

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)	DOCKET NO. 07-035-93
Proposed Electric Service Schedules and)	DPU Exhibit 3.0SR
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)	

Pre-filed Surrebuttal Testimony of

Thomas C. Brill, Ph.D.

**For the Division of Public Utilities
Department of Commerce
State of Utah**

May 23, 2008

1 **Q. Please state your name and occupation?**

2 **A.** My name is Thomas C. Brill. I am employed by the Utah Division of Public Utilities
3 (Division) as a Technical Consultant.

4 **Q. Are you the same Thomas C. Brill who on April 7, 2008 filed direct testimony in**
5 **this docket?**

6 **A.** Yes.

7 **Q. What is the purpose of your revenue requirement surrebuttal testimony?**

8 **A.** The purpose of my surrebuttal testimony is to respond to the rebuttal testimony filled
9 by Mr. Richard Walje, Mr. William Griffith, and Mr. Jonathan Hale, all with
10 PacifiCorp (Company), and to Ms. Cheryl Murray, with the Committee of Consumer
11 Services (Committee). Specifically, I will address: 1) Mr. Walje's rebuttal testimony
12 regarding scheduling and filing requirements; 2) Mr. Griffith's rebuttal testimony on
13 the proposed implementation of a revenue requirement change in Phase I of this
14 proceeding; 3) Mr. Hale's rebuttal testimony in response to Ms. Murray's and my
15 direct testimony on 100 percent normalization; and 4) Ms. Murray's recommendation
16 for ratepayer safeguards. The Division's revised revenue requirement is
17 approximately \$52 million. This revision does not take into consideration
18 adjustments by other parties that have or have not been accepted by the Company in
19 their rebuttal testimony. A supplemental exhibit will be filled by the Division next
20 week and will present a summary of the Division's revised revenue requirement.

21

22 **Q. Will you please briefly review your proposed recommendations from your direct**
23 **testimony?**

24 **A.** Yes. I proposed recommendations for scheduling, filing requirements, and ratepayer
25 safeguards, as well as the 100 percent normalization issue and proposed
26 implementation of Phase I revenue requirement. Our scheduling recommendations
27 concerned providing adequate time for our auditors to conduct their investigation.
28 The Division's filing requirements topics included the Master Data Request (MDR),
29 variance/forecasting reports, and the lead/lag study.

30 **Q. Which recommendations did Mr. Walje address?**

31 **A.** His rebuttal testimony briefly addressed Division and Committee scheduling and
32 filing requirements concerns.

33 **Q. What was Mr. Walje's recommendation concerning Division and Committee**
34 **proposed modifications to the amount of required information for filing and the**
35 **timing or scheduling of the general rate case?**

36 **A.** Uniform rejection of our recommendations for scheduling and filing requirements.

37 **Q. What does the Division think about Mr. Walje's specific concerns?**

38 **A.** Mr. Walje's concerns are unpersuasive. The Division's scheduling and filing
39 requirements should be adopted. To paraphrase, Mr. Walje expressed concern about
40 the effect of the filing requirements on the rate case time period, on the Company
41 achieving its authorized rate of return, and on customer price signals, as well as
42 consistency with the Legislature's allowance of a forward-looking test year. Contrary
43 to Mr. Walje's concerns, the Division's scheduling and filing requirements do not

44 preclude a forward-looking test period being used because the information sought is
45 known up front, and should be able to be prepared along with the rate case filing, for
46 the same time period. As another example, our general recommendation to move
47 forward the test year decision (to make more time available for our auditors), should
48 not be interpreted as something which “would further delay recovery of costs” but
49 should be interpreted as a recommendation to expedite the assessment of critical data.

50 **Q. After reviewing Mr. Griffith’s rebuttal testimony, what is the Division’s**
51 **recommendation concerning the proposed implementation of a revenue**
52 **requirement change in Phase I of this proceeding?**

53 **A.** The Division agrees with the proposal in Mr. Griffith’s rebuttal testimony, and adds a
54 few refinements. The Division accepts that the revenue requirement change ordered
55 in Phase I be applied through a uniform percentage Tariff Rider Rate prior to the Utah
56 Public Service Commission’s (Commission) determination in Phase II of this docket.
57 The Division believes this is an acceptable compromise as long as it is applied to an
58 entire class rather than individual customers. If the Commission ultimately rules
59 against the Company’s recommendation and decides to revise Phase I rates at the end
60 of Phase II of the docket, the Division would accept the Company’s proposal to apply
61 prospectively a Phase II Tariff Rider Rate to each customer class. The Division
62 believes any attempt to implement the total dollar reallocation associated with a
63 uniform percentage increase should be made over the shortest period of time possible.

64 **Q. After reviewing Mr. Hale’s rebuttal testimony, how does the Division respond to**
65 **the Company’s proposal for 100 percent normalization for deferred income**
66 **taxes?**

67 **A.** This is a significant policy change. The Division is concerned that PacifiCorp chose
68 to introduce a new witness at the surrebuttal phase of the docket, rather than present a
69 complete discussion concerning this major policy issue in the direct testimony phase.
70 Indeed, the very limited reference to this major policy change in PacifiCorp’s direct
71 testimony is questionable. Turning to the just-revealed terms of the proposal itself,
72 the Division has three primary concerns with the Company proposal for 100 percent
73 normalization: 1) the Commission should not be limited to only two options (accept
74 100 percent normalization or return to 40 percent normalization and increase revenue
75 requirement \$13 million); 2) the Division intends to continue its study of the issue
76 and make a formal recommendation to the Commission in the next PacifiCorp general
77 rate case; and 3) the Company provided inadequate notification of a major policy
78 change. In particular, mention of this major policy change did not appear until page
79 43 of Mr. Steven McDougal’s direct testimony, as stated previously by Ms. Murray of
80 the Committee. The Division believes that a major change in policy should be made
81 up front in Mr. Walje’s direct testimony or very early in Mr. McDougal’s direct
82 testimony, along with a discussion of the merits of the policy change. The Division
83 strongly recommends that a major policy change be announced concurrent with filing
84 the general rate case. The merits of this major policy change were not presented until
85 Mr. Hale’s rebuttal testimony. The Division maintains that proper notification would

86 have meant the Company filed its December 2007 general rate case at \$161 plus \$13
87 million, or about \$174 million, at 40 percent normalization and provided timely
88 information that its recommended 100 percent normalization would have reduced the
89 filing by \$13 million to \$161 million. This would allow interveners to assess the
90 effect of a major policy change when they begin their review of the filing.

91 **Q. Are there other options available to the Commission beside the two options in**
92 **Mr. Hale's rebuttal testimony?**

93 **A.** Yes. Another option is for the Commission to allow the Company to set up a
94 regulatory asset for the \$13 million in the current rate case. On a prospective basis,
95 the tax basis differences would be normalized at 100 percent as reflected in the rate
96 case. If the decision is made to stay at 40 percent normalization rather than moving
97 to full normalization, the Company would be allowed to amortize the \$13 million
98 regulatory asset over three to five years. If the decision is to move to full
99 normalization then the regulatory asset would be written off.

100 **Q. In its rebuttal testimony, the Committee stated it was supportive of the concept**
101 **of appropriate ratepayer safeguards. As an example, it identified the Stipulation**
102 **in Docket No. 06-035-21, in which the Company agreed to meet certain spending**
103 **levels for "Utah System Maintenance and Capital Expenses." Does the Division**
104 **support this type of ratepayer safeguard?**

105 **A.** Yes. This example of a ratepayer safeguard identified specific milestones and
106 Company spending targets. The Company was also required to submit a report on

107 these expenditures to the Division and the Committee by a certain date. The Division

108 agrees with this approach to ratepayer safeguards regarding major capital projects.

109 **Q. Does this conclude your testimony?**

110 **A.** Yes.