

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Utility Service Schedules and Electric Service Regulations)	DOCKET NO. 09-035-23
)	Exhibit No. DPU 7.0SD
)	
)	Supplemental Testimony and Exhibits
)	Matthew Croft
)	
)	

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

**Testimony of
Matthew Croft**

October 29, 2009

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

2 A. My name is Matthew Allen Croft. I am employed by the Utah Division of Public Utilities
3 (“Division”) as a Utility Analyst.

4 **Q. What is your business address?**

5 A. Heber M. Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84114.

6 **Q. On whose behalf are you testifying?**

7 A. The Division.

8 **Q. Are the same Mr. Croft who filed direct testimony in this case?**

9 A. Yes

10 **Q. What is the purpose of your supplemental testimony?**

11 A. In my direct testimony, I mentioned several adjustments or potential adjustments that could
12 be made but were dependent upon responses to several outstanding data requests. The
13 outstanding issues/adjustments I am addressing in this testimony included the following:

- 14 1. McFadden Ridge in-service date
- 15 2. Increased cost of the new Oquirrh substation
- 16 3. Assumptions used in my plant additions adjustment
- 17 4. Hydro Facilities/costs not providing benefit to Utah ratepayers
- 18 5. FERC 106 actual balances for January 2009 through August 2009

19 **Q. Which of the adjustments above are you leaving the same as your direct testimony?**

20 A. Adjustments 1-3 in the list above are either not changing or will not be added to the
21 adjustments in my direct testimony. Adjustments 1-3 in the list above all relate to plant
22 additions and their corresponding effects on retirements, depreciation and accumulated

23 depreciation. I am not changing any of the rate base related templates that were filed in DPU
24 witness Mr. Brill's direct testimony, DPU Exhibits 2.6, 2.7, 2.8.

25 **Q. Do you have any comments concerning adjustments 1-3?**

26 A. Yes. I would like to comment on the first three adjustments. The McFadden Wind project did
27 come into service on September 29, 2009.¹ My original plant additions adjustment put
28 McFadden Ridge in-service in the month of September so no further adjustment is required.
29 In my direct testimony I addressed the issue of the "Oquirrh New 345-138kV Substation"
30 cost increasing from \$26.9 million to \$49.8 million. In response to DPU 49.7 the Company
31 stated that:

32 The original estimate created March 23, 2007, consisted of high level conceptual scope of
33 what it would entail to build a simple 345 kV – 138 kV substation and expand an existing
34 switchyard. It used estimated pricing to install a power transformer, three circuit
35 breakers, and related equipment to build a new substation and expand the existing 138 kV
36 switchyard. The conceptual estimate did not adequately contemplate the amount of site
37 work (cut and fill), roadways, volume of concrete and steel, nor a ten-foot high
38 decorative wall required around the perimeter of the substation. The switchyard
39 ultimately became a significant new addition with connecting bus work to the substation
40 and existing switchyard. Permitting effort/cost to build and expand the site along with
41 relay and communications costs was not sufficiently addressed in the conceptual
42 estimate.

43
44 Based on this response I am leaving my original adjustment as is. My original adjustment
45 does include the increased cost of this project. I am concerned however that the Company is
46 using "high level conceptual" scopes that are two years old to forecast what plant additions
47 will be part of the 13 month average rate base for the test year. This particular project's cost
48 increased dramatically but there could be other projects included in the Company's filing that
49 have significantly decreased in scope and cost, changed anticipated in-service dates, or been

¹ See RMP response to DPU 49.3

50 canceled altogether. I understand that forecasting the Company's plant additions will never
51 be exact, but using high level conceptual scopes that are years old increases the potential
52 margin of error.

53 **Q. What are your comments concerning the assumptions you used in making your plant**
54 **additions adjustment?**

55 A. As stated in my direct testimony on page 9, lines 144-146, my adjustment to plant additions
56 assumed that projects placed into service were done in one month as opposed to being spread
57 out over various months. I also stated on lines 149-151 that I was waiting for DPU data
58 request 50.2 to further resolve the issue. I have received the response to DPU 50.2 and based
59 on this response I am leaving my adjustment as is in my direct testimony. I will not be
60 changing the rate base related templates as filed in DPU witness Mr. Brill's direct testimony,
61 DPU Exhibits 2.6, 2.7, 2.8.

62 **Q. Are you proposing an adjustment related to some of the Company's hydro facilities and**
63 **or other hydro costs included in the test year?**

64 A. Yes. As stated on lines 296 through 312 on page 16 of my direct testimony, this adjustment
65 would be made depending on the Company's response to DPU 45.1, 47.1 and DPU 52. The
66 Division received the Company's response to DPU 45.1 on October 5th and the response to
67 DPU 47.1 on October 7th. This did not leave sufficient time to analyze and propose
68 adjustments concerning this matter by the time direct testimony was due on October 8th. DPU
69 52 was received after October 8th. Based on the response to DPU 52, no adjustment is
70 necessary for costs related to relicensing the Klamath hydroelectric system. Based on the
71 responses to the other data requests, there are hydro adjustments to be made. The Keno

72 development for example, does not provide power and does not provide benefit to
73 downstream generating facilities. I asked the Company in DPU 47.1 how the Keno
74 development benefits Utah rate payers and if there is a regulatory responsibility to keep the
75 Keno development operating. The Company responded by stating that:

76 The Keno development is included within the current FERC license for the Klamath
77 Hydroelectric Project. To continue to derive the overall benefits of the Klamath
78 Hydroelectric Project the operations and maintenance of the Keno facility is required.
79

80 The Company has not shown specifically how the Keno development benefits Utah rate
81 payers. Furthermore, the Company recently announced that it is not seeking to relicense the
82 Klamath Hydroelectric project. I am therefore removing the Keno development and its
83 associated costs from the test year. I am also proposing a similar adjustment for the Cline
84 Falls and St. Anthony facilities. In relation to Cline Falls, the Company's response to DPU
85 25.1 states that "PacifiCorp recently stopped operating the facility, does not receive any
86 power from it, and plans to allow the lease with Central Oregon Irrigation District (COID) to
87 expire." In response to DPU 45.3 the Company also stated that "the Cline Falls facility has
88 no impact on downstream generation." In the same response, the Company also identified the
89 St. Anthony facility as a hydro facility that will not provide power during the test year and
90 will not have an impact on downstream generation. The combined effect of removing these
91 three facilities from the test year reduces Utah's revenue requirement by approximately
92 \$330,000. This includes the removal of net plant, depreciation and operation and maintenance
93 expense components. DPU Exhibit 7.7 shows how this amount was calculated.

94 **Q. What is the status of your adjustment concerning FERC 106?**

95 A. The Company's response to DPU 55 did provide further information regarding FERC 106.
96 Some of the information in that response however, did not to match information previously
97 provided to the Division and was also not in sufficient detail to finalize the adjustment. Data
98 request (DPU 60) has been sent to the Company concerning this matter. Once this
99 information is received I will be able to finalize this adjustment.

100 **Q. Does this conclude your supplemental testimony?**

101 A. Yes.

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