

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 Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations)	Docket No. 08-035-38
)	Pre-filed Direct
)	Test Year Testimony of
)	Cheryl Murray
)	For the Committee of
)	Consumer Services
)	

October 7, 2008

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

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

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

6 A. I present the Committee's policy position regarding the appropriate test
7 period for this proceeding.

8 **Q. WILL OTHER WITNESSES PRESENT TESTIMONY REGARDING TEST
9 PERIOD ON BEHALF OF THE COMMITTEE?**

10 A. Yes. The Committee has retained the services of Larkin & Associates,
11 PLLC to analyze Rocky Mountain Power's (Company) application for a
12 rate increase. Donna DeRonne, a CPA with that firm, will present the
13 Committee's position regarding the Company's request to use end-of-
14 period rate base.

15 **Q. WHAT IS THE COMMITTEE'S POLICY POSITION REGARDING THE
16 APPROPRIATE TEST PERIOD FOR THIS CASE?**

17 A. The Committee's position is that the more appropriate test period for this
18 case is calendar year 2009, with average rate base.

19 **Q. THE COMMISSION HAS IDENTIFIED CERTAIN FACTORS THAT IT
20 WILL EVALUATE AND BALANCE IN SELECTING THE TEST PERIOD.
21 DO THOSE FACTORS INFLUENCE THE COMMITTEE'S POSITION ON
22 TEST PERIOD?**

23 A. If one were to consider only those “factors” either the Committee’s
24 recommended 2009 calendar test period or the Company’s proposed test
25 period, modified to reflect average rate base instead of year end rate
26 base¹ would meet that criteria. However, in this specific case issues
27 beyond those factors should be considered.

28 **Q. WHAT WERE SOME OF THE ISSUES THE COMMITTEE CONSIDERED**
29 **IN ARRIVING AT ITS POSITION ON TEST PERIOD IN THIS CASE?**

30 A. The Company’s proposed test period reflects six months of investment,
31 expense and revenue for which rates have already been determined in
32 Docket No. 07-035-93. Pending reconsideration of certain issues, the
33 Commission has issued its order on the appropriate revenue requirement
34 for that period. If the Company’s requested test period is not adjusted,
35 parties will need to determine whether (1) the Company’s current filing
36 appropriately reflects adjustments ordered by the Commission in the last
37 case and (2) the Company is making a second attempt at cost recovery of
38 specific revenue requirement items decided by the Commission in the last
39 case.²

40 **Q. PLEASE EXPLAIN WHAT YOU MEAN BY A “SECOND ATTEMPT AT**
41 **COST RECOVERY OF SPECIFIC ITEMS.”**

42 A. Since the Company’s proposed test period for the current rate case
43 overlaps with six months of the forecasted period used in the last case,

¹ The Company’s test period would need to be modified to reflect average rate base in order to synchronize the utilities investment, revenues and expenses.

² The Company’s request to annualize certain revenue requirement components is also a concern and will be discussed in the testimony of Donna DeRonne.

44 the concern is that the Company is selectively relitigating certain issues
45 that were decided by the Commission in the last case. The practical
46 difficulties and legal objections to such an overlapping test period were
47 explained in the Motions to Dismiss filed in this docket.

48

49 In Docket No. 07-035-93, the Commission determined the appropriate
50 revenue requirement level based on a forecasted 2008 test period. The
51 Company should not be afforded a second opportunity to recover 2008
52 costs based on information or forecasts that the Company failed to
53 adequately support or misforecast, or now regrets having included or not
54 included in the case.

55 **Q. HAS THE COMMISSION RULED ON THE MATTER OF THE**
56 **OVERLAPPING TEST PERIOD SIX MONTHS?**

57 A. The Commission made no ruling on the specific arguments regarding the
58 inappropriateness of the Company's request to set rates based on a
59 portion of the test period (July 1 2008 – December 31, 2008) for which the
60 Commission had already determined the appropriate investment, revenue
61 and expense levels.

62

63 In its September 23, 2008 Order on Motions to Dismiss or Address 240-
64 Day Time Period the Commission recognized and dealt with the important
65 issue of allowing parties adequate time to review the Company's filing and
66 not be disadvantaged under the statutory 240-day provision but did not

67 decide other issues raised by parties³. This portion of the case would be
68 an appropriate time for the Commission to now rule on the test-period
69 related issues.

70 **Q. THE COMPANY MADE A SUPPLEMENTAL FILING ON SEPTEMBER**
71 **10, 2008. DOES THIS FILING SOLVE THE OUTSTANDING**
72 **CONCERNS?**

73 No, it does not. The Commission has fully considered investment,
74 expense, and revenue for the 2008 Test Period based on the Company's
75 forecast. The amended application may or may not have provided the
76 material information necessary to comply with the Commission's August
77 Report and Order.⁴ Furthermore, parties will still need to expend

³ Earlier in this docket the Committee and UIEC made legal arguments that the Company can not relitigate the same expenses and revenues that had already been litigated in Docket No. 07-035-93, based on calendar year 2008. The Committee's specific recommendations include:

- 1) Order that the utility file an Amended Application and Supplemental Direct Testimony based upon a test period that begins no sooner than January 1, 2009, if the utility proposes a future test period as defined in Utah Code §54-4-4(3)(b)(i). In addition, any proposed test period should be based upon the rates and charges that have been determined in the Commission's August 11, 2008 Report and Order in Docket No. 07-035-93.
- 2) Order that the Amended Application and Supplemental Direct Testimony expressly and separately address how the Amended Application and all proposed schedules and tariffs are consistent with and comply with the Commission's August 11, 2008 Report and Order in Docket No. 07-035-93.
- 3) Order that the Amended Application and Supplemental Direct Testimony expressly and separately address those parts of the August 11, 2008 Report and Order that require certain information or action "in the next general rate case."
- 4) Order Rocky Mountain Power to calculate and separately report to the Commission and parties, all costs, including all internal and external professional and legal fees incurred to prepare and file the original 2008 Application and testimony, so that the Commission and parties may consider whether these costs may be recovered in rates.

⁴ The Order itself states:

We do not conclude the Amended Application is a conforming application. The Company represents that the amendments made therein deal with the August R&O, but it is only that, a representation and the other parties have yet had [sic to have] an opportunity to review the Amended Application. We also note the

78 considerable time and effort to review whether the amended application
79 properly reflects the adjustments ordered by the Commission in the last
80 case. In any event, the “second bite of the apple” concern still remains. In
81 addition, in the Committee’s view, requiring parties to reanalyze and re-
82 examine Rocky Mountain Power’s 2007 general rate case in order to
83 respond to the 2008 case is an unreasonable burden for the regulatory
84 agencies and the Commission to bear.

85 **Q. DOES THE COMMITTEE’S RECOMMENDATION TO USE CALENDAR**
86 **YEAR 2009 WITH AVERAGE RATE BASE ALLEVIATE THE**
87 **PROBLEMS WITH THE COMPANY’S PROPOSED TEST PERIOD?**

88 A. It is the Committee’s position that calendar year 2009 provides a more
89 manageable, straightforward approach for parties to evaluate the
90 appropriate level of investment, revenues and expenses in determining
91 Rocky Mountain Power’s overall revenue requirement in this case. Using
92 calendar year 2009 removes the issue of the “overlapping” test period and
93 the concern with relitigating items that were or should have been included
94 in the previous case. A 2009 calendar year test period would require
95 another fully updated filing. Based on the reasoning provided by the

Company is required to provide us and the parties with an updated GRID Model itself and explanation of the modifications it has made, not just the reports or output from the model. This has not occurred. [*Emphasis added.*] Footnote 3, page 26.

The Commission further states in footnote 4, page 26:

However, we make no decision on the actual conformity or sufficiency of the Amended Application, see, footnote 4 [sic 3].

The Commission could clarify this process in future cases by providing generic compliance standards.

96 Commission in its Order on Motions to Dismiss or Address 240-Day Time
97 Period, in this docket, the 240-day clock would be reset, once again.

98 **Q. CALENDAR YEAR 2009 IS A FULLY PROJECTED TEST PERIOD. IS**
99 **IT THE COMMITTEE'S POSITION THAT A FULLY PROJECTED TEST**
100 **PERIOD WILL RESULT IN RATES THAT BEST REFLECT THE RATE**
101 **EFFECTIVE PERIOD?**

102 A. The Committee interprets the Commission's Test Period Order in Docket
103 No. 07-035-93 and in Docket 04-035-42, as requiring a case-by-case
104 evaluation of the appropriate test period. It is the Committee's position
105 that the appropriate test period will vary depending on the circumstances.
106 This case presents some very specific and unique issues as outlined
107 above. As filed, the Company's proposed test period allows it an
108 opportunity to seek a different outcome based on the same issues but with
109 somewhat different or modified data and perhaps additional issues that
110 could and should have been included in the previous forecast but were
111 not. While a variety of test periods may be appropriate, because of the
112 issues around the last six months of calendar year 2008 it is the
113 Committee's view that for this specific case a projected test period,
114 calendar year 2009, is more appropriate than the Company's proposed
115 test period of six months of 2008 and six months of 2009.

116 **Q. DOES THIS CONCLUDE YOUR TESTIMONY ON TEST YEAR ISSUES?**

117 A. Yes.