

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
)	Revenue Requirement
)	Testimony of
)	Cheryl Murray
)	For the Committee of
)	Consumer Services

February 12, 2009

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. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THESE**
6 **PROCEEDINGS?**

7 A. Yes, on October 7, 2008 I filed direct testimony presenting the
8 Committee's policy position regarding the appropriate test period for this
9 proceeding.

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

11 A. My testimony (1) presents the Committee's overall revenue requirement
12 recommendation in this case, which is explained in greater detail in the
13 testimony of Committee witness, Donna Ramas; (2) introduces the
14 Committee's expert witnesses that sponsor various adjustments in specific
15 revenue requirement areas (revenue, expense, rate base, etc.); and (3)
16 sets forth certain policy recommendations that the Committee urges the
17 Public Service Commission (Commission) to adopt.

18 **Q. WHAT IS THE COMMITTEE'S OVERALL RECOMMENDATION FOR**
19 **THE APPROPRIATE REVENUE REQUIREMENT IN THIS DOCKET?**

20 A. Based on the Committee's analysis of Rocky Mountain Power's
21 (Company) testimony and evidence presented in this case to date, we
22 recommend that the Company's revenue requirement for the 2009 Test
23 Period should be increased by \$15,575,235. This recommendation

24 reduces the Company's requested \$116.1 million increase by \$82,673,194
25 as a result of the Committee's recommendations and by an additional
26 \$17.66 million to correct a tax calculation error identified by the Company
27 subsequent to its filing.

28 **Q. PLEASE INTRODUCE THE COMMITTEE'S EXPERT WITNESSES**
29 **THAT PRESENT REVENUE REQUIREMENT TESTIMONY IN THIS**
30 **PROCEEDING.**

31 A. The Committee has two additional witnesses that provide testimony on
32 revenue requirement issues in this phase of the case. Mr. Lawton earlier
33 submitted cost of capital testimony January 8, 2009.

34 Ms. Ramas of Larkin and Associates, PLLC, sponsors testimony
35 summarizing the Committee's overall recommended increase in revenue
36 requirement of \$15,575,235. She also provides additional information
37 regarding the tax calculation error contained in the Company's filing and
38 recommends specific adjustments in the areas of rate base, net operating
39 income and a correction to the MSP rate mitigation cap. The overall
40 impact of Ms. Ramas' specific adjustments, excluding the correction of the
41 tax error and including the rate mitigation cap, is a reduction to the
42 Company's requested revenue requirement of approximately \$15.5 million
43 on a Utah basis.

44

45 Mr. Randall J. Falkenberg recommends approximately 30
46 adjustments to Net Variable Power Costs (NPC) resulting from his review

47 of the Company's Generation and Regulation Initiative Decision (GRID)
48 production cost model, and various data and assumptions related to the
49 model. Mr. Falkenberg presents his adjustments in Table 1 of his
50 testimony, recommending a \$13,054,811 reduction to net power cost
51 (Utah basis) and a reduction to revenue requirement of approximately
52 \$8.83 million associated with the removal of the Rolling Hills wind facility.

53 **Q. DO YOU HAVE A SPECIFIC EXPENSE ISSUE THAT YOU ADDRESS**
54 **IN YOUR TESTIMONY?**

55 A. Yes. The Committee is concerned with the amount of the proposed
56 increase in advertising expense over the base year level. This is
57 especially troubling in light of some of the advertisements the Company
58 has recently run in the media. For example, on February 3, 2009 in the
59 Salt Lake Tribune, Rocky Mountain Power sponsored an advertisement
60 stating that "MOST EVERYTHING COSTS MORE THAN IT DID IN 1985.
61 EXCEPT YOUR ELECTRICITY". This message occupied over three
62 quarters of the approximately half page advertisement. In very small print
63 the Company included:

64 While the price of electricity *will* increase, we want you to
65 know we are committed to delivering electricity as efficiently
66 and safely as possible, along with providing you the answers
67 that will help you save energy and money – right now in
68 2009. To learn more, visit **rockymountainpower.net**.

69 In recent months, this particular type of advertisement has been repeated
70 several times. It is the Committee's position that ratepayers should not be
71 required to support the Company's advertisements unless a benefit to
72 customers can be demonstrated. Advertisements meant to enhance the
73 Company's image or attempting to make a case that the Commission has
74 not granted adequate revenue requirement should not be funded by
75 ratepayers. Ms. Ramas' Appendix I provides some examples. Customer
76 funded advertisements and bill inserts should focus on promoting safety,
77 energy conservation, and information about utility programs, services and
78 rates. Such information should not be relegated to small print at the
79 bottom of the advertisement.

80 Ms. Ramas' testimony addresses the Company's proposed level of
81 advertising expense.

82 **Q. DOES THE COMMITTEE HAVE ANY POLICY POSITIONS BASED ON**
83 **THE COMPANY'S FILING?**

84 A. Yes. I will present the Committee's policy recommendations on two
85 issues: 1) filing requirements; and 2) income tax normalization.

86 **Filing Requirements**

87 **Q. PLEASE DISCUSS THE COMMITTEE'S POLICY POSITION ON FILING**
88 **REQUIREMENTS.**

89 A. In Docket No. 07-035-93, the Committee recommended that the
90 Company's filing should not be deemed complete and the 240 day

91 timeline should not begin until parties receive documentation that
92 adequately supports the Company's filing.

93 We again stress the necessity for parties to have adequate and
94 timely information to effectively analyze the Company's filing at the
95 beginning of the case. The information on which the Company based its
96 case is within its control and presumably appropriate documentation (data,
97 workpapers, models) was used to produce the filing. It is the Committee's
98 view that parties must have adequate information, such as that contained
99 in the Master Data Requests (MDRs), at the time when the case is filed by
100 the Company

101 **Q. WAS THE COMMITTEE A PARTY TO THE STIPULATION THAT**
102 **RESULTED IN THE MDRS?**

103 A. The Committee was a party to that stipulation and participated in the task
104 forces that resulted in the MDRs. At that time the parties agreed that the
105 Company would provide responses to MDR A with its rate case filing and
106 responses to MDR B 30 days later. With the experience of several rate
107 cases where responses to MDR B were provided 30 days after the case
108 had been filed, we find that timeline to be problematic. The Committee
109 recommends the Company be required to file complete information with its
110 rate case application.

111 **Q. DOES THE COMMITTEE HAVE ANY ADDITIONAL CONCERNS**
112 **REGARDING THE COMPANY PROVIDING ADEQUATE INFORMATION**
113 **WITH ITS FILING?**

114 A. Yes, the Committee is concerned with the timing of when its consultants
115 are able to access the Company's GRID model.

116 **Q. PLEASE EXPLAIN THOSE CONCERNS.**

117 A. GRID is a somewhat complex model that is regularly updated and requires
118 a significant amount of data input files. It is not possible to adequately
119 examine the Company's proposed level of net power costs without access
120 to this model and the underlying data input files. Delays in accessing the
121 GRID model and the relevant data, creates significant problems for parties
122 examining the reasonableness of the Company's net power costs.
123 Therefore, it is vital that parties have access to the GRID model and test
124 year data in a timely manner.

125 The Company designates its GRID model, as well as many of its
126 inputs and outputs, as confidential. We are not objecting to that
127 designation; however, we believe that the Company has a responsibility to
128 make GRID available upon filing its case. A problem arises because the
129 Company typically does not request an order of confidentiality, under
130 which it will make the GRID model available, until sometime after filing its
131 case. In order to preserve the confidentiality that the Company desires
132 and to make GRID available to parties without delay, the Committee
133 recommends that the Company should request a protective order prior to
134 filing its rate case application. An advance request for protective order

135 should allow sufficient time for Commission approval¹ so the Company
136 can make GRID and the data to run it available as soon as it files its rate
137 case.

138 **Q. ARE THERE OTHER ISSUES WITH THE COMPANY'S DATA?**

139 A. The Company views some of the information and data requested in
140 MDRs, workpapers or data requests as highly sensitive and therefore,
141 does not provide it with its responses.

142 Typically, the Company will make arrangements for on-site review
143 of documents they claim are highly sensitive. However, in some instances
144 workpapers are simply not provided and parties are not informed that they
145 are viewed as highly sensitive unless follow-up inquiries are made. The
146 Committee believes that in every case the Company should notify parties
147 that the documents exist. Additionally, where only a few items on a
148 document are deemed highly sensitive the Company should be required to
149 provide a redacted version or to provide the data in a form where the
150 highly sensitive portion can not be distinguished.

151 **Income Tax Normalization**

152 **Q. PLEASE BRIEFLY ADDRESS THE INCOME TAX NORMALIZATION**
153 **ISSUE.**

154 A. At pages 24 and 25 of Steven R. McDougal's second supplemental direct
155 testimony he indicates that the Company's deferred income taxes in this
156 case are calculated using 40% normalization of the book basis difference,

¹ We suggest the Commission set a timeline for such requests that will allow sufficient time for its review and approval process.

157 consistent with prior treatment of these items for ratemaking purposes in
158 Utah. He also indicates the Company believes that full normalization is a
159 better approach and should be adopted by the Commission for future rate
160 case proceedings. The Company requests that the Commission in this
161 case approve 60% normalization with the effective date of the next rate
162 case, allowing the Company's move towards 100% normalization.

163 The Committee points out that the Commission has opened a
164 separate docket (09-035-03 – In the Matter of the Division of Public
165 Utilities Review and Audit of Rocky Mountain Power's Deferred Tax
166 Normalization Method) to determine this issue. The Committee intends to
167 participate in that docket to examine the reasonableness of the
168 Company's request regarding the income tax normalization issue.
169 Therefore, we will provide our analysis and recommendation in that
170 separate docket.

171 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

172 **A.** Yes.