

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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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, Consisting of a General Rate  
Increase of Approximately \$161.2 Million per Year, and for  
Approval of a New Large Load Surcharge

| Docket No 07-035-93  
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REVENUE REQUIREMENT DIRECT TESTIMONY OF

ROGER J BALL

7 APRIL 2008

1 Q Are you the same Roger J Ball who filed Test Year Direct Testimony in this Docket on 25  
2 January 2008?

3 A Yes. It was admitted into evidence during the 7 February Test Year hearing as Exhibit  
4 RJB 1.0, together with a statement of my academic and professional qualifications and  
5 professional experience as Exhibit RJB 1.1, and my 4 February Test Year Rebuttal  
6 Testimony as Exhibit RJB 2.0. On 7 February I appeared and testified during the Test  
7 Year hearing, and on 13 February I filed Test Year Closing Argument. Most recently, on  
8 31 March, I filed my Rate of Return Direct Testimony as Exhibit RJB 3.0.

9 Q What is the purpose of your Revenue Requirement Testimony?

10 A To comply with the requirement in the Commission's 27 December 2007 Scheduling  
11 Order in this proceeding that non-Company parties file direct testimony regarding rate of  
12 return by 7 April 2008, and to address the recovery of regulatory expenses in rates.

13 Q What regulatory expenses has Rocky Mountain Power (RMP, or PacifiCorp, or Company,  
14 or utility) included in its Supplemental Direct Testimony in this Docket?

15 A RMP witness and Director of Revenue Requirements McDougal presents Exhibit RMP  
16 SRM-1S which shows a total of \$3,483,200 (Line 876, Page 2.14, of Section 2 "Results of  
17 Operations") for Regulatory Commission Expense.

18 Q Is this an appropriate expense to be passed on to ratepayers?

19 A Absolutely not. It is not a cost that benefits ratepayers in any way. In fact, a large portion  
20 of it is spent to their detriment when the Company argues for increased rates.

21 Q Is there a parallel in a below-the-line item?

22 A Yes. PacifiCorp spends considerable sums each year on lobbying that is not allowed as a  
23 regulatory expense but that has much the same purpose, to benefit the Company's  
24 managers and owners.

25 Q FERC regulation is not subject to this Commission's jurisdiction. Do you make an  
26 exception from your recommendations with regard to those expenses?

27 A No. FERC regulation has no beneficial effect for ratepayers, either.

28 Q But wouldn't ratepayers be worse off without regulation?

29 A I don't mean to imply that ratepayers would be better off with an unregulated monopoly  
30 supplier. If there is a monopoly, there must be regulation, and it must be effective, and it  
31 must be focused on protecting ratepayers. There are great benefits for utility owners and  
32 managers in being granted a monopoly, and it is only reasonable that they should bear  
33 the costs of regulation.

34 Q What benefits?

35 A They have no competition, no-one to look over their shoulders at. Every entrepreneur  
36 dreams of carving out a market niche where he will have no competition. Bill Gates and  
37 his colleagues who created MicroSoft come forcibly to mind. But most business owners  
38 struggle for years without achieving monopoly. When a state grants monopoly rights to a  
39 utility, it confers enormous cost-saving advantages upon it.

40 Q Are there no benefits to ratepayers?

41 A Perhaps during the early years, if the grant of a monopoly persuades owners to invest in  
42 infrastructure where none previously existed. But those days are long gone. Nowadays,  
43 PacifiCorp owners and managers have licence to milk a \$1½B a year cash cow. During  
44 the decade of the 1990s, that enabled the Company to take its Utah earnings and spend

45 them on vanity projects on four continents. There followed huge losses of value for  
46 owners, and the takeover of PacifiCorp by ScottishPower. Ratepayers lost out because  
47 investment in infrastructure to serve Utah's growth was simply sidelined for years.  
48 Subsequently, instead of a prudent strategy, we have seen only tactical proposals  
49 designed to rescue the Company from desperate shortages of generation, transmission  
50 and distribution facilities at the eleventh hour, sometimes after midnight. This has last-  
51 minute approach has resulted in expensive measures that have contributed heavily to  
52 rapidly increasing rates.

53 Q Are Utah ratepayers supposed to be paying Rocky Mountain Power's regulatory costs?

54 A No. Utah Code Annotated (UCA) §54-5-1.5(1)(a) says:

55 A special fee to defray the cost of regulation is *imposed upon all public utilities*  
56 subject to the jurisdiction of the Public Service Commission. (Emphasis added.)

57 UCA §54-5-1.5(4)(a) goes on to say:

58 It is the intent of the Legislature that *the public utilities provide all of the funds* for  
59 the administration, support, and maintenance of:

- 60 (i) the Public Service Commission;  
61 (ii) state agencies within the Department of Commerce involved in the regulation  
62 of public utilities; and  
63 (iii) expenditure by the attorney general for utility regulation. (Emphasis added.)

64 The plain language of these statutory provisions state that Utah's Legislature has  
65 imposed all the costs of regulating Rocky Mountain Power upon the Company; no-one  
66 else; certainly not its ratepayers.

67 Q The opening phrase of UCA §54-5-1.5(4)(a) is: "It is the intent of the Legislature". Don't  
68 the courts attach less weight to Legislative intent language than to statutory provisions?

69 A When that intent language is recorded in Legislative journals, that is the case. However,  
70 in this instance, the intent is part of the statute and therefore carries the weight of law.

71 Although Utah utilities' rates have been set based upon revenue requirements including  
72 regulatory costs for several years, it is illegal, and the Commission will act *ultra vires* if it  
73 chooses to do so in this proceeding.

74 Q UCA §54-5-1.5(4) speaks to the costs of Utah's state regulatory agencies. How should  
75 that guide the Commission with regard to Rocky Mountain Power's own regulatory  
76 expenses?

77 A Given that the provisions of this sub-section require that public utilities, rather than  
78 ratepayers, bear all the costs of the regulatory agencies, whose primary purpose is to  
79 protect captive customers with no alternative suppliers, it clearly makes no sense that  
80 ratepayers should be saddled with the costs incurred by those utilities advocating higher  
81 rates or other burdens for consumers in regulatory proceedings.

82 Even if the Commission is unpersuaded that it is unlawful for it to exclude the public utility  
83 regulatory fee from RMP's revenue requirement on this occasion, it would be entirely  
84 inequitable for it to impose the cost of the Company's expenses in advancing its  
85 managers' and owners' interests on ratepayers.

86 Q Does that conclude your Revenue Requirement Direct Testimony?

87 A Yes, thank you.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Revenue Requirement Testimony of Roger J Ball in Docket 07-035-93 was served upon the following by electronic mail on 7 April 2008:

PacifiCorp:

Jeff Larsen  
jeff.larsen@pacificorp.com  
Dave Taylor  
dave.taylor@pacificorp.com  
Justin Lee Brown (8685)  
justin.brown@pacificorp.com  
Daniel Solander (11467)  
daniel.solander@pacificorp.com  
Data Request Response Center  
datarequest@pacificorp.com

Utah Division of Public Utilities:

Phil Powlick, Director  
philippowlick@utah.gov  
William Powell  
wpowell@utah.gov  
Dennis Miller  
dennismiller@utah.gov  
Michael Ginsberg (4516)  
mginsberg@utah.gov  
Patricia E Schmid (4908)  
pschmid@utah.gov

Utah Committee of Consumer Services:

Michele Beck, Director  
mbeck@utah.gov  
Dan Gimble  
dgimble@utah.gov  
Cheryl Murray  
cmurray@utah.gov  
Paul Proctor (2657)  
pproctor@utah.gov

UAE:

Gary A. Dodge (0897)  
gdodge@hjdaw.com  
Kevin Higgins  
khiggins@energystrat.com  
Neal Townsend  
ntownsend@energystrat.com

USMagnesium:

Roger Swenson  
Roger.swenson@prodigy.net

UIEC

F Robert Reeder  
bobreeder@parsonsbehle.com  
William J Evans  
bevans@parsonsbehle.com  
Vicki M Baldwin  
vbaldwin@parsonsbehle.com

IBEW

Arthur F Sandack  
asandack@msn.com

CVWRF:

Ronald J Day  
dayr@cvwrf.org

Kroger:

Michael L Kurtz  
mkurtz@bkllawfirm.com  
Kurt J Boehm  
kboehm@bkllawfirm.com

Nucor Steel:

Peter J Mattheis  
pjm@bbrslaw.com  
Eric J Lacey  
elacey@bbrslaw.com  
Gerald H Kinghorn  
ghk@pkhlawyers.com  
Jeremy R Cook  
jrc@pkhlawyers.com

WRA & UCE

Steven S Michel  
smichel@westernresources.org  
Mike Mendelsohn  
mmendelsohn@westernresources.org  
Sarah Wright  
sarah@utahcleanenergy.org

SLCAP & Crossroads

Betsy Wolf  
bwolf@slcap.org

AARP

Dale F Gardiner  
dgardiner@vancott.com  
Janee Briesemeister  
jbriesemeister@aarp.org

Interwest

Stephen F Mecham  
sfmecham@cnmlaw.com  
Craig Cox  
cox@interwest.org

Wal-Mart

Holly Rachel Smith  
holly@raysmithlaw.com  
Ryan L Kelly  
ryan@kellybramwell.com  
Steve W Chriss  
stephen.chriss@wal-mart.com

Utah Farm Bureau

Stephen R Randle  
s.randall@yahoo  
Todd Bingham  
toddrbingham@gmail.com

/s/

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Roger J Ball