Q. Are you the same Dana M. Ralston who submitted direct testimony in this proceeding on behalf of PacifiCorp dba Rocky Mountain Power ("the Company")?

A. Yes, I am.

Purpose of Rebuttal Testimony

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

A. The purpose of my rebuttal testimony is to respond to proposed generation plant addition adjustments recommended by Mr. Richard S. Hahn, of La Capra Associates, in his direct testimony filed on behalf of the Utah Division of Public Utilities ("DPU"). Mr. Hahn expresses concern regarding four projects that were not in the original July 2013 to June 2015 forecast that are now expected to be placed into service during the March 2014 to June 2015 time period, well within the test period in this case of 12 months ending June 2015 ("Test Period"). My testimony will demonstrate that three of the four projects are necessary and will be used and useful within the Test Period and, therefore, that their capital investment should be allowed in this case. The fourth project, the Naughton U3 OH Waterwall Tube replace CY15, STMP, will be removed from the case. Specifically I will address the following projects:

- DJ U3 Primary Superheater Mid Span STMP SG
- Lakeside U12 Comb Turbine Exhaust Cylinder OTHP SG
- Huntington U1 FGD inlet Duct Header STMP SG
- Naughton U3 OH Waterwall Tube replace CY15 STMP

I will also rebut the Office of Consumer Services witness Ms. Donna Ramas'

criticism and proposed adjustment to the Company's generation O&M expense included in the case. My testimony will demonstrate that the concern about the difference between the forecasted costs for the 12-month period ending in May of 2013 from the previous rate case and the actual costs for the 12-month period ending in June of 2013 for the current rate case, of approximately $6.8 million with the actuals being lower than the forecast, is explainable and should not be the basis for any disallowance. Finally I will rebut Utah Association of Energy Users ("UAE") witness Mr. Kevin C. Higgins' claim that the Company has overestimated the four-year average overhaul costs for the Lake Side 2 plant.

Capital Projects

Q. What concern does Mr. Hahn express related to the Naughton U3 OH Waterwall Tube replacement project, the DJ U3 Primary Superheater Mid Span Support project, the Lakeside U12 Comb Turbine Exhaust Cylinder Installation project, and the Huntington U1 FGD inlet Duct Header Replacement project?

A. These four thermal generation projects are part of 10 capital investment projects Mr. Hahn expresses concern about in his direct testimony. Specifically, this group of projects was part of an update to the capital additions in the rate case as described further in the rebuttal testimony of Mr. Steven R. McDougal. In data request DPU 35.4, Mr. Hahn requested additional support and detail for these projects. Mr. Hahn expresses concern about the lack of project support provided, and requests similar detail to what has been provided for other capital addition projects. The Company determined that the supporting documentation for the Lake Side and Huntington

projects was indeed provided, but inadvertently included with the Company's response to data request DPU 35.1.

Q. Please comment on the Naughton U3 OH Waterwall Tube replacement project.

A. Upon further review, I determined that tubes will be replaced on an as-needed basis during inspections as O&M expenses and the project will be removed from the case.

Q. Please comment on the DJ U3 Primary Superheater Mid Span Support project.

A. In 2010, a portion of the DJ Unit 3 primary superheat mid span was replaced. During the past year, there have been three leaks in the Unit 3 primary superheat mid span support tubes. Analysis of the failed tube that occurred in June 2013, was performed by Investigative Engineering Corporation. The analysis indicated that the tube material, which was not replaced in 2010, was at the end of its useful life and required replacement. The two leaks that occurred in January 2014 were also analyzed by Investigative Engineering Corporation and were found to have failed from "significant overheating" in the superheat area. Investigative Engineering Corporation further stated that additional leaks will occur until the material is replaced. The scope of the projects is to replace the remaining primary superheat mid span support tubes that were not replaced in 2010. Not replacing the tubes will result in increased forced outages due to failure of the mid span supports which will translate into higher costs. Therefore, it is reasonable to replace the tubes.

Q. What is the estimated cost of this project?

A. Approximately $1.4 million.

Q. What is the projected in-service date for the project?

A. This project is currently in the development stage and is estimated to be in-service April 2015, which is prior to the May 2015 in service date reflected in the case.

Q. Please comment on the Lakeside U12 Comb Turbine Exhaust Cylinder Installation project.

A. The project description, justification, and Company approvals are included in Exhibit RMP___(DMR-1R). This project will be placed in service in April 2015, which is prior to the May 2015 in service date reflected in the case.

Q. Please comment on the Huntington U1 FGD inlet Duct Header Replacement project.

A. The project description, justification, and Company approvals are included in Exhibit RMP___(DMR-2R). This project will be placed in service in November of 2014.

Generation O&M Expense

Q. What are the reasons for the difference between actual and forecasted costs cited by Ms. Ramas in her direct testimony?

A. The main drivers for the difference are:

1) The sulfur content of the fuel consumed was lower that the forecasted amount, resulting in lower scrubber reagent consumption.
2) The capacity factor on a number of units was less than forecasted. This directly resulted in lower scrubber reagent and other chemical consumption.
3) The amount of fuel oil consumed for startup was less than forecast. In this case the operations of the units and the new equipment put in service was

better than forecasted. Fuel oil consumption has been adjusted in the current forecast test period to reflect this operating experience.

4) The timing of a number of expenditures was different than the forecasted amounts. The Company budgets on a calendar year basis. Expenditures are often shifted throughout the year to accommodate workloads, schedules, and operating conditions.

Q. Is it reasonable to expect the items listed above to be variable when comparing actuals to forecast?

A. Yes. The use of reagent is directly tied to the quality and amount of fuel consumed. Small changes in the quality (sulfur content) or amount (capacity factor) of fuel can greatly impact the total cost of reagent used in plant operations. Fuel oil consumed can also vary greatly depending on the actual operation of the units relative to forecasted operations. Both of these items are truly variable costs depending on actual operating conditions and can be higher or lower than forecast.

Q. Is it reasonable to expect the timing of projects and expenses to move due to workloads, schedules, and operating conditions?

A. Yes. The timing of projects and other expenses are actively managed to maximize availability and minimize costs. Often this requires the actual expenditures to move from a period outside of the rate case periods but generally within the calendar year in which they were budgeted.

Q. Is the difference identified by Ms. Ramas typical?

A. No. When comparing the budgeted O&M amounts to actual O&M spend for the four year period of 2010 to 2013 the Company actually spent approximately $36.8

million more than the budgeted amount. Taking a single period to make adjustments does not always accurately reflect the complete picture of what has occurred. The Company uses the best information available when making forecasts for future expenditures. There are times when the actual results differ from the forecasted or budgeted amounts. The actual difference can either be above or below the forecasted depending on operating conditions. These over or under occurrences are evident when looking and the period Ms. Ramas reviewed and then comparing it to the four year period 2010 to 2013 when the Company actually spent $36.8 million more than what was budgeted.

Lake Side 2 Overhaul Expense

Q. UAE witness Mr. Higgins proposed a downward revision to the four-year average overhaul expense for the Lake Side 2 plant. Do you agree with his recommendation?

A. No. Because Lake Side 2 is a new plant and does not have four years of historical overhaul expense, the Company estimated the annual overhaul expense for the Lake Side 2 plant by using four years of projected annual costs for the period July 2014 to June 2018. Mr. Higgins does not object to this approach, but claims that the Company has tended to overestimate its projected overhaul costs for new plants in rate case proceedings (see Higgins direct testimony, page 22, line 427 - 430). What Mr. Higgins failed to acknowledge is that projected four year average overhaul costs for Lake Side 2 reflected in this case is less than the actual four year average for either Current Creek or Lake Side 1. As summarized in table 1 below, Mr. Higgins table KCH-3 shows actual average overhaul costs for the first four years

of operations for the Currant Creek and Lake Side 1 plants at $1.7 million and $1.2 million, respectively. By comparison, the Company is including only $1.0 million for the four year average of Lake Side 2 (see Exhibit RMP___(SRM-3) page 4.8.2) which is less than either Currant Creek or Lake Side 1.

Table 1

Plant	4 Year Average Overhaul Cost	Source
Currant Creek	$1,685,095	Table KCH-3
Lake Side 1	$1,237,744	Table KCH-3
Average	$1,461,420	
Lake Side 2	$1,031,295	Exhibit RMP___(SRM-3) Page 4.8.2

The forecasted overhaul expense for Lake Side 2 is reasonable and consistent with current projections. The Commission should reject the Generation Overhaul adjustment proposed by Mr. Higgins.

Summary and Conclusion

Q. Please summarize your rebuttal testimony.

A. The proposed reductions to capital investment for the DJ U3 Primary Superheater Mid Span Support project, the Lakeside U12 Comb Turbine Exhaust Cylinder Installation project, and the Huntington U1 FGD inlet Duct Header Replacement project recommended by the DPU should be rejected. These projects are necessary to continue to provide safe and reliable service to customers and will be placed in service and be used and useful prior to and during the Test Period. In addition, the proposed reductions to incremental generation O&M (non-overhaul) should also be rejected for the reasons set forth above. The lower reagent usage is directly related

to the quality and amount of fuel consumed and is a variable cost. Oil costs are also variable costs. Finally, project timing will indeed change due to workloads, schedules, and operating conditions causing expenses to move. The detail provided in my direct testimony specifically lays out the items and the reasons for the increases in O&M over the base period and, as further explained above, show the prudence and need for the additional expenditures requested. The explanation of the differences between the forecast and actual periods along with the fact that over the four year period 2010 to 2013 the Company has actually spent $36.8 million more than the budgeted amounts supports rejecting the adjustments suggested by Ms. Ramas. Also, as explained above, Mr. Higgins' proposed adjustment to the Lake Side 2 overhaul expense should be rejected.

Q. Does this conclude your rebuttal testimony?

A. Yes.