

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)	
)	
)	<u>Docket No. 09-035-23</u>
)	
)	<u>DPU Exhibit No. 2.0SD</u>
)	
)	<u>Supplemental Direct Testimony and Exhibit of Thomas C. Brill, Ph.D.</u>
)	

For the Division of Public Utilities

Department of Commerce

State of Utah

Supplemental Direct Testimony and Exhibit

October 29, 2009

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

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

4 **Q. Have you submitted Direct Testimony in this proceeding?**

5 A. Yes. I submitted Direct Testimony on October 8, 2009.

6 **Q. What is the purpose of your Supplemental Testimony and Exhibit?**

7 A. I am filing to correct an exhibit that was attached to my Direct Testimony. In particular,
8 the Division wishes to make this information available to other parties as soon as possible
9 and not wait until Rebuttal Testimony, which is due on November 12, 2009. In addition,
10 the Division filed Direct Testimony with a number of “placeholders” due to responses to
11 data requests that were either slow or unclear. Some information is now available for
12 those “placeholders,” and the Division wishes to provide other parties with the
13 opportunity to address them in their own rebuttal testimony. My Direct Testimony
14 introduced the Division’s witnesses in this case and summarized all of the Division’s
15 adjustments to Rocky Mountain Power’s (Company) application; however Exhibit 2.2
16 filed with my Direct Testimony did not include the SMUD adjustment. The SMUD
17 adjustment adopts the DSM Stipulation from Docket No. 09-035-T08, which was
18 approved by the Commission August 25, 2009.

19 **Q. Please discuss the correction in more detail.**

20 A. While the SMUD adjustment of \$2.0 million was correctly mentioned in my Direct
21 Testimony at lines 46 and 345, it was omitted from DPU Exhibit 2.2. DPU Exhibit 2.2
22 has been corrected for the SMUD adjustment and is attached to my Supplemental Direct

23 Testimony as DPU Exhibit 2.2SD. (On DPU Exhibit 2.2SD the SMUD adjustment
24 appears as \$2,000,004, since it was necessary to “back into” this number from a total
25 Company number that was run through the Jurisdictional Allocation Model (JAM).)
26 Thus, my original Direct Testimony should have included a recommended revenue
27 requirement of \$10.5 million rather than \$8.5 million.

28 **Q. Are there other corrections that should be made?**

29 A. Yes. A minor correction involved the Division’s Special Contracts adjustment. Mr.
30 Peterson’s special contracts adjustment was originally entered in the JAM model at \$3.0
31 million. This amount has been changed to \$2.92 million to match what is presented in
32 Mr. Peterson’s testimony. Another minor correction involved the Division’s Green Tag
33 Revenue adjustment. Ms. Salter’s adjustment was originally entered in the JAM model at
34 \$3,224,042. This amount has been changed to \$4,531,093 to match what was presented
35 in Ms. Salter’s testimony. Mr McGarry’s Injuries and Damages adjustment has been
36 corrected and the corrected amount has been entered into the JAM model. Additional
37 minor changes have been made to how Mr. McGarry’s adjustments to pension expense
38 and property insurance were entered into the JAM model. The way Mr. Thomson’s rent
39 expense adjustment was entered into the JAM model has been changed as well. The
40 effect of these corrections (not including SMUD) reduces Utah’s revenue requirement by
41 approximately \$0.26 million. The Division’s lead lag adjustment (entered in the JAM
42 model last) has also been recalculated to include the effects of the SMUD adjustment and
43 the other corrections.

44 **Q. Are there other adjustments that should be made?**

45 A. Yes, as of today, Thursday, October 29, the Division is now able to finalize some
46 adjustments due to the completion of responses to data requests. These adjustments were
47 held as “placeholders” in the Direct Testimony of Mr. Croft, Mr. McGarry, and Mr.
48 Evans. Mr. Croft’s adjustment on removal of hydro facilities has been added to Exhibit
49 2.2SD, following the completion of a response to a data request. This adjustment of
50 approximately \$0.3 million is explained in Mr. Croft’s Supplemental Direct Testimony.
51 Mr. McGarry’s adjustment concerning CWIP write-offs has been added to Exhibit 2.2SD,
52 following the completion of a response to a data request. This adjustment of
53 approximately \$0.4 million is explained in Mr. McGarry’s Supplemental Direct
54 Testimony. Mr. Evans’s adjustment for coal prices has been added to Exhibit 2.2SD,
55 following the completion of a response to a data request. This adjustment of
56 approximately \$1.1 million is explained in Mr. Evans’s Supplemental Direct Testimony.

57 **Q. What is the Division's corrected revenue requirement recommendation?**

58 A. The Division corrected revenue requirement recommendation, which includes the
59 addition of SMUD, the six corrections, and the three adjustments due to completion of
60 responses to data requests, is approximately \$8.3 million on a Utah-allocated basis.
61 Beginning with the Company's filing of \$66.9 million on June 23, 2009, the Division’s
62 The Division’s total of \$58.5 million in adjustments resulted in a revised revenue
63 requirement recommendation of \$8.3 million. The Division adjustments were a \$22.2
64 million return on equity (ROE) adjustment, a total of \$17.4 million in various net power
65 cost adjustments, and a total of \$19.0 million in various auditing adjustments. DPU
66 Exhibit 2.2SD summarizes each of the Division adjustments. The corrections and

67 adjustments resulting from completion of responses to data request appear near the
68 bottom of the table and begin with “SMUD Stipulation.”

69 **Q. Please explain if the Stipulation Regarding Change in Income Tax Treatment of**
70 **Repair Deductions and Basis Normalization was entered into the JAM model.**

71 A. The Tax Stipulation is not included in “JAM Revenue Requirement Change” in Exhibit
72 2.2SD of approximately \$8.3 million. The Stipulation in the Revenue Requirement Phase
73 of this docket and resolution of Rocky Mountain Power’s Deferred Income Tax
74 Normalization Method in Docket No. 09-035-03 results in an additional revenue
75 requirement reduction on a Utah-allocated basis of approximately \$9.5 million. With the
76 Stipulation, the Division recognizes and now adopts this reduction, which is also
77 reflected in DPU Exhibit 2.2SD. In DPU Exhibit 2.2SD the approximately \$9.5 million
78 estimated by the Company was adjusted for the Division’s recommended ROE and
79 capital structure and appears as approximately \$9.2 million. Subtracting the “Estimated
80 Tax Normalization” of approximately \$9.2 million from the “JAM Revenue Requirement
81 Change” of approximately \$8.3 million results in a “DPU Revised Revenue Requirement
82 Change” on Exhibit 2.2SD of approximately minus \$0.9 million.

83 **Q. How do these adjustments and corrections affect the Division’s position on rate**
84 **spread?**

85 A. After these adjustments and corrections were made, the Division is now recommending a
86 reduction in revenue requirement. The Division rate spread position is that rates should
87 be held constant across all rate schedules, except for the residential class, which should
88 receive a rate decrease.

89 Q. Does this complete your testimony?

90 A. Yes it does.