

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 4th 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16 direct testimony, which has also been withdrawn at this time by Mr.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36 Finally, I have withdrawn my adjustment to allocate airplane depreciation and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.¹ 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

¹ 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,² 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

² 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.³ 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

³ 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,⁴ 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,⁵ the
164 Company states the Docket No. 08-035-38 adjustment no. 3 mistakenly removed
165 the expense.

166

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

⁵ 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.⁶

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 contracts⁷ 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.

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

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

188

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.