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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of Rocky Mountain Power for Authority to Change its Depreciation Rates Effective January 1, 2014	<b>Docket No. 13-035-02</b>
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**PREFILED REBUTTAL TESTIMONY OF NEAL TOWNSEND**

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The UAE Intervention Group (UAE) hereby submits the Prefiled Rebuttal Testimony of Neal Townsend.

DATED this 2<sup>nd</sup> day of August, 2013.

/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 2<sup>nd</sup> day of August, 2013, on the following:

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**BEFORE**  
**THE PUBLIC SERVICE COMMISSION OF UTAH**

**Rebuttal Testimony of Neal Townsend**

**on behalf of**

**UAE**

**Docket No. 13-035-02**

**August 2, 2013**

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**REBUTTAL TESTIMONY OF NEAL TOWNSEND**

**INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Neal Townsend. My business address is 215 South State Street, Suite 200, Salt Lake City, Utah, 84111.

**Q. By whom are you employed and in what capacity?**

A. I am a Director for Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

**Q. Are you the same Neal Townsend who previously filed direct testimony in this proceeding on behalf of UAE?**

A. Yes, I am.

**OVERVIEW AND CONCLUSIONS**

**Q. What is the purpose of your rebuttal testimony in this proceeding?**

A. My rebuttal testimony responds to certain depreciation issues raised by the Division of Public Utilities witness William Dunkel in his direct testimony. Absence of discussion on my part does not indicate support for (or opposition to) any of the other issues raised by Mr. Dunkel (or any other witness in this docket).

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

22 A. While I continue to support the steam plant depreciation reserve imbalance  
23 treatment I recommended in my direct testimony, I have no objections to the  
24 steam plant reserve imbalance treatment suggested by Mr. Dunkel in his direct  
25 testimony. In addition, I do not object to the depreciation reserve imbalance  
26 amortization treatment used by Mr. Dunkel for other major functional categories.  
27 I support Mr. Dunkel's proposed retirement date for the Gadsby steam plant to  
28 make it consistent with PacifiCorp's 2013 Integrated Resource Plan ("2013 IRP"),  
29 as it is similar to my proposal for Gadsby, and I also continue to recommend  
30 extending the retirement date for the Craig steam plant to make it consistent with  
31 the 2013 IRP as well.

32

33 **RESPONSE TO DPU WITNESS WILLIAM DUNKEL**

34 **Q. Can you please summarize the DPU witness William Dunkel's**  
35 **recommendation regarding depreciation reserve imbalances?**

36 A. Yes. According to Mr. Dunkel, RMP's own calculations indicate that the  
37 net total company depreciation reserve surplus exceeds \$300 million.<sup>1</sup> Mr. Dunkel  
38 notes that there is a \$109 million depreciation reserve surplus for non-Carbon  
39 steam plant (a \$48 million depreciation reserve surplus including the Carbon plant  
40 reserve deficiency), a \$149 million depreciation reserve surplus for transmission  
41 plant, and a \$150 million depreciation reserve surplus for Utah distribution plant.<sup>2</sup>

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<sup>1</sup> DPU Witness William Dunkel Direct Testimony, p. 14, Ln. 193-194.

<sup>2</sup> Ibid. See p. 11, Lns. 149-154, p. 15, Lns. 201-203, and footnote 20.

42 In his depreciation calculations, Mr. Dunkel used an amortization period  
43 of five years for steam production reserve imbalances, seven years for hydraulic  
44 production reserve imbalances, and fifteen years for all other reserve imbalances.

45 **Q. What is your assessment of Mr. Dunkel's proposed treatment of the**  
46 **depreciation reserve imbalances?**

47 A. In my direct testimony, I proposed that the non-Carbon steam production  
48 depreciation reserve imbalance be amortized through 2020 to align the non-  
49 Carbon steam plant amortization period with the Carbon plant amortization period  
50 agreed to in the last RMP Utah rate case settlement for "Remaining Carbon  
51 Balances." I continue to recommend that treatment, as I believe it is appropriate  
52 from the perspective of Utah ratepayers to align the amortization of the Carbon  
53 plant balance with the amortization of the reserve surplus. However, I have no  
54 objections to the similar, but alternative, steam plant treatment proposed by Mr.  
55 Dunkel.

56 In my direct testimony I did not address depreciation reserve imbalances  
57 for the other major functional categories discussed by Mr. Dunkel because they  
58 do not involve rate impacts of similar magnitude to Carbon plant  
59 decommissioning. However, I have no objection to the amortization treatment  
60 used by Mr. Dunkel for these other major functional categories.

61 **Q. What is your reaction to Mr. Dunkel's proposal for production plant lives?**

62 A. For production plant, Mr. Dunkel recommends that the final retirement  
63 date of the Gadsby steam plant be set at 2033 since it is assumed to continue

64 operation through 2032 in the 2013 IRP. He also recommends that the retirement  
65 dates for certain hydro plants be aligned with the final retirement dates contained  
66 in the 2013 IRP.

67 **Q. What is your assessment of his proposed retirement dates for production**  
68 **plants?**

69 A. I support Mr. Dunkel's recommendation as to the plant lives for steam  
70 production plant, as it is consistent with the treatment I proposed for the Gadsby  
71 plant in my direct testimony. Mr. Dunkel and I are both attempting to identify a  
72 Gadsby steam plant retirement date that is reasonably consistent with the 2013  
73 IRP. Mr. Dunkel uses the same rationale to support different plant lives for  
74 certain hydro plants, which is reasonable. Mr. Dunkel did not propose to extend  
75 the life of the Craig steam plant to 2051 as I recommended in my direct  
76 testimony, but I continue to support a 2051 termination date for the Craig steam  
77 plant for the same reason, consistency with the 2013 IRP.

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

79 A. Yes, it does.