of $15.6 million for the Terminal Substation be used as the basis for the test year rate base?

A. No, I do not agree. Mr. Hahn claims the increase to $48.6 million has not been adequately explained or justified. The Company responded in detail to the question of increased scope and costs in DPU Data Request 26.15 subparts m, n & o which is provided as Exhibit RMP___(DTG-3R). As explained in that response, in 2009 the project scope and estimate was conceptual and not based on detailed engineering and design. It became apparent in 2010 that the related infrastructure within the substation would not reliably support installation of two 700 MVA transformers. The existing 138 kV load and transfer bus was an antiquated design dating back to World War I era and simply had to be replaced along with the control house and circuit breakers to accommodate the increased transformer capacity. Without these necessary changes the full capabilities of the new transformers could not be utilized. The substation had to be modified to accommodate the new transformers and stay compliant with modern day substation design and reliability standards.

Q. How does the Company treat the accounting for existing substation transformers being transferred to new locations?

A. Contrary to Mr. Hahn's testimony (page 29 lines 559 to 561) that the Company's financial analysis did not seem to account for the retirement or potential salvage value of the two existing Terminal substation transformers being moved to new locations and that reflecting these items would offset some of the capital additions and reduce the test year rate base[6], the Company has used proper accounting for these the two existing transformers. They were not retired or salvaged and they are being moved to new locations. Their respective book values were transferred and reassigned to those new substation location codes. As a result, the test year rate base should not be reduced as implied by Mr. Hahn.

Q. Do you agree with Mr. Hahn's recommendation to move the in-service date of the Terminal Substation from May 2012 to December 2012?

A. No, I do not agree. The project is utilizing a phased approach to place plant in-service. As certain substation components are energized, they become part of the integrated electric transmission network and they are considered used and useful. Only the final phase of the in-service plan is scheduled for December 2012. The majority of the Terminal Substation project will be energized and transferred to plant placed in-service before December 2012.

Q. What is your conclusion and recommendation for the Terminal Substation Project?

A. I recommend that the Commission approve the costs and in-service timing associated with the Terminal Substation Project as filed because they are both prudent and justified for reasons stated in my testimony.

[6] Hahn, Direct Testimony p. 29, lines 559-561.

Q. Do you agree with Mr. Crofts's recommendation to delay the Ben Lomond Transformer Project in-service date from August 2012 to December 2012?

A. No, I do not agree. Mr. Croft is correct in noting there were two change orders for the Ben Lomond Transformer Project with the second change order showing an in-service date of December 2012. However, the second change order in-service date was intended to accommodate final project close-out activities such as complete substation drawings, training, final inspection and closeout checklist. The transformer is expected to be energized and considered used and useful August 10, 2012.

Q. What is your conclusion and recommendation for the Ben Lomond Transformer Project?

A. I recommend that the Commission approve the costs and in-service timing associated with the Ben Lomond Transformer Project as filed because they are both prudent and justified for reasons stated in my testimony.

Q. Do you agree with Mr. Higgins assumption that contingency costs are built into projected plant additions and therefore, 67 percent of contingency costs should be removed in this case?

A. No. Transmission projects shown as expected plant additions in the Utah General Rate Case through the test period ending May 2013 do *not* include contingency dollars for unforeseen costs. There is a misunderstanding about the dollars shown in Attachment UAE 4.1. The transmission projects are limited to the last two projects shown on the schedule which are Clover Substation and Lake Side II Interconnect. The dollar amounts shown under column "July11 to May13 Plant

Adds" are forecasted dollars which will be placed in-service. The Company response to UAE Data Request 4.1 stated "[t]he Rocky Mountain Power and Pacific Power projects included in the rate case do not include contingency costs."

However, the attachment for UAE 4.1 attempted to reflect the amount of approved contingency dollars embedded in the "July11 to May13 Plant Adds" under column "Contingency Included" which is the difference between the original approved project amounts and the additional contingency funding it takes to complete the transmission projects. The transmission amounts shown under column "July11 to May13 Plant Adds" reflect the Company's current projection of costs of these two projects and do not include extra amounts for unforeseen spending.

Q. What is your conclusion and recommendation for the projected transmission plant additions as part of this case?

A. I recommend that the Commission approve the costs and in-service timing associated with the transmission projects as filed because they are both prudent and justified for reasons stated in my testimony.

Q. Does this conclude your rebuttal testimony?

A. Yes.