

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. 2.0SR</u>
)	
)	<u>Surrebuttal Testimony and Exhibits of Thomas C. Brill, Ph.D.</u>
)	

For the Division of Public Utilities

Department of Commerce

State of Utah

Surrebuttal Testimony and Exhibits

November 30, 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
3 (Division or DPU) of 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. My Direct Testimony
6 introduced the Division's witnesses in this case and summarized all of the Division's
7 adjustments to Rocky Mountain Power's (Company) application.

8 **Q. What is the purpose of your Surrebuttal Testimony and Exhibits?**

9 A. My surrebuttal testimony summarizes the Division's overall surrebuttal position.

10 **Q. What is the Division's surrebuttal revenue requirement recommendation?**

11 A. The Division's surrebuttal revenue requirement recommendation is approximately \$16.7
12 million on a Utah-allocated basis. After Rebuttal Testimony, which was filed on
13 November 12, 2009, the Division adopted or modified a number of specific adjustments.
14 DPU Exhibit 2.2SR summarizes each of the Division adjustments and adopted
15 adjustments and is arranged in two columns that compare "DPU Direct and
16 Supplemental" and "DPU Surrebuttal." In addition, a comment is presented as a guide
17 for comparing DPU Direct and DPU Surrebuttal positions. The numerical values that
18 appear in DPU Exhibit 2.2SR have been run through the JAM model and may differ
19 slightly from those found in other Division surrebuttal testimony. The numerical values
20 that are found in Division surrebuttal testimony and related exhibits provide approximate
21 values.

22 **Q. Please describe how the Division arrived at its surrebuttal position.**

23 A. The Division reviewed the rebuttal testimony of the Company and the various parties on
24 a case-by-case basis and either accepted, rejected, or modified each adjustment. In
25 particular, the Division in its surrebuttal testimony has adopted Mr. Steven McDougal's
26 adjustment 11.4, "Adjust OMAG to Business Unit Target," which is a reversal of
27 Company adjustment 4.19 in its original filing. Mr. McDougal, in his rebuttal testimony
28 of November 12, 2009, had accepted a proposal by Ms. Donna Ramas, a witness for the
29 Office of Consumer Services (Office or OCS), to reverse adjustment 4.19 from the
30 Company's original filing. This appears on DPU Exhibit 2.2SR as "Reverse Adj. 4.19"
31 and is reported as \$3,853,988. Office witness Ms. Ramas proposed the reversal of
32 adjustment 4.19 from the original filing in order to make additional adjustments to O&M
33 expenses. The Division agrees with this approach. Other O&M expense adjustments
34 adopted by the Division are listed in Exhibit 2.2SR as witness "OCS/RMP."

35 **Q. In its direct testimony, the Division accepted the Business Unit Target approach but**
36 **expressed a concern about the possibility of double-counting. Has the double-**
37 **counting concern been addressed by the Company reversal of the 4.19 adjustment?**

38 **A.** Yes. With the adoption of Company reversal of the 4.19 adjustment, the Division no
39 longer has an issue with double-counting any of its recommended adjustments.

40 **Q. Mr. McDougal in his rebuttal testimony at lines 174 – 175, 189 – 192, 270 – 271, 482**
41 **- 483 cited double-counting of three Office adjustments (salaries and wages, medical**
42 **insurance expense, and incremental generation O&M), and one Division adjustment**
43 **(uncollectible accounts expense). What is the Division's recommendation with**
44 **regard to the double-counting of these adjustments?**

45 **A.** The Division accepts the Company’s rebuttal testimony on the three Office adjustments
46 and maintains the Division adjustment for the uncollectible expense.

47 **Q. Does this relieve Mr. McDougal’s issue with double-counting?**

48 **A.** Yes, it does. Since the four adjustments cited above total to very nearly all of the original
49 “OMAG Business Target,” other DPU adjustments should no longer be disputed as
50 “double-counting.”

51 **Q. What is the overall result of accepting the reversal of the 4.19 adjustment and**
52 **accepting the Office’s three adjustments and the Division’s one adjustment?**

53 **A.** The net effect of these adjustments is a negative \$214,540¹.

54 **Q. Does this mean that the DPU is also accepting the manner in which the Company**
55 **has made “business target” adjustments in this and the previous rate case?**

56 **A.** No, it does not. While we naturally encourage and applaud the Company for finding all
57 reasonable cost-saving measures and incorporating them into their test year forecasts,
58 such adjustments should be accompanied by the documentation and specificity necessary
59 for such budget savings to be identified by specific account. The practice of filing a
60 broad “budget adjustment” and then disputing any other adjustments in that area of the
61 budget as “double-counting” should not be encouraged.

62 **Q. What other adjustments has the Division adopted in response to the Company**
63 **rebuttal?**

64 **A.** The Division has modified its adjustments involving Special Contracts and Green Tag
65 revenue in response to the Company rebuttal testimony. In addition, the Division has

¹ Reverse 4.19 \$3,853,988 + Uncollectible expense (\$1,596,597) + Incremental Generation O&M (\$1,766,388) + Salaries & Wages (\$603,330) + Medical Insurance (\$102,213) = \$214,540.

66 dropped its adjustments for coal forced outage rates and the removal of the Washington
67 Public Utility Tax from Utah in response to the Company rebuttal testimony. These are
68 also listed in DPU Exhibit 2.2SR.

69 **Q. Has the Division updated its rate spread recommendation with its surrebuttal**
70 **testimony?**

71 A. Yes, this is addressed in the surrebuttal testimony of Mr. Joseph Mancinelli. With its
72 surrebuttal testimony, the Division has significantly increased its revenue requirement
73 recommendation. The Division's rate spread recommendation is presented in Mr.
74 Mancinelli's surrebuttal testimony and found in the following table.

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Revised Rate Spread Proposal

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(A) Schedule No.	(B) Rate Class	(C) Class Revenue	(D) Revised COS Adjusted for Subsidies to Customers A, B & C	(E) Difference (C) – (D)	(F) Percentage difference (D)/(C) -1	(G) Recommended Rate Spread (\$)	(H) Recommended Rate Spread (%)
1	Residential	570,908,120	561,625,178	-9,282,942	-1.63%	0	0.00%
6	General Service-Large	407,879,106	411,845,564	3,966,458	0.97%	2,334,158	0.57%
8	General Service-Over 1 MW	117,330,242	121,811,705	4,481,463	3.82%	2,637,225	2.25%
7,11,12,13	Street & Area Lighting	13,383,047	11,401,103	-1,981,944	-14.81%	0	0.00%
9	General Service-High Voltage	159,688,687	175,553,944	15,865,257	9.94%	9,336,294	5.85%
10	Irrigation	10,962,790	13,181,112	2,218,322	20.24%	1,305,425	11.91%
12TS	Traffic Signals	470,828	502,636	31,808	6.76%	18,718	3.98%
12OL	Outdoor Lighting	933,273	552,514	-380,759	-40.80%	0	0.00%
23	General Service-Small	102,234,904	104,004,497	1,769,593	1.73%	1,041,360	1.02%
25	Mobile Home Parks	850,935	836,861	-14,074	-1.65%	0	0.00%
SpC	Customer A	9,544,739	9,544,739	0	0.00%	0	0.00%
SpC	Customer B	25,732,720	25,732,720	0	0.00%	0	0.00%
SpC	Customer C	25,893,765	25,893,765	0	0.00%	0	0.00%
	Total	1,445,813,156	1,462,486,337	16,673,181	1.15%	16,673,181	1.15%

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80 **Q. What caveat would the Division offer regarding the Irrigation Rate Class?**

81 A. While the Irrigation Rate Class would receive an 11.9% revenue increase under Mr.

82 Mancinelli's approach, this increase is still well below the class cost of service. Mr.

83 Mancinelli's surrebuttal testimony suggested that if a policy decision is made such that an

84 increase of this magnitude for this class is not possible in one step, the Division

85 recommends that any additional subsidy afforded to the Irrigation class be borne by the
86 all remaining classes equally.

87 **Q. This is a much more detailed rate spread recommendation than the Division made**
88 **in earlier phases of the case. Can you explain why?**

89 A. In earlier phases of the case, the Division was recommending either a much smaller or
90 slightly negative revenue requirement increase. With a larger recommended overall
91 increase, there is more room for distinguishing between class rate increases. In addition,
92 we accept Mr. Higgins comment in his rebuttal testimony that our recommendations did
93 not provide guidance on how to spread rates for revenue requirement changes other than
94 that which we were proposing. Thus, we are recommending that Mr. Mancinelli's
95 revised COS model and the rate spreads that it produces be used for determining rate
96 class rate increases for whichever revenue requirement the Commission adopts.

97 **Q. Has the Division changed any of the policy recommendations it made in Direct or**
98 **Rebuttal testimony?**

99 A. No, it has not.

100 **Q. Does this complete your testimony?**

101 A. Yes, it does.