

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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)	<u>Docket No. 09-035-23</u>
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)	<u>DPU Exhibit No. 8.OSR</u>
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Surrebuttal Testimony of

Brenda Salter

For the Division of Public Utilities

Department of Commerce

State of Utah

November 30, 2009

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

2 A. My name is Brenda Salter. I am employed by the Division of Public Utilities of the Utah
3 Department of Commerce (DPU) as a Utility Analyst.

4 **Q. Are you the same Brenda Salter that previously filed Direct Testimony in this**
5 **docket?**

6 A. I am.

7 **Q. What is the purpose of your Surrebuttal Testimony?**

8 A. The purpose of this testimony is to address Mr. Steven R. McDougal's Rebuttal
9 Testimony regarding Generation Overhaul Expense, Uncollectible Expense and Green
10 Tag Revenue.

11

12 **GENERATION OVERHAUL EXPENSE**

13 **Q. Have you reviewed Mr. McDougal's rebuttal testimony in response to your generation**
14 **overhaul expense adjustment?**

15 A. Yes

16 **Q. Has the Division's position changed as a result of evidence presented by Mr.**
17 **McDougal?**

18 A. Yes and No.

19 **Q. Please explain.**

20 A. Mr. McDougal's testimony did not provide additional information that has not already been
21 presented in past rate cases. What has changed is the Division's view of escalation to
22 current dollars prior to averaging of four years. The Division has completed a series of

23 tests to validate the Company's position and is now in agreement with it. Dr. Powell will
24 address the analysis performed in his surrebuttal testimony.

25 **Q. The move to escalation within averaging would be considered a policy change. What**
26 **is your recommendation on this issue?**

27 A. If the Commission accepts this change in policy, the Division recommends that the
28 Company address any other accounts that maybe affected in the next general rate case.

29 **Q. Will you summarize your position?**

30 A. Yes. The Division accepts Mr. McDougal's rebuttal position as filed.

31

32 **UNCOLLECTIBLE EXPENSE - FERC ACCOUNT 904**

33 **Q. Please provide an overview of Mr. McDougal's rebuttal testimony for the**
34 **uncollectible expense adjustment.**

35 A. Mr. McDougal disagreed with my recommendation for adjusting the uncollectible expense
36 rate to .247% and proposed the use of the Company's target uncollectible rate of .27%. He
37 also stated that my adjustment was double counted as filed and a policy change should be
38 made if the Commission adopts my position.

39 **Q. What are your concerns with Mr. McDougal's rebuttal testimony?**

40 A. I will begin with the issue of "double counting."

41 **Q. On page 13 lines 270 and 271 of Mr. McDougal's rebuttal testimony he states, "This is**
42 **an example of an adjustment that was double counted in the DPU's original filing**
43 **because the budget adjustment was not reversed." Do you believe the uncollectible**
44 **adjustment was double counted by the Division?**

45 A. No. Mr. McDougal testified on page 20 lines 450 to 452 of his direct testimony, “A limited
46 number of adjustments to budget were made for the following items: averaging of overhaul
47 and insurance expenses, non-utility advertising, ETO credits, and labor adjustments.” Mr.
48 McDougal did not include in his testimony or in his Exhibit page 4.19.3 an adjustment to
49 uncollectible expense.

50 **Q. Did the Division question the Company on its 2009 and 2010 budget amounts?**

51 A. Yes, Dr. Brill at lines 139 through 149 of his direct testimony provide as exhibits the
52 confidential data request responses. Dr. Brill also expresses the Division’s expectations to
53 those items the Company may feel are double counted in the DPU’s testimony. To sum
54 up, if the Company can firmly document, with appropriate evidence, that an adjustment has
55 already been included in 4.19, the Division is willing to withdraw our adjustment. One line
56 in Mr. McDougal’s testimony does not provide convincing evidence that the Division is
57 double counting the uncollectible expense.

58 **Q. What is your recommendation regarding the issue of double counting?**

59 A. In Mr. McDougal’s rebuttal testimony he addressed four issues that he felt were double
60 counted based on the Target adjustment 4.19. The uncollectibles expense adjustment was
61 included as one of the four. In order to accommodate for the double counting the Division
62 is accepting Mr. McDougal’s rebuttal testimony for the following. We accept the reversal
63 of the Business Unit Target and adopt Ms. Ramas’ adjustments to salaries and wages,
64 medical insurance expense, incremental generation O&M and my adjustment to the
65 uncollectibles expense. Dr. Brill will provide testimony on the Division’s position
66 regarding the double counted adjustments.

67 **Q. Mr. McDougal is proposing using the Company's target uncollectible rate of .27%.**

68 **Do you agree with this proposal?**

69 A. No. The Division has the same concerns with a target rate for uncollectibles as it has with
70 Mr. McDougal's Target adjustment 4.19 with the main concern being that a target rate is
71 not subject to audit.

72 **Q. What do you feel is a reasonable method for determining uncollectible expense?**

73 A. My use of an average uncollectible rate based on the percentage of net write-offs to
74 revenues is a reasonable way to account for an expense that will fluctuate from year to
75 year. I maintain that my methodology for calculating the uncollectibles rate is appropriate
76 and reject Mr. McDougal's target rate.

77 **Q. Do you agree with Mr. McDougal that if the Commission adopts this method of**
78 **computing the test year uncollectible expense it should be made a matter of policy.**

79 A. Yes, my intention in proposing the adjustment to uncollectible expense was to continue the
80 method in order to provide a smoothing effect for an expense that can vary from year to
81 year.

82

83 **GREEN TAG REVENUE**

84 **Q. In his rebuttal testimony, Mr. McDougal accepts Ms. Ramas' adjustment to the green**
85 **tag revenue. What is your recommendation regarding your adjustment?**

86 A. I am in agreement with Mr. McDougal and recommend my adjustment be withdrawn and
87 accept Ms. Ramas' adjustment as a better representation of the green tag revenue in the test
88 period.

89 **Q. Please summarize your testimony?**

90 A. The Division agrees that escalation within averaging is an appropriate method to smooth
91 out an expense that will vary from year to year. We accept the Company's adjustment to
92 generation overhaul as contained in Mr. McDougal's rebuttal testimony. The Division
93 does not accept the Company's targeted uncollectible rate of .27%. The Division maintains
94 that the use of an average uncollectable rate based on a percentage of net write-offs to
95 revenues is a reasonable method to project uncollectibles expense. The Division is in
96 agreement with Ms. Ramas adjustment to the green tag revenues.

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

98 A. Yes.