

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, 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
)	Pre-filed Rebuttal
)	Revenue Requirement
)	Testimony of
)	Cheryl Murray
)	For the Committee of
)	Consumer Services
)	

May 9, 2008

1 **I. Introduction**

2 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

3 A. My name is Cheryl Murray. I am a utility analyst on the staff of the
4 Committee of Consumer Services (Committee). My business address is
5 160 East 300 South, Salt Lake City, Utah.

6 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY IN THIS
7 DOCKET?**

8 A. Yes, I presented testimony in the Test Year portion of this docket and
9 direct testimony in the revenue requirement phase.

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

11 A. My testimony addresses several of the policy recommendations made by
12 Thomas C. Brill for the Division of Public Utilities (Division) and clarifies
13 one issue in my direct testimony. I also introduce the rebuttal testimony of
14 Randall J. Falkenberg. I will also identify issues from other parties' direct
15 testimony on which the Committee will need to examine the Company's
16 responsive testimony and further analyze before taking a specific position
17 in testimony.

18

19 **2. Policy Issues**

20 **Q. PLEASE IDENTIFY EACH POLICY ISSUE YOU ADDRESS.**

21 A. I address the following issues:

- 22 1) reporting requirements;
- 23 2) filing requirements;

- 24 3) 240-day statutory clock;
- 25 4) ratepayer safeguards; and
- 26 5) change in normalization method for deferred taxes.

27

28 **Reporting Requirements**

29 **Q. THE DIVISION HAS RECOMMENDED THAT THE COMMISSION**
30 **INSTITUTIONALIZE CERTAIN REPORTING REQUIREMENTS.**
31 **PLEASE PROVIDE THE COMMITTEE'S PERSPECTIVE ON THIS**
32 **ISSUE.**

33 A. The Committee is supportive of the semi-annual variance reporting
34 requirements recommended by Division Witness Brill at pages 9 through
35 11 of his direct testimony. The Committee agrees that the proposed semi-
36 annual variance reporting requirements, along with the Division's
37 recommended submission of a two-year forecast would be useful tools
38 and would assist in evaluating test year options in future rate cases as
39 well as with tracking the accuracy of the Company's past forecasts.

40 **Q. DOES THE COMMITTEE HAVE ANY ADDITIONAL**
41 **RECOMMENDATIONS?**

42 A. Yes. At page 10, lines 184 – 190, Dr. Brill recommends that certain items
43 be reported with a comparison of the forecasted data versus actual data.
44 In addition to the items listed, the Committee recommends that
45 Administrative and General Expenses by FERC account also be provided.
46 The information should be provided on both a total Company and a Utah

47 jurisdictional basis. Additionally, the two-year forecast the Division
48 recommends the Company submit should also be provided on both a total
49 Company and a Utah jurisdictional basis.

50

51 The Committee agrees with Dr. Brill's recommendation that the actual to
52 forecast monthly demand and energy usage by state, as filed under Tab
53 11 of the Results of Operations, continue to be provided. The actual
54 amounts should be provided on a weather normalized basis. This
55 information would be useful in evaluating PacifiCorp's forecasting accuracy
56 associated with the factors that are utilized to derive the SG and SE
57 jurisdictional allocation factors.

58

59 **Filing requirements**

60 **Q. THE DIVISION MAKES RECOMMENDATIONS REGARDING SPECIFIC**
61 **FILING REQUIREMENTS. ARE THOSE THE SAME**
62 **RECOMMENDATIONS MADE BY THE COMMITTEE IN DIRECT**
63 **TESTIMONY?**

64 A. Not exactly. Although both the Division and Committee point out the
65 necessity for the Company to provide the data and information needed to
66 support its rate case filing, the timing of when the Division would expect
67 that information to be provided is unclear.

68

69 While not specifying the timing for the Company to provide the information
70 referenced in Dr. Brill's testimony, he states:

71 "We propose that these specific filing requirements be made a
72 permanent part of future general rate case filings".

73 As stated in my direct testimony in this docket it is the Committee's
74 position that this information is an essential element to be offered as
75 support for the Company's request for a rate increase and as such it
76 should be provided as part of the initial application. If the appropriate
77 documentation is not included the Commission should find that the filing is
78 not complete and the 240 day clock should not begin until the supporting
79 data is provided.

80

81 **Test Period 240-day clock**

82 **Q. THE DIVISION RECOMMENDS THAT IF THE COMMISSION SELECTS**
83 **A TEST PERIOD OTHER THAN THAT FILED BY THE COMPANY IN**
84 **ITS ORIGINAL APPLICATION THE 240-DAY STATUTORY CLOCK BE**
85 **STOPPED. WHAT IS THE COMMITTEE'S POSITION ON THIS ISSUE?**

86 A. The Division points out that with the Commission's February 14, 2008
87 Order in this docket for a test period different than that filed in the
88 Company's rate case application it was necessary for the Company to file
89 a revised case. Additionally, the Company filed revisions to a number of
90 pertinent MDRs and updated previously answered data requests to be
91 responsive to the new test period.

92

93 Based on our experience in this docket the Committee supports the
94 recommendation that the 240-day statutory clock be stopped when the
95 Company is required to file a revised test period. Although the Committee
96 was able to continue working on aspects of the rate case while waiting for
97 the revised filing the resulting compressed schedule certainly added an
98 element of difficulty that could be diminished by stopping the clock. This
99 would have the effect of providing a more reasonable amount of time for a
100 thorough and deliberate examination of the elements of the case that are
101 required in order to make a recommendation to the Commission on the
102 appropriate revenue requirement given the limitation of resources
103 available to conduct reviews within already tight time constraints.

104

105 The Committee also agrees with the Division that further instruction from
106 the Commission on elements it will use to determine what test period best
107 reflects the conditions the Company will face when rates go into effect
108 would be beneficial for all parties, including the Company.

109

110 It may be possible to develop a format for presentation of evidence that
111 will not require the predetermination of the test period. Developing a
112 format of this nature would require careful consideration to ensure that
113 parties who make their adjustments based on a test year other than that
114 ultimately selected by the Commission are not disadvantaged. In the

115 absence of the development of such a flexible format, the Committee's
116 policy remains the same as presented in the Test Period hearing. Our
117 view is that early resolution of the issue will provide more efficient
118 utilization of parties' resources and may avoid potential waste of efforts in
119 evaluating issues that may subsequently become irrelevant if the Test
120 Period is revised by the Commission.

121

122 **Ratepayer Safeguards**

123 **Q. THE DIVISION ALSO RECOMMENDED THAT IF THE COMPANY FILES**
124 **A RATE CASE USING A FULLY FORECASTED TEST PERIOD**
125 **POTENTIAL RATEPAYER SAFEGUARDS NEED TO BE**
126 **IMPLEMENTED. DOES THE COMMITTEE AGREE?**

127 A. The Committee is supportive of the concept of appropriate ratepayer
128 safeguards, as evidenced by the Stipulation in Docket No. 06-035-21
129 where the Company agreed to meet certain spending levels in the areas
130 of Utah System Maintenance and Capital Expenses. We would, however,
131 need to see greater detail in the Division's proposal to determine if we
132 could support the specific proposal.

133

134 **Change in Normalization Method for Deferred Taxes**

135 **Q. PLEASE CLARIFY YOUR DIRECT TESTIMONY REGARDING THE**
136 **COMMITTEE'S POSITION ON THE COMPANY'S PROPOSED**
137 **CHANGES TO ACCOUNTING PROCEDURES.**

138 A. As addressed in my direct testimony¹ it is the Committee's position that
139 the Company should be required to explain and support any proposed
140 substantive changes to its accounting procedures. The specific topic at
141 issue is the Company's change to the way it normalizes asset basis
142 differences for deferred income taxes. As I indicated, the Committee has
143 not yet determined its policy on this issue and will not oppose the use of
144 this method for this case only. However, we would recommend that the
145 Commission, in its order, identify this as an unresolved issue that requires
146 further evaluation.

147

148 **3. Other Committee Rebuttal Testimony**

149 **Q. PLEASE BRIEFLY DESCRIBE MR. FALKENBERG'S REBUTTAL**
150 **TESTIMONY.**

151 A. In direct testimony in this docket Mr. Falkenberg recommended an
152 adjustment to the Company's net power costs regarding planned
153 outages². Division witness, James B. Dalton, made a similar adjustment
154 but with a different result³. Mr. Falkenberg provides an explanation of the
155 differences in those two analyses and explains why his method is
156 preferable.

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158

¹ Direct Testimony of Cheryl Murray, pp 5 and 6, lines 94 – 116.

² Direct Testimony of Randall J. Falkenberg, pp 45 – 57, lines 1061 – 1387.

³ Direct Testimony of James B. Dalton, pp 5 and 6, lines 68 - 104.

159 **4. Issues Raised by Other Parties**

160 **Q. YOU INDICATED THAT THE COMMITTEE WAS CONSIDERING**
161 **SUPPORTING CERTAIN ADJUSTMENTS MADE BY OTHER PARTIES**
162 **IN THIS CASE. PLEASE IDENTIFY THOSE ADJUSTMENTS.**

163 A. The Committee's consultant on accounting matters in this case, Ms.
164 DeRonne of Larkin & Associates, is reviewing the recommendations of the
165 various parties. The testimony of some Division witnesses indicated that
166 certain adjustments were subject to revision pending the Company
167 providing further support and justification in its rebuttal testimony. The
168 Committee may concur with several of these recommended adjustments,
169 but is also awaiting the provision of further support and justification in the
170 Company's rebuttal testimony. These areas include David Thomson's
171 adjustments to rents, airplane costs, and advertising expense, as well as
172 Brenda Salter's recommended adjustment to dues and memberships
173 expense.

174

175 The Committee is also continuing its examination of Mr. Thomson's
176 adjustment to Customer O&M expenses to remove out of period and
177 rebranding costs, and Mathew Croft's adjustments to remove MEHC
178 reconfiguration and consolidation costs and his capital additions true-up
179 adjustment.

180

181 Following receipt of the Company's rebuttal testimony on the above
182 identified adjustments, Committee witness DeRonne may offer surrebuttal
183 testimony regarding these Division sponsored adjustments.

184 **Q. ARE THERE ANY RECOMMENDATIONS FILED BY THE OTHER**
185 **PARTIES THAT YOU WISH TO COMMENT ON AT THIS TIME?**

186 A. Yes. UIEC witness Maurice Bruebaker recommended in his testimony
187 that if any of the wind projects included in this case do not come on-line on
188 time to receive Production Tax Credits, the Commission, in future rate
189 case proceedings, should impute the full amount of Production Tax
190 Credits the project would have received had it gone into service on time.
191 The Committee agrees that this is an important issue and that if the
192 Commission does not make such a finding in the current case, the issue
193 should remain open for review in subsequent rate cases when it will be
194 known whether or not the Company met the timing requirements and
195 whether or not the time limitation on the Production Tax Credits is
196 extended.

197

198 Mr. Bruebaker also recommends that the Company be required to adjust
199 its jurisdictional allocation factors to reflect the most recently available
200 weather-normalized actual information. His Exhibit UIEC__(MEB-2)
201 identifies the most recent weather normalized actual System Generation
202 (SG) and System Energy (SE) factors based on information for the twelve-
203 months ended December 31, 2007, consisting of an SG factor of 41.67%

204 and an SE factor of 40.78%. These compare to the factors utilized by the
205 Company in its updated filing for the 2008 test year of 42.38% for SG and
206 41.78% for SE.

207

208 We have reviewed this issue and it appears to have a significant monetary
209 impact on Utah rates. While we don't have a specific adjustment to
210 present in this case we plan to actively pursue this and other related
211 forecasting issues in several forums. We recommend that the
212 Commission carefully consider the issue of Rocky Mountain Power's
213 forecasts of allocation factors.

214

215 Although I have not discussed every adjustment made by parties in this
216 case, that should not be taken as an indication that we disagree or agree
217 with any particular adjustment. The Company's rebuttal testimony may
218 cause us to modify this list in surrebuttal testimony.

219 **Q. DO YOU HAVE ANY COMMENTS REGARDING THE TESTIMONY**
220 **PROVIDED BY THE WITNESSES FOR IBEW LOCAL 57?**

221 A. Yes. As stated in my direct testimony the Committee supports the
222 Company's need for investment in distribution, transmission and
223 generation. We believe investment in these areas is necessary to provide
224 adequate service to customers. In Mr. Falkenberg's direct testimony
225 regarding Thermal Deration Factors, beginning on page 68, he describes
226 the significant increase in PacifiCorp's thermal unplanned outage rates.

227 He specifically points to the four Bridger units as having the highest
228 outage rates among all the Company's coal plants. The testimonies of
229 IBEW Local 57 witnesses, Byron Nielsen regarding generation
230 maintenance and staffing inadequacies and Gary Cox relating to
231 excessive and costly unplanned outages certainly raise concerns for the
232 Committee. If their testimony is supported with adequate evidence, a
233 remedy such as earmarking funds for maintenance may be in order.

234 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

235 **A.** Yes, it does.