

1 **Q. PLEASE STATE YOUR NAME, BY WHOM YOU ARE EMPLOYED AND IN**
2 **WHAT CAPACITY FOR THE RECORD.**

3 **A.** Eric Orton. I work for the Division of Public Utilities (Division) as a Utility Technical
4 Consultant. My office is at the Heber M. Wells Building, 4th Floor, 160 East 300 South,
5 Salt Lake City, Utah 84114-6751.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 **A.** To propose adjustments to the Rocky Mountain Power (the “Company”) revenue
8 requirement request.

9 **Q. IN WHAT AREAS ARE YOUR ADJUSTMENTS?**

10 **A.** I propose adjustments to the lobbying, civic goodwill expenses as well as incentives,
11 included in the test year projected by the Company that should not be the burden of
12 ratepayers.

13 **Q. PLEASE EXPLAIN YOUR EXPENSE ADJUSTMENTS.**

14 **A.** There are three separate adjustments, but they are very similar in nature, and are from
15 FERC accounts 930 and 921. First, I removed part of the expenses the Company paid to
16 Edison Electric Institute (EEI) and The National Hydro Association Inc. (NHA), which
17 used those funds for lobbying activities. Second, I removed some expenses for Chamber
18 of Commerce and similar organizations which promote the goodwill of the Company.
19 Third, I removed some of costs the Company spent on incentives and perks.

20 These goodwill, lobbying, and incentivizing expenditures are not properly recoverable
21 from rate payers.

22 **Q. PLEASE DESCRIBE YOUR ADJUSTMENT REGARDING LOBBYING**
23 **EXPENSES.**

24 A. The Company paid membership dues to EEI and NHA and in response to DPU 13.1
25 attachment it is clear that these associations spend a portion of these dues in lobbying
26 efforts. These lobbying payments benefit shareholders, not ratepayers. Therefore, I
27 recommend that the Commission disallow the recovery of lobbying expenditures from
28 the revenue requirement.

29 This results in a decrease \$365,777 on a total Company basis and \$159,589 in the Utah
30 revenue requirement. See DPU Exhibit 5.1

31 **Q. PLEASE DESCRIBE YOUR ADJUSTMENT REGARDING CHAMBER OF**
32 **COMMERCE TYPE EXPENSES.**

33 A. The Company chooses to pay membership fees to different community organizations.
34 The Company's participation in these organizations: 1) do not provide a direct
35 quantifiable benefit to the ratepayer; 2) are not necessary for the provision of safe and
36 adequate electric service and; 3) are an expected benefit to the shareholders. Therefore, I
37 recommend that the Commission disallow the recovery of Chamber of Commerce dues
38 and other similar community goodwill payments.

39 This results in a decrease of \$190,430 on a total Company basis and \$84,351 in the Utah
40 revenue requirement. See DPU Exhibit 5.2.

41 **Q. PLEASE DESCRIBE YOUR ADJUSTMENT REGARDING INCENTIVES**
42 **FOUND IN ACCOUNT 921, OFFICE SUPPLIES AND EXPENSES.**

43 A. Incentives for employee appreciation and conferences are discretionary and are not
44 required to provide safe and adequate service to customers. Therefore, the Commission
45 should disallow the recovery of these expenses from captive ratepayers. The Division
46 has identified \$409,739 in incentive expenses on a total Company basis which represents
47 a decrease of \$86,230 in the Utah revenue requirement. See DPU Exhibit 5.3.

48 **Q. PLEASE SUMMARIZE YOUR ADJUSTMENTS.**

49 A. There are three:

50 1) Lobbying payments benefit shareholders not ratepayers and should be deducted. The
51 adjustment on a Total Company basis is \$365,777 and on a Utah specific basis its
52 \$159,589. Entering this amount into the Company's model produces a net adjustment of
53 \$160,747.

54 2) Civic and goodwill type payments benefit shareholders and not ratepayers. The
55 adjustment on a Total Company basis is \$190,430 and on a Utah specific basis its
56 \$84,351. Entering this amount into the Company's model produces a net adjustment of
57 \$83,688.

58 3) Incentives and perks are not required to provide safe and adequate service. The
59 adjustment on a Total Company basis is \$409,739 and on a Utah specific basis its
60 \$86,230. Entering this amount into the Company's model produces a net adjustment of
61 \$180,067

62 The Division recommends the same adjustments from the same position that it has for
63 years and has and been included in several past rate cases. We recommend that the
64 Commission accept these adjustments to prevent these costs from being included in rates
65 and remove them (including escalation) from the Company's test year. The total result of
66 these three adjustments is a decrease in the Utah revenue requirement of: \$425,111 on a
67 Utah basis or as the Company's model produces it \$424,503.

68 **Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

69 A: Yes.