

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	
)	DOCKET NO. 12-035-67
)	Exhibit No. DPU 3.0 Rebuttal
In the Matter of the Application of Rocky)	
Mountain Power to Increase Rates by)	
\$29.3 Million or 1.7% through the)	
Energy Balancing Account)	Rebuttal Testimony
)	Charles E. Peterson
)	
)	

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

Redacted Rebuttal Testimony

of

Charles E. Peterson

January 8, 2013

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Rebuttal Testimony of Charles E. Peterson

Q. Please state your name, business address and title.

A. My name is Charles E. Peterson; my business address is 160 East 300 South, Salt Lake City, Utah 84114; I am a Technical Consultant in the Utah Division of Public Utilities (Division, or DPU).

Q. On whose behalf are you testifying?

A. The Division.

Q. Did you previously file testimony in this matter?

A. No. However, I previously filed testimony in behalf of the Division in all phases of the original EBA (then referred to as ECAM) docket, Docket No. 09-035-15. My resume is attached as DPU Exhibit 3.2R

Q. What is the purpose of your testimony in this matter?

A. My rebuttal testimony provides the Division’s position in response to Office of Consumer Services (Office) witness Mr. Daniel Gimble’s confidential direct testimony regarding the inclusion of U.S. Magnesium’s electric service in the EBA tariff.

Q. Please discuss the issue raised in Mr. Gimble’s testimony.

A. On lines 166 to 238 of his direct testimony, Mr. Gimble discusses the need to include U.S. Magnesium in any EBA adjustment. Mr. Gimble correctly cites a section of the electric

24 service agreement between Rocky Mountain Power (RMP, or Company) and U.S.
25 Magnesium (ESA) [REDACTED]
26 [REDACTED]

27

28 **Q. What is the Division’s position on this matter?**

29 A. The Division supports the Office as set forth in Mr. Gimble’s testimony that an EBA
30 adjustment should be applied to the ESA between RMP and U.S. Magnesium. The Division
31 supports the Office’s position [REDACTED]
32 [REDACTED]
33 [REDACTED]

34

35 **Q. Does the Division believe that adjusting the U.S. Magnesium contract would be**
36 **appropriate and in the public interest?**

37 A. Yes. The thrust in recent years has been to move all special contracts to be [REDACTED]
38 [REDACTED]
39 [REDACTED]

40 The Division has supported this effort
41 as being just and reasonable and in the public interest. Consequently the Division believes
42 that an EBA adjustment to the ESA is in the public interest.

43

43 **Q. What is the background regarding how the ESA adjustment should be handled?**

44 A. In the stipulation that settled the last RMP general rate case, Docket No. 11-035-200, the
45 parties agreed that “Increases for special contract customers, including those related to EBA
46 and RBA [REC Balancing Account] applications, shall be governed by the terms of their

47 contracts.”¹ The Commission in its Report and Order dated June 12, 2012 in this docket
48 ordered that “The rate increase shall be allocated to customer classes consistent with the rate
49 spread determined in the 2011 General Rate Case” and “The rate increase for each rate
50 schedule shall be determined by applying the billing determinants used to develop the rates
51 the Commission approved in the 2011 General Rate Case, as described more particularly
52 above.”²

53
54 In Docket No. 09-035-20, the Office had argued that the Commission should order that the
55 U.S. Magnesium ESA should be amended to include EBA adjustments. However the
56 Commission stated in its Order in that matter that “The EBA issue will be addressed in
57 Docket No. 12-035-67....”³

58
59 The Division notes that RMP filed Excel exhibits showing the rate spread for amortizing \$20
60 million in deferred net power costs in this docket and in conjunction with Docket No. 11-
61 035-T10, which showed that no part of the \$20 million was to be allocated to U.S.
62 Magnesium [REDACTED]

63
64 The Division further notes that while Mr. Gimble recommends that U.S. Magnesium be
65 included in an EBA adjustment, he makes no recommendation regarding how it should be
66 done in this docket.

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¹ Stipulation, Docket No. 11-035-200, page 17, paragraph 62.

² Report and Order page 9, paragraphs 3 and 4.

³ Report and Order, Docket No. 09-035-20, November 26, 2012, page 2.

68 **Q. Given the above background, how does the Division assess the application to the ESA in**
69 **this docket?**

70 A. The Division believes that there are two parts to the ESA contract paragraph 3 [REDACTED]
71 [REDACTED]
72 [REDACTED] U.S. Magnesium may
73 argue that the Commission's June 12, 2012 Report and Order along with the fact that the
74 previously deferred \$20 million net power costs are not being applied to its ESA are grounds
75 for continuing to not make ESA adjustments applicable to U.S. Magnesium.

76
77 The Division's view is that the June 12, 2012 Report and Order did not deal with the issue of
78 special contracts and that the Commission made it clear in its November 26, 2012 Order in
79 Docket No. 09-035-20, that it was yet to deal with special contracts in this docket.

80 Furthermore, the terms of the amortization of the \$20 million deferred net power costs was
81 the result of a negotiated settlement and should have no precedence in this docket.

82 Consequently, the Division recommends that the Commission Order that the current EBA
83 adjustment under consideration in this docket include an adjustment to U.S. Magnesium's
84 ESA.

85

86 **Q. How does the Division recommend that that be done?**

87 A. The ESA [REDACTED]
88 [REDACTED] Using the rate
89 spread of the \$20 million deferred net power cost as a basis, the Division created DPU
90 Confidential Exhibit 3.1R to show how the Commission could order the Division's

91 recommendation of an ESA adjustment [REDACTED]
92 [REDACTED] with the other rate schedules being adjusted to
93 reflect the addition of the ESA amount. The ESA adjustment is applied to the Division's
94 \$6.487 million that was recommended in its supplemental direct testimony and results in
95 [REDACTED] EBA costs for the "stub period" being assigned to U.S. Magnesium. Included
96 with the electronic filing are confidential Excel worksheets documenting the calculations of
97 the rate spread to the ESA.

98
99 In Docket No. 09-035-20, the docket in which the ESA was approved by the Commission,
100 the Division filed a memorandum and Paul Clements of PacifiCorp filed direct testimony
101 advocating approval of the ESA. I include these two documents in my testimony by reference
102 to support that understanding that the contract is tied to Schedule 9 and that we thought the
103 inclusion of the ECAM (EBA) language in the ESA was noteworthy.

104

105 **Q. Please summarize conclusions and recommendations.**

106 A. The Division supports the Office and recommends that the Commission order that the ESA
107 be included in the EBA adjustment for this stub period and on a going forward basis for the
108 remainder of the contract term. Confidential DPU Exhibit 3.1R sets forth a recommended
109 rate spread.

110

111 **Q. Does this conclude your rebuttal testimony?**

112 A. Yes.

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