

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.

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Docket No. 09-035-23

DPU Exhibit No. 3.0SD

**Supplemental Direct Testimony of**

**Michael J. McGarry, Sr.**

**REVENUE REQUIREMENT  
AND  
NET POWER COSTS RELATED TO HEDGING**

**For the Division of Public Utilities**

**Department of Commerce**

**State of Utah**

**October 29, 2009**

## **Supplemental Direct Testimony of Michael J. McGarry, Sr.**

### **1. INTRODUCTION**

1 **Q. Please state your name and business address.**

2 A. My name is Michael J. McGarry, Sr. My business address is 2131 Woodruff  
3 Road, Suite 2100, PMB 309 Greenville, SC 29607.

4 **Q. Are you the same Michael J. McGarry Sr. who submitted direct testimony in**  
5 **this proceeding on October 8, 2009?**

6 A. I am.

7 **Q. Are you once again appearing on behalf of the Utah Division of Public**  
8 **Utilities (Division) in these proceedings?**

9 A. I am.

### **2. PURPOSE**

10 **Q. What is the purpose of your testimony that you are now filing?**

11 A. This supplemental direct testimony is to submit errata to an adjustment in my  
12 direct testimony and to address two of the three open issues that I reserved the  
13 right to address in additional testimony.

### **3. ERRATA – CORRECTION TO EXHIBIT 3.7**

14 **Q. What errata are you submitting?**

15 A. During the Company's discovery of my direct testimony and related exhibits, I  
16 became aware of a correction that needs to be made to a spreadsheet formula  
17 included in Exhibit 3.7.2 – Injuries and Damages. I incorrectly included a "67"  
18 as part of the formula to create the five-year average when I should have based

19 the average on “60.”<sup>1</sup> I am including revised Exhibits 3.7.1 and 3.7.2 as part of  
20 this supplemental direct testimony.

21 **Q. What was the effect of this revision?**

22 A. As shown on the revised Exhibit 3.7.1, this change reduces my proposed  
23 adjustment slightly by \$177,304 on a Utah allocated basis before the combined  
24 effects made as a result of including this adjustment in the Jurisdictional  
25 Allocation Model (JAM). Division Witness Brill provides the final effect of this  
26 change.

#### 4. OPEN ITEMS IN DIRECT TESTIMONY

27 **Q. Did you have issues where you reserved the right to recommend adjustments**  
28 **pending Company responses to outstanding data requests?**

29 A. Yes I did.

30 **Q. Could you please explain the current status of those issues and any**  
31 **recommended adjustments?**

32 A. Yes. With respect to replacement asset in-service and retirements, we received a  
33 data request response from the Company<sup>2</sup> and after analyses of that response  
34 believe a recommended adjustment will be forthcoming. However, in order to  
35 quantify the expected adjustment we have issued an additional data request<sup>3</sup> and  
36 have not received a response. Therefore, we continue to reserve the right to  
37 recommend an adjustment, if appropriate.

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<sup>1</sup> Line 9 of Exhibit 3.7.2.

<sup>2</sup> Response to DPU Data Request 48.2 and 48.3.

<sup>3</sup> DPU Data Request 57.1.

38 With respect to the Rate Base Issue: Change in 13 Month Average (lines  
39 164-208 of my Direct Testimony), the Company response to DPU Data Request  
40 48.4 has been analyzed. Based on my analysis of the information provided by the  
41 Company, I now believe that the change in the 13-month average rate base is  
42 reasonable and no adjustment is recommended.

43 Finally, with respect to CWIP write-offs (lines 314 to 357 of my Direct  
44 Testimony), I have reviewed the Company's response to DPU Data Request 48.1.  
45 Based on my analysis of the Company's response, I recommend a reduction to  
46 expenses of \$435,339 and an offset to other deductions (below the line) to reflect  
47 the write-offs of CWIP where the Company had 100% control over the decision  
48 to abandon some projects.<sup>4</sup> Exhibit 3.9SD is provided to show the derivation of  
49 this adjustment. My adjustment is on a Utah allocated basis before the combined  
50 effects made as a result of including this adjustment in the Jurisdictional  
51 Allocation Model (JAM). Division Witness Brill provides the final effect of this  
52 change.

53 **Q. PLEASE RESTATE THE BASIS FOR THIS ADJUSTMENT?**

54 A. As I stated, at lines 314 to 357 of my Direct Testimony, I believe that capital  
55 projects in which some or all of the reason for cancellation is outside the direct  
56 control of the Company should be charged to the customer through expense.<sup>5</sup>  
57 However, projects cancelled because "funding, budget, or management approval  
58 for a project has been withdrawn" are entirely within the direct control of the  
59 Company and are more closely related to abandoned projects. Therefore, the

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<sup>4</sup> See Exhibit RMP.

<sup>5</sup> 18 CFR Part 1, parts 101-142, page 365, Account 183, paragraph 1, lines 6-8 and lines 9-12.

60 stockholder rather than the customer should be charged for a management  
61 decision to abandon a project. Those costs should be written off to FERC Account  
62 426.5 (Other Deductions), which is below the line and the same account to which  
63 PS&I abandoned projects are written off and charged to the stockholder. As  
64 shown in the attachment to the Company's response to DPU 48.1, ten projects  
65 were cancelled solely at the Company's discretion. The value of these projects  
66 was \$1,040,766 or \$435,339 on a Utah allocated basis.

67 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?**

68 **A. Yes.**