Exhibit A

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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. 10-035-124**

PREFILED DIRECT TESTIMONY OF ROGER J. SWENSON

[REVENUE REQUIREMENT]

US Magnesium LLC hereby submits the Prefiled Direct Testimony of Roger J. Swenson on revenue requirement issues.

DATED this 26th day of May, 2011.

/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 26th day of May, 2011, on the following:

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BEFORE

THE PUBLIC SERVICE COMMISSION OF UTAH

Direct Testimony of Roger J. Swenson

on behalf of

US Magnesium LLC

Docket No. 10-035-124

[Revenue Requirement]

May 26, 2011

Q. Can you please state your name and your current business address and employer, your position and who you represent in this matter?

A. My name is Roger Swenson. My current business address is 1592 East 3350 South, Salt Lake City, Utah 84106. My employer is E-Quant Consulting LLC and I am a principal of that firm. I represent US Magnesium as an expert in this matter.

Q. Can you provide a brief summary of your education and business experience?

A. I received a degree in Physics from the University of Utah in 1984 and a Masters degree in Industrial Engineering in 1990. I started working in the energy field for a municipal electric utility as the Energy Management Coordinator. I then went to work with Mountain Fuel Supply Company (now Questar Gas) as a Key Account Rep and that work included time in the Rates and Regulatory department. I then worked for a subsidiary of an alternative energy development company, Bonneville Fuels as the Vice President of Energy Marketing. I have been providing consulting for large industrial end user and also working with renewable energy developers in various capacities for the past 10 years. In that work I have provided testimony in various matters.

Q. What is the basis for your testimony in this case?

A. Rocky Mountain Power has proposed to increase rates for industrial customers by a substantial amount in this proceeding. My testimony is in regards to proposing adjustments that will reduce the revenue requirement in this case.

Q. What is your first thought in looking at the revenue requirement issues in this case?

A. I want to give Rocky Mountain Power credit for trying to reduce rates by selling some of its renewable energy resources to utilities willing to buy such power at a premium.

Q. Why do you believe RMP deserves praise for this?

A. I believe it is exactly what should be done, to get the most value from these resources as possible. Because Utah does not have a mandatory renewable portfolio standard, renewable resources do not need to be held or used to serve Utah customers. Utilities that have existing and growing renewable portfolios requirements will pay far in excess of the replacement cost of energy for them. I believe that Rocky Mountain Power has now roughly sold out 33% of the available renewable energy through the test year period.

Q. What can be learned from this experience going forward?

A. One of the most important business strategies for any company is to measure the results of initiatives that have been undertaken and do more of what works and do less of what is not working. Clearly, selling renewable energy to utilities willing to pay a premium is working and is reducing the Utah revenue requirement by millions of dollars. I believe the Company should capitalize on this success going forward by selling even more renewable energy, and for longer terms, to capture high available prices

Q. What do you want to see going forward?

A. I want Rocky Mountain to sell even more of the output from the renewable resources. I believe that the company should continue its efforts and contract to sell the remaining renewable resources to outside entities in the test period.

Q. Are you taking issue with the renewable energy sources that are in rates?

A. No, these renewable resources were developed for good reasons, including mitigating then-projected fuel price risk stemming from natural gas price volatility and risks associated with potential CO2 taxes or costs for fossil fuel plants. Today, however, circumstances have changed dramatically. Abundant new natural gas resources have been tapped, causing natural gas prices to drop significantly. It is highly likely that lower natural gas prices will persist for many years. Also, as acknowledged in the Company's 2011 IRP in regards to greenhouse gas regulations, there seems to be a lull in the pace at which any new CO2 costs will be imposed. This provides the Company with a valuable opportunity for the next 5-10 years to sell its renewable energy into the high-priced markets.

Q. Does the 2011 IRP predict significant new renewable resources over the next few years?

A. No, not until 2018. What that says to me is that, given the existing state of the natural gas market and the CO2 regulatory circumstances, the Company agrees it is time to pull back a little and take more of a wait and see approach on new renewable resource until circumstances change.

Q. What else do you learn from the 2011 IRP?

A. It clearly shows that, given what is known now and what is projected into the future, the Company does not need to hold renewable resources in its supply mix to serve Utah's energy needs. These are very valuable resources to entities with stringent renewable standards and to entities that elect to have a higher degree of renewable energy in their mix. A much higher percentage of these resources should be sold into the market going forward compared to what has been done in the past.

Q. What percentage of the resources should PacifiCorp target to sell?

A. I believe PacifiCorp should sell up to 100% of the renewable resources in the existing resource mix.

Q. Mr. Bird in his testimony mentions that the market for RECs was weak because of uncertain regulatory treatment in the California market. Has anything changed since his testimony was filed?

A. Yes, the regulatory framework for out of state renewable energy deliveries to California has been clarified under California's SBX 1-2.

Q. Can you explain?

A. This legislation divides renewable energy products into three buckets, the last two of which have certain delivery maximum quantity percentages associated with them. The first, and most valuable, bucket is "dynamic" renewable energy, consisting of resources delivered as a dynamic schedule to a California ISO delivery point. This type of out of state resource has no restrictions on quantities

of renewable power that can be used to meet the RPS standards that have been set and will likely be the most valuable. The CAISO defines a dynamic schedule as:

> *A telemetered reading or value which is updated in Real-Time and which is used as a schedule in the CAISO Energy Management System calculation of Area Control Error and the integrated value of which is treated as a schedule for interchange accounting purposes.*

MRTU Tariff, Appendix A, Master Definitions Supplement

The second bucket of out of state renewable delivery products is for "shaped" renewable power that cannot be dynamically transferred, thus requiring load shaping or offsetting generation at times to match system transmission and delivery needs. In 2016, up to 35% of renewable energy can come from these sources.

The last bucket is for unbundled RECs or "TRECs" as called out in the California legislation that are sold separately from the associated renewable energy. This is the most limited source of out of state renewable resource that will be counted towards RPS mandated quantities Only 15% of the RPS requirements can be satisfied with TRECs after 2016; up to 25% can come from this bucket prior to 2016.

Q. Do you believe PacifiCorp has the capability to make both dynamic and shaped deliveries to California ISO delivery points?

A. Yes, absolutely. Indeed, I am confident that no other entity in the WECC area has as much capability as does PacifiCorp to provide dynamic scheduling of renewable resources to California. PacifiCorp has a significant transmission delivery system, as well as rights on other systems, and it has great experience

dealing with dynamic generation and experience with the resources it owns or has control over.

Q. Are you suggesting that PacifiCorp should never use renewable energy in its own system in the future?

A. Not at all. There may come a time when these resources will be needed for Utah load. For now, however, this valuable renewable energy resource is not needed to meet Utah's load, and can be sold in valuable long-term blocks. I recommend that 50% of the available renewable resources should be sold for 10-year terms, with the remainder for terms of up to 5 year. This will maximize PacifiCorp's returns, with minimal risks to Utah.

Q. Why would you suggest 10 years for 50% of the renewable production to be sold?

A. Ten year contracts will be the most valuable to the California utilities, as it is my understanding that this may give them the ability to bank some of the renewable purchases for future periods if they exceed current requirements. Moreover, it appears likely that no CO2 tax or cost will become effective prior to 2020.

Q. Would your suggestion put Rocky Mountain customers at risk if the natural gas markets change or CO2 taxes or costs are imposed sooner?

A. There will always be a risk, but I do not believe it is significant. We are fortunate to have enormous quantities of renewable energy nearby in Utah, Wyoming and Idaho. It is highly likely that sufficient energy will be available to meet Utah's needs, and at prices that are significantly lower than prices for renewable energy.

Moreover, with the potential for increased transmission out of Wyoming by 2018 when the Gateway transmission line is expected to come on line, we should be able to replace all of what I am proposing to be sold with other renewable resources, if needed. I have no doubt that the Company can find more than 2,000 MWs of Wyoming wind generation that could be ready with a few years' notice and could all begin operating on the date the Gateway system is energized. Given the significant potential resource base at the ready, we now have an option that will give us the ability to respond quickly if the dynamics of the market or the value of renewable resources changes significantly to Utah ratepayers.

Q. What about customers who may want a higher percentage of renewable energy in the resource mix?

A. There are several options that can accomplish that result. The Blue Sky program currently gives customers such an option. Moreover, I suggest that we instigate programs to allow customers who want a higher percentage of renewable energy in their supply mix to do so, while covering the corresponding cost. There is no reason not to give a greener fuel supply to those customers who want or need it, so long as they pay the costs.

Q. PacifiCorp provides service in several states, and some such states have imposed renewable standards. How would you deal with those states?

A. I think the same principle should apply as to Utah customers who want or need a greener supply portfolio. Those states should pay the higher costs for the

renewable resources, while Utah's share of renewable resources should be deployed to the place where they will obtain the highest value.

Q How should your suggestions be reflected in the revenue requirement phase of this proceeding?

A. A revenue requirement adjustment should be made to reflect the forecasted difference in revenue from selling all remaining available renewable resources that are not committed at a reasonable price. I suggest using pricing from a recent contract entered into by RMP, as called out in Exhibit SAB-2 (conf) for 2012.

Q. Are you suggesting that PacifiCorp be at risk for these dollars?

A. No, these revenues will flow through the EBA balancing account. I expect that the 70/30 sharing mechanism and potential payment lag will give PacifiCorp sufficient incentive to move quickly to make these sales.

Q. The test period in this docket begins in July. Is it possible for the company to move that quickly?

A. Yes, new renewable RFPs are issued regularly. Renewable RFPs are currently pending from PG&E, SCE and SDG&E. Moreover, I believe from my experience that SCPPA is constantly searching for alternatives and, since the new legislation pulls the public utilities into the new renewable standards, entities like LADWP will also have a strong appetite for new renewable contracts.

Q. Do you think PacifiCorp would have a good shot at winning RFPs with these utilities?

A. Yes. PacifiCorp could present resources with no development risk or delay. Few potential responders will have operating renewable energy plants available to bid. Also, PacifiCorp has significant experience with RFPs and should be able to easily deal with credit and other issues that may be problematic for other bidders. I believe no other utility in the west is in a better position to answer and win RFPs in short order than PacifiCorp.

Q. When would PacifiCorp have to respond to the pending RFPs?

A. PacifiCorp would need to respond soon, even before this case is finalized. They would need to provide letters of interest within the next month or so.

Q. Shouldn't your proposal be studied further before action is taken?

A. No, further study is not warranted. With the potential for hundreds of millions of dollars in savings to ratepayers and limited risk, taking further time to study the issue would likely result in significant lost opportunities. Moreover, the 2011 IRP confirms that this course of action should be taken without additional analysis, given the hundreds of millions of dollars of opportunity that will otherwise be lost.

Q. Please describe your proposed revenue requirement adjustment.

A. The adjustment that I propose is to reduce the revenue requirement by $60,871,755. That number was derived by assuming that all renewable energy that is in the Grid model for the test year is sold and I have taken the difference between that model with the total renewable energy sale and the run without the full renewable energy sale. That provided a total revenue requirement reduction of

$213,473,243. I then took 67% of that amount to come up with $142,936,069 that represents the remaining estimated sales potential value to the system. I then multiplied that amount by the Utah allocation factor of 42.587% to come up with $60,871,755. This calculation is shown in USM Exhibit RR 1.1. A Top Sheet explaining this adjustment is attached in USM Exhibit RR 1.2.

Q. Can you summarize your testimony?

A. PacifiCorp should continue on the path it has already undertaken to sell valuable renewable energy resources to the highest priced markets. However, it is time for a significant step forward, by selling much more of the valuable renewable resources on a longer-term basis to utilities willing to pay premium prices, while purchasing any replacement energy needed for Utah load from other lower-cost resources or increasing generation if more economic.

Q. Does that conclude your direct testimony in this matter?

A. Yes it does

USM Exhibit RR 1.1
Exhibit to Direct Testimony of Roger J. Swenson
May 26, 2011
UPSC Docket 10-035-124

Calculation of Revenue Requirement Adjustment

1.	Grid run differential based on all renewable energy sales	$213,473,243
2.	Estimated remaining potential sales (67% of 1.)	$142,936,069
3.	Utah allocation of remaining potential (42.587% of 2.)	$ 60,871,755

Notes:

1. Grid runs and details associated with those runs are provided in work papers included with the testimony filing as suggested by PSC
2. Estimated potential remaining sales potential is derived by taking estimated total renewable energy production less contract quantities estimated from existing sales contracts as provided in testimony and data requests.
3. Utah allocation based on SE allocation factor

USM Exhibit RR 1.2
Exhibit to Direct Testimony of Roger J. Swenson
May 26, 2011
UPSC Docket 10-035-124

Top Sheet – Revenue Requirement Adjustment

	Account	Total Company	Factor	Factor %	Utah Allocated
Adjustment to Revenues	447	$227,881,709	SE	42.587%	$97,047,300
Adjustment to Power Purchase Expense	555 NPC	$ 83,704,371	SE	42.587%	$35,646,929
Adjustment to Fuel Related Expense	501 NPC	$ 1,241,270	SE	42.587%	$ 528,616
Total Adjustment to Revenue Req.		$142,936,069			$60,871,755

Description of Adjustment:
The GRID model was run with an adjustment made to sell all potential renewable energy production from all resources including company owned projects, long term contracts and QF contracts with renewable resources. The renewable energy sales increased revenues to the company and also increased some power purchase and fuel related expenses. Those adjustments were reduced by a factor to reflect only those estimated potential remaining MWHs that could be sold in the test year. The potential additional value that could be created by selling the remaining renewable MWHs is $142,936,069 for the system or $60,871,755 for the Utah allocated share of that potential value.