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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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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

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**SURREBUTTAL TESTIMONY**

**OF**

**DAVID T. THOMSON  
STATE OF UTAH  
DIVISION OF PUBLIC UTILITIES**

**NOVEMBER 30, 2009**

1 **Q. Please state your name and business address for the record.**

2 A. David T. Thomson. My business address is Heber M. Wells Building 4<sup>th</sup> Floor,  
3 160 East 300 South, Salt Lake City, Utah 84114-6751.

4 **Q. Are you the same David T. Thomson who has previously testified in this**  
5 **proceeding?**

6 A. Yes.

7 **Q. What is the purpose of your surrebuttal testimony?**

8 A. The purpose of my serrebuttal testimony is to respond to the Company's rebuttal  
9 testimony relating to my adjustment. When necessary, I will update my direct  
10 testimony exhibits. In summary, as explained below, I am withdrawing my  
11 payroll tax adjustment, and modifying my airplane and lease expense adjustments.

12 **PAYROLL TAX ADJUSTMENT**

13 **Q. What is the current status of your payroll tax adjustment?**

14 A. I am withdrawing this adjustment because it is part of an adjustment that was  
15 combined with Division witness Matthew Croft's adjustment 7.3.1 submitted in  
16 direct testimony, which has also been withdrawn at this time by Mr. Croft. For an  
17 explanation please see Dr. Thomas Brill's and Mr. Matthew Croft's testimony on  
18 this matter.

19 **COMPANY AIRPLANE**

20 **Q. Please explain your final adjustment amount for the Company Airplane?**

21 A. My final airplane adjustment is a modification of my original adjustment. The  
22 original adjustment has been modified in three areas, and these three areas were  
23 addressed in the Company's rebuttal testimony.

24

25 The first modification is a reduction to my original adjustment for a double  
26 counting of a trip as explained by the Company in its rebuttal testimony. I have  
27 highlighted the trip that was double counted in my surrebuttal DPU Exhibit 4.1.2  
28 SR. It is trip one. The accounting for this adjustment is shown in DPU Exhibit  
29 4.1.1 SR. The second modification is to reduce my original adjustment for  
30 corporate overhead that was assumed to be Mid-American Energy overhead but  
31 that was PacifiCorp overhead. This also was explained in the Company's  
32 surrebuttal testimony. The overhead items that apply to this adjustment are  
33 highlighted in DPU Exhibit 4.1.3 SR. They are the last lines in items 9, 10, 11  
34 and 12. The accounting for this adjustment is shown in DPU Exhibit 4.1.1 SR.

35

36 Finally, I have withdrawn my adjustment to allocate airplane depreciation and  
37 fixed cost in this rate case between above and below the line costs. The most  
38 accurate way to make this adjustment is to determine the percentage use of the  
39 plane by breaking out the base year use of the plane by hourly flight logs. In a  
40 data request the Division asked for such a breakout. The Company was able to  
41 provide information that showed that per the hourly use of the plane during the  
42 base period as computed by the Company, the below the line percentage use of

43 the plane was immaterial. Also, the Company claimed in its testimony that only  
44 above the line depreciation of the airplane was being allocated in its overhead  
45 charges. Due to the immateriality of this adjustment and the lack of information  
46 at this time to present a good foundation for an adjustment the Division is  
47 withdrawing this part of its airplane adjustment in this Docket.

48 **Q. Is there anything else that is different about your final adjustment that is**  
49 **different from your initial adjustment?**

50 A. Yes, my final adjustment has taken greater care to break out adjustment amounts  
51 by their FERC account so that the proper escalation/de-escalation percentages can  
52 be used as provided by the Company in this Docket. Those escalation/de-  
53 escalation percentages can be found on page 4.3.8 of Exhibit RMP\_\_ (SRM-2).  
54 DPU Exhibit 4.1.1 SR shows the final updating of the computations for base  
55 period airplane costs that are being adjusted for escalation.

56 **Q. Did the Company accept any of your adjustments for trips that had no direct**  
57 **benefit to Utah as outlined in DPU Exhibits 4.2.2 and 4.2.3?**

58 A. Yes, if any of my adjusted airplane trips had a description provided by the  
59 Company that stated the trip had no direct benefit to Utah then the Company  
60 accepted that adjustment. The Company also accepted the Division adjustment  
61 for IPP unit trips and the charge for a trip that was incorrectly charged above the  
62 line. I have highlighted these areas of agreement in my attached DPU Exhibits  
63 4.1.2 SR and 4.1.3 SR. For 4.1.2 SR the highlighted trips are numbers 4, 5, 8, 13,

64 15, 22, 24, 25, 26, 28, 29 and 30. For 4.1.3 SR the highlighted trips are numbers  
65 8, 10 and 12.

66 **Q. Then the areas that are not highlighted in DPU Exhibits 4.1.2 SR and 4.1.3**  
67 **SR are the trips that the Division and the Company are not in agreement as**  
68 **to direct benefit to Utah ratepayers?**

69 A. Yes.

70 **Q. Please explain why you think that these trips should still be part of your final**  
71 **adjustment.**

72 A. In its rebuttal testimony the Company provided no additional proof or explanation  
73 as to why the non-highlighted trips had a direct benefit to Utah ratepayers. I still  
74 maintain that the Company's description of the non-highlighted trips for which  
75 the Division makes an adjustment are not compelling, nor do they provide enough  
76 information to determine if the trips had a direct benefit to Utah ratepayers.

77  
78 I will give one example. In DPU Exhibit 4.1.2 SR for trips 16, 17, and 18, the  
79 Company made trips to Idaho to work with Idaho federal and state legislators to  
80 discuss proposed legislation that would either be deleterious or beneficial to Utah  
81 customers.<sup>1</sup> This explanation is the only support we have for this trip being of  
82 benefit to Utah ratepayers. The Division and the Office of Consumer Services  
83 ("Office") in their initial data requests pertaining to Company airplane travel,  
84 asked the Company for copies of agendas, minutes of the meetings, handouts or

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<sup>1</sup> See DPU Exhibit 4.1.2 SR, page one, lines numbered 16, 17, and 18.

85 material given out at the meeting that the Division and Office could review to  
86 show a benefit to Utah. However, the Company did not provide such information.  
87 After reading the descriptions for the trips in question, it appears that the  
88 Company is reticent to specifically explain and to provide specific proof on how  
89 and why, and when these trips to other states did and will benefit Utah.

90

91 **Q. In its rebuttal testimony the Company points out that, in a data request, the**  
92 **Division agreed that Generation and Transmission airplane costs should be**  
93 **allocated according to MSP protocol. Does the Division have any comments**  
94 **about that?**

95 A. Yes. First, to clarify, the Division believes that **allowable** trips for determining  
96 revenue requirement that relate to Generation and Transmission airplane costs  
97 should be allocated according to MSP protocol. Second, the Division's  
98 agreement for allocation of generation and transmission costs cannot be used to  
99 discount or ignore a situs allocation for airplane trips related to general and  
100 administration costs as explained in the Division's direct testimony. To do so  
101 would be incorrect. A careful review of my original DPU Exhibits 4.2.2 and 4.2.3  
102 shows that after examination,<sup>2</sup> the Division only chose four items from those  
103 listings of airplane trips for situs adjustment that were for trips that had a FERC  
104 account for generation and transmission. All the rest of the trips chosen for

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<sup>2</sup> DPU Exhibits 4.2.2 and 4.2.3 were derived from a Company response to OCS Data request 5.7. The response to that request was a listing of above the line airplane trips for the base period. This listing was an eleven plus pages of 82 lines of data per page with the following for each line - date; from city – state; to city – state; trip purpose / description; passenger; total company amount; FERC account; and Utah allocated amount.

105 adjustment were for FERC general and administrative expense accounts that, as  
106 explained in direct testimony, the Division believes should be allocated situs.

107

108 One of the four was chosen because it was for an “AFCF” event, which was the  
109 only explanation provided in the trip / purpose description for this trip. In  
110 response to data requests, the Company stated that this trip was incorrectly  
111 charged above the line to customers and would be adjusted in rebuttal. This  
112 adjustment had nothing to do with state specific benefit but was put forth as an  
113 adjustment for an unallowable cost for revenue requirement. I also included two  
114 generation trips for IPP Unit Three because I knew that costs for this endeavor  
115 had been adjusted out in other rate cases. As explained above, the Company has  
116 accepted this adjustment. My third item was a trip, with a generation FERC  
117 account, that was taken to Omaha for a Berkshire Hathaway shareholder meeting  
118 by Mr. Rob Lasich. This trip cost was \$16,682.20 total company with a Utah  
119 allocated amount of \$6,861.46. The Company maintains this trip had a direct  
120 benefit to Utah ratepayers. The Division maintains that it is a below the line  
121 stockholder cost.

122

123 Finally, the Division chose to examine a trip with a generation FERC account  
124 because the meeting took place in Des Moines and was a meeting with Mr. Rob  
125 Lasich, Mr. Greg Able and representatives from Siemens. In DPU data request  
126 33.6 c the Division asked for a description of the meeting and how it benefited

127 Utah ratepayers. The Company's response was that this was a meeting with  
128 Randy Zwim, President & CEO Siemens Power Generation, Inc. to discuss  
129 various business issues.<sup>3</sup> I will leave it up to the Commission to determine if this  
130 is compelling enough of support to allocate the cost of this trip to Utah ratepayers  
131 (total company cost of the trip \$7,291.68 with Utah allocated amount of  
132 \$2,999.10). Dr. Brill in his testimony has an exhibit that shows the results of this  
133 final adjustment, which reduces the surrebuttal revenue requirement request for  
134 airplane trip costs on a Utah basis by approximately \$53,204.

135 **LEASE EXPENSE**

136 **Q. Please explain the results of your review of the Company's response to your**  
137 **lease expense adjustment from your direct testimony.**

138 A. In my direct testimony, I made an adjustment for rent expense for four leases.  
139 The Company disagreed with my adjustment for three of the leases and they were  
140 not accepted, as explained by the Company in its rebuttal testimony. Also, the  
141 Company partially disagreed with the adjustment for another lease because the  
142 adjustment was for twelve months rent expense instead of six months.

143 **Q. Do you agree with the Company?**

144 A. I agree with the partial adjustment that is the fourth item on my DPU Exhibit  
145 4.3.1. The company has provided proof that the lease for office space at the  
146 Lloyd 700 building expired in June 2008. This means that only six months of rent

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<sup>3</sup> See DPU Exhibit 4.1.3 SR, page 3, first and second lines denoted as number 11.



147 expense was in the base period and should be removed. My adjustment removed  
148 a year of rent expense from the base period.

149 **Q. Above you state that the Company disagreed with three of the four leases**  
150 **that you adjusted. Do you agree with them pertaining to any of those leases?**

151 A. Yes, after reviewing their explanation for the non-acceptance of one of my  
152 adjustments for the Lloyd Center Mall lease, I have decided to withdraw that  
153 adjustment.

154  
155 In Docket No. 08-035-38, on page 4.9.1 of Exhibit RMP\_\_ (SRM-2), the  
156 Company has an adjustment line No. 3 for vacant office space at the Lloyd Center  
157 Mall. The note for that adjustment states the following;”Vacant since January  
158 2007. Adjustment removes 12 months rent expense from the base period. Lease  
159 will expire in January 2009.” I made the same adjustment in this rate case. In  
160 Mr. Steven R. McDougal’s rebuttal testimony,<sup>4</sup> the Company is now stating that  
161 the there were no lease payments made on this office space after January 2007 so  
162 there were no expenses included in the base period. When questioned about the  
163 inconsistent treatment of this cost between rate cases in a data request,<sup>5</sup> the  
164 Company states the Docket No. 08-035-38 adjustment no. 3 mistakenly removed  
165 the expense.

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<sup>4</sup> See Mr. Steven R. McDougal’s rebuttal testimony page 21; lines 453 to 454.

<sup>5</sup> See the Company’s response to DPU Data Request 68.1c

167 The Division will accept the representation made by the Company that this office  
168 space rent is not in the base year and that the Company was mistaken in making  
169 this adjustment in the prior rate case. Therefore, I am withdrawing this  
170 adjustment in surrebuttal.

171 **Q. Do you agree with the Company's assessment that the other two leases**  
172 **should not be adjusted by the Division?**

173 A. No. On my exhibit DPU 4.3.1, I make an adjustment for One Utah Center Sub-  
174 leases #5 and #6. The Company made the exact same adjustment for these sub-  
175 leases in Docket 08-035-38 on page 4.9.1 of Exhibit RMP\_\_ (SRM-2) as I have  
176 made in this rate case. However, in Mr. Steven R. McDougal's rebuttal testimony  
177 in this rate case, he now argues that the subsidizing of this rent to the two  
178 occupants is an appropriate cost that benefits the Company's customers and the  
179 state as a whole.<sup>6</sup>

180  
181 After reading his argument it strikes me that he is explaining an in-kind charitable  
182 contribution or subsidizing of free office space to these non-profit organizations  
183 and as such should not be included as costs to determine the revenue requirement  
184 in this case. If the Company does not want to cancel or renegotiate these  
185 contracts<sup>7</sup> then it has the option to help these organizations through keeping the  
186 contribution/subsidy but for accounting purposes it should be accounted below the  
187 line.

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<sup>6</sup> See Mr. Steven R. McDougal's rebuttal testimony page 21; lines 433 to 450.

<sup>7</sup> Again see Mr. Steven R. McDougal's rebuttal testimony page 21; lines 433 to 450.

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189 I recommend to the Commission that the subsidized rents in the form of an in-  
190 kind charitable contribution to these organizations not be recovered in rates and  
191 that my previous adjustment should stand. The Company was correct in making  
192 this adjustment in Docket 08-0035-08 and its change in position in this case  
193 should not be accepted and is not warranted. The final results of my adjustment  
194 for rent expense can be found in DPU Exhibits 4.2 SR and 4.2.1 SR.

195 **Q. Does this conclude your Testimony?**

196 A. Yes.