

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of: The) TRANSCRIPT OF
Application of Rocky Mountain) HEARING
Power for Authority to Increase)
its Retail Electric Utility) Volume V
Service Rates in Utah and for)
Approval of its Proposed Electric) Docket No.:
Service Schedules and Electric) 09-035-23
Service Regulations)

Wednesday, December 16, 2009 - 9:00 a.m.

Location: PUBLIC SERVICE COMMISSION
160 East 300 South
Fourth Floor, Room 451
Salt Lake City, Utah

Before: Chairman Ted Boyer
Commissioner Ron Allen
Commissioner Ric Campbell

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9:02 AM

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P R O C E E D I N G S

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CHAIRMAN BOYER: Good morning, everyone.

6

Welcome back to the cost of service and rate spread

7

portion of this rate case. We are back on the record in

8

docket No. 09-035-23. I see we have a new schedule of

9

witnesses, which is slightly different than was

10

represented last night.

11

SPEAKER: Over the nighttime we were able to

12

discuss waiving the testimony of some witnesses, and,

13

indeed, have waived some. You have a list in front of

14

you of those witnesses that I think we have agreed to

15

waive, including the witnesses Baron and Chriss is my

16

understanding of the current list of witnesses we agreed

17

to waive. Those excused on the bottom are those two.

18

CHAIRMAN BOYER: So Baron and Chriss are still

19

on the waived list. I show them as the last two

20

witnesses tomorrow.

21

MS. SCHMID: And as was discussed earlier

22

Mr. Thomas Brill will return to the stand. We would

23

like him to appear after Mr. Mancinelli, please.

24

SPEAKER: Last time I knew Mr. Baron and

25

Mr. Chriss were still going to be called. Has that

1 changed?

2 MR. GARDINER: That's changed. Waived cross
3 examination. Mr. Chairman, I wasn't present yesterday
4 when the parties waived cross examination of the Farm
5 Bureau witness and moved for admission of his prefiled
6 testimony. Does the Commission prefer another written
7 exhibit to be submitted tomorrow?

8 CHAIRMAN BOYER: If you want we can, at the
9 beginning of this portion of the hearing, if you want to
10 move the admission of the testimony, we can do that now.

11 MR. GARDINER: I move the admission of the
12 prefiled testimony of the Farm Bureau witness.

13 CHAIRMAN BOYER: Are there any objections to
14 the admission of the Farm Bureau witness testimony?

15 MR. REEDER: It might be appropriate to move
16 the admission of the testimony of all of the witnesses
17 we have agreed to waive on.

18 CHAIRMAN BOYER: Excellent suggestion,
19 Mr. Reeder. Let's do that at this point. Let's start
20 with the Company. Messrs. Short and Godfrey?

21 MR. HICKEY: Mr. Short's testimony is already
22 in, as is Mr. Godfrey's, Mr. Chairman. They were
23 previously moved.

24 CHAIRMAN BOYER: Thank you. The Division
25 witnesses, Dalton and Wheelright?

1 MS. SCHMID: We would like to move for their
2 admission.

3 CHAIRMAN BOYER: And Dr. Abdulle? You are
4 moving their admission now?

5 MS. SCHMID: Yes.

6 CHAIRMAN BOYER: Are there any objections to
7 the admission of the testimony of Messrs. Dalton,
8 Wheelright and Abdulle?

9 MR. REEDER: No objections.

10 CHAIRMAN BOYER: They are admitted as well.
11 And I guess we have Mr. Swenson's testimony.

12 MR. DODGE: Yes, Mr. Chairman, I would like to
13 move the admission of Mr. Swenson's rebuttal testimony.

14 CHAIRMAN BOYER: Any objection to
15 Mr. Swenson's testimony being admitted?

16 MS. SCHMID: None.

17 CHAIRMAN BOYER: And Farm Bureau we just did.

18 MS. SMITH: Hi. My name is Holly Rachel
19 Smith. At this time I would like to enter the
20 appearance of Wal-Mart Stores, Inc. and Sam's West, Inc.
21 This is the first day that we are here on the record.

22 CHAIRMAN BOYER: Give me your name again.
23 Would you spell it for the record.

24 MS. SMITH: My name is Holly Rachel Smith, and
25 I am with the law firm of Russell W. Ray, PLLC, and I am

1 here on behalf of Wal-Mart Stores, Inc. and Sam's West,
2 Inc. And at this time, your Honor, Mr. Chairman, I
3 would like to move for the admission of the direct and
4 rebuttal testimonies of Steve W. Chriss with exhibits.

5 MR. REEDER: No objection.

6 MS. SCHMID: No objection.

7 CHAIRMAN BOYER: That testimony will be
8 admitted then, Ms. Smith.

9 Does that bring us to Baron?

10 MR. BOEHM: My name is Kurt Boehm. I
11 represent the Kroger Companies.

12 CHAIRMAN BOYER: Do you wish to offer
13 Mr. Baron's testimony?

14 MR. BOEHM: Yes. I move for the admission of
15 the direct and rebuttal testimony of Steve Baron.

16 CHAIRMAN BOYER: Any objection to Mr. Baron's?

17 MS. SCHMID: None.

18 CHAIRMAN BOYER: It is admitted, then.

19 I guess, Mr. Gardiner, you haven't entered
20 your appearance yet for the record.

21 MR. GARDINER: Dale Gardiner, Van Cott-Bagley,
22 for Farm Bureau.

23 CHAIRMAN BOYER: Thank you for those
24 suggestions. Let's begin with Rocky Mountain Power's
25 first witness. Mr. Hickey, you are up today, I guess.

1 MR. HICKEY: Actually, Ms. Hogle.

2 CHAIRMAN BOYER: Ms. Hogle.

3 MS. HOGLE: At this time we would like to call
4 Mr. Scott Thornton, please.

5 CHAIRMAN BOYER: Mr. Thornton, why don't you
6 remain standing. We will swear you before we begin.

7 SCOTT D. THORNTON,
8 called as a witness, having been duly sworn, was
9 examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MS. HOGLE:

12 Q. Good morning Mr. Thornton.

13 A. Good morning.

14 Q. Can you please state and spell your name for
15 the record?

16 A. Scott D. Thornton, S-c-o-t-t T-h-o-r-n-t-o-n.

17 Q. And how are you employed?

18 A. I am the manager of the meter data management
19 group.

20 Q. In that capacity did you prepare direct
21 testimony and rebuttal testimony with exhibits?

22 A. Yes, I did.

23 Q. Has anything in that testimony changed?

24 A. No, it has not.

25 Q. So if I were to ask you the same questions set

1 forth in the testimony today would your answers be the
2 same?

3 A. Yes, they would.

4 Q. Do you have a summary?

5 A. Yes, I do.

6 MS. HOGLE: Your Honor, at this time I would
7 like to move for the admission of the direct and
8 rebuttal testimony of Scott Thornton with attached
9 exhibits.

10 CHAIRMAN BOYER: Thank you, Ms. Hogle. Any
11 objection to the admission of Mr. Thornton's direct and
12 rebuttal testimony together with exhibits?

13 MS. SCHMID: None.

14 CHAIRMAN BOYER: Seeing none, they are
15 admitted.

16 Q. You may proceed, Mr. Thornton.

17 A. In my direct testimony, I gave an overview of
18 load research in general, load research processes
19 insofar as they apply to the development of class loads,
20 and the processes surrounding the development of load
21 estimates used in the Company's filings.

22 My rebuttal testimony dealt with issues raised
23 by various of the intervening parties related to the
24 measurements of accuracy for the Company's load samples,
25 the issue of calibrating class load data to

1 jurisdictional loads, and recommendations put forward to
2 improve or enhance the sampling process. I also
3 introduced and explained the revision in the methodology
4 used to calculate forecast loads for the defined test
5 year. I would like to take a minute to walk through the
6 how and why of that revision.

7 Simply put, the change was made because of the
8 way class loads during the monthly peak hours of the
9 2008 historical period were moved forward to reflect the
10 class loads during the monthly peaks of the forecast
11 test period. In the Company's initial filings, the
12 dates of the January through December 2008 historical
13 class load data were adjusted to reflect the same
14 weekday usage for the forecast period July 2009 through
15 June 2010.

16 Under this methodology, Mondays shifted to
17 Mondays, Tuesdays shifted to Tuesdays, and so forth.
18 The monthly peak day in the forecast test period may not
19 have directly lined up with the same day of the month as
20 the historical period. If the date of the peak in the
21 forecast period was set to be Tuesday in the first week
22 of July, then we would choose Tuesday in the first week
23 of July of the historical period to estimate the loads
24 for that peak even though that was not the historic peak
25 day for July.

1 Because of this mismatch, the impact of each
2 class's contribution to the monthly peak was lost, or at
3 least understated. Once the date realignment had been
4 completed, the base class loads for each hour of the
5 forecast month were adjusted to match the forecast
6 energy levels, and the impact on the individual classes
7 of the monthly peak was preserved.

8 Data requests from parties prompted a review
9 of this methodology. In point of fact, we determined
10 that none of the historical peak dates were utilized in
11 the load data results presented in the Company's direct
12 case. As a result of this review in the rebuttal filing
13 the company utilized the actual peak dates from the
14 historic period.

15 This method is identical to the method the
16 company used prior to the use of forecast test periods.
17 Under this method historic system peak data was adjusted
18 to reflect forecast monthly energy levels for the
19 forecast test period. This method preserved those
20 conditions during a system peak day, reflecting the peak
21 load characteristics of the different classes, and, we
22 believe, presented a more accurate representation of
23 what was occurring on a system peak day.

24 It is important to note that there was no
25 change to the underlying load research data and the

1 development of the class load measurements during the
2 base period. The change was only made to the way that
3 the peak load data was moved forward into the forecast
4 test period. Under either estimation methodology,
5 neither the base year load data nor the forecast energy
6 values change. The change was not the result of errors
7 in the class load data. The methodology was implemented
8 specifically to address the difference in class peak
9 loads and jurisdictional peak loads raised by the
10 parties. Presently, the Company is using this method in
11 all four states it serves where forecast test periods
12 are utilized.

13 In conclusion, I believe this methodology as
14 outlined in the rebuttal phase of this filing presents a
15 more accurate representation of class relationships we
16 would expect to see on each of the monthly system peak
17 days, provides a very reasonable methodology for
18 calculating these forecast system peak loads, and is
19 certainly more easily understood than the method we had
20 previously offered.

21 This concludes my summary.

22 MS. HOGLE: Mr. Thornton is available for
23 cross examination.

24 CHAIRMAN BOYER: Let's begin with the Division
25 of Public Utilities. Mrs. Schmid?

1 CROSS EXAMINATION

2 BY MS. SCHMID:

3 Q. Thank you. Good morning, Mr. Thornton.

4 A. Good morning.

5 Q. So how long would you say has PacifiCorp been
6 using this methodology to determine the class loads?

7 A. Are we talking revised?

8 Q. Let's start with the original one, the one you
9 used before, for forecasting test years.

10 A. It was the methodology originally put in place
11 when we moved to forecast test years. I'm going to say
12 three or four years. I would have to check with cost of
13 service to make sure.

14 Q. Then turning to the new methodology, if I can
15 call it that, when did PacifiCorp first begin
16 implementing that in its various jurisdictions?

17 A. That has been fairly recent within the last
18 year or year and a half.

19 Q. Did you know that there was the nonpeak day
20 base year issue that you discussed before?

21 A. Yes.

22 Q. In your testimony I think that you say there
23 is no correlation between certain housing
24 characteristics, like home age or location in the Rocky
25 Mountain service area; is that correct?

1 A. I say there is not a correlation between
2 houses and electricity usage.

3 Q. Okay. Thank you. Have you done any analysis
4 to support that statement?

5 A. No, I have not.

6 Q. Does PacifiCorp collect this information in
7 its sample design?

8 A. No, it does not.

9 Q. Later in your rebuttal testimony you talk
10 about changes to appliances, particularly the change to
11 air conditioners and windows and insulation and things
12 like that. Does PacifiCorp have any data regarding
13 appliance saturation or changes in building
14 characteristics of your residential customers overall or
15 even those of your sample?

16 A. At one time PacifiCorp performed appliance
17 saturation surveys. I don't believe those have been
18 done in the last several years.

19 Q. Have you been involved in the residential
20 customer survey efforts?

21 A. Saturation surveys? No, I have not.

22 Q. But you are familiar with the efforts?

23 A. Yes.

24 Q. When was the last time a survey was performed?

25 A. The last one I am aware of would have been in

1 the 90's.

2 Q. And there wasn't one done in late 2007?

3 A. Not to my knowledge. It would have been done
4 by an entirely different department.

5 Q. Do you know how many questions are included in
6 that survey?

7 A. A lot. It was a four- to six-page survey.

8 Q. And so there are no questions about the age of
9 the home or the appliances in the survey, right?

10 A. My recollection is that they did ask those
11 questions.

12 Q. They did?

13 A. Yes.

14 Q. Here we get tricky, at least tricky for me.
15 Multiple intervenors have utilized the adjustment
16 factors shown in your Exhibit RMPSDT-1 to suggest that
17 the load estimates from RMP samples are inaccurate on a
18 month-to-month basis. Some of the implied differences
19 between actual and estimated monthly class energy are
20 well above 10 percent for many of the months shown. But
21 is it true that you believe much of the variability is
22 related to the inaccuracy of the data referred to as
23 billing kwh?

24 A. Not inaccuracy of the data. The differences I
25 state are based on the fact that load research data is

1 relegated to strict calendar-month blocks. Billing data
2 is not collected in calendar-month blocks. It is
3 collected via billing cycles and then it is allocated
4 into calendar month usage based on some formula they use
5 to calculate it into the calendar month usage. That can
6 be affected by temperature. So I'm not going to say the
7 billing data is in error, but the process used to adjust
8 the billing data to calendar month may not necessarily
9 give a true calendar-month picture for the billing data.

10 Q. So does that, in your opinion, affect the
11 accuracy or effectiveness of the estimates?

12 A. The sample?

13 Q. The differences between the months, how they
14 are used.

15 A. I think month to month there can be variations
16 in the billing data that make it a tough comparison
17 against the sample data. My contention is that sample
18 data should not be compared to the billing data on a
19 month-to-month basis, because of that adjustment, it
20 should be compared on an annual basis.

21 Q. Has the company made any efforts to determine
22 or quantify the discrepancy?

23 A. Not to my knowledge.

24 Q. Based on the most-recent sample designs, if
25 you know, what is the accuracy goal of the Company now

1 for schedules 1, 6 and 23?

2 A. In general, all of our samples are designed to
3 meet at a minimum the purpose standard of plus or minus
4 10 percent precision of the 90-percent confidence level.
5 The current samples that you just identified which were
6 put in, in late 2008, I'm going to go with those since
7 you said the most recent, schedule 6 and schedule 23
8 were designed to meet that standard plus or minus
9 10 percent precision of the 90-percent confidence level.
10 The residential sample was designed to meet a 5-percent
11 precision of the 90-percent confidence level.

12 Q. This change was done because of concern with
13 the accuracy of the samples from the prior design?

14 A. The change was done because we are trying to
15 always improve the precision of our samples.

16 MS. SCHMID: Thank you very much. That's all
17 I have.

18 CHAIRMAN BOYER: Mr. Proctor?

19 CROSS EXAMINATION

20 BY MR. PROCTOR:

21 Q. Thank you, Mr. Chairman. Mr. Thornton, I want
22 to talk just for a moment or ask you some questions
23 about this change of your peak data, daily peak data, as
24 the historical peak days did not match your forecasted
25 peak days. Is that last sentence a fair representation

1 of the problem?

2 A. Correct. The forecast peak dates did not
3 align with the historical peak dates.

4 Q. Isn't it true that this misalignment resulted
5 in this particular case in a \$22 million shift of cost
6 responsibility to the residential class?

7 A. You just touched on an area that's completely
8 outside my area of knowledge.

9 Q. Prior to coming here today, Mr. Thornton, did
10 you review Mr. Gimble's testimony on this subject?

11 A. Yes, I did -- well, I reviewed his rebuttal,
12 surrebuttal.

13 Q. Would you agree, however, Mr. Thornton, that
14 indeed that misalignment, from what you do know about
15 cost of service studies, can in fact effect a shift in
16 cost responsibility between classes?

17 A. Yes, it can effect the responsibility between
18 classes.

19 Q. Given the fact that it can make a difference,
20 a shift in cost responsibility between classes, what
21 particular checks and reviews are built in to
22 PacifiCorp's system to identify misalignment issues such
23 as you have described here before you file testimony in
24 a general rate case?

25 A. The check that is available to check the

1 sample data is the check that was touched on over here,
2 sample data versus annual billing energy. The check
3 against reasonableness between historical data and
4 forecast data is a fairly recent -- let me back up.
5 There is not a check that will validate historical data
6 versus forecast data. The methodology we have proposed
7 was put in place because we feel that the historical
8 system peak data will more accurately provide an
9 estimation of forecast peak data. But, again, you are
10 comparing historical to forecast. I'm not seeing an
11 iron rod there we can check against.

12 Q. That was the one you have proposed in this
13 case in your rebuttal testimony?

14 A. Correct.

15 Q. So at the time that you prepared your cost of
16 service study and placed it into testimony and filed it
17 with this Commission, there was no such check?

18 MS. HOGLE: Objection, your Honor, I think he
19 has already answered that question.

20 MR. PROCTOR: I think I am entitled to ask
21 that question.

22 CHAIRMAN BOYER: I think it is asked and
23 answered, but we will go ahead and answer it again.

24 A. Just to clarify, I don't file a cost of
25 service study. I provide loads to the cost of service

1 study group that does the cost of service study.

2 Q. Let's talk about your testimony. That check
3 was not in place when you filed your direct testimony in
4 this case?

5 MS. HOGLE: Asked and answered.

6 MR. PROCTOR: May the answer stand,
7 Mr. Chairman?

8 CHAIRMAN BOYER: Yes, I think I ruled earlier
9 that that chronological answer could stand, A second
10 time.

11 MR. PROCTOR: Twice is always better. Thank
12 you, Mr. Thornton.

13 CHAIRMAN BOYER: Move now to Mr. Dodge.

14 CROSS EXAMINATION

15 BY MR. DODGE:

16 Q. Mr. Thornton, I am Gary Dodge, attorney with
17 the Utah Association of Energy Users, or UAE. I do have
18 a few questions for you. As the Company witness or
19 expert on loads, do you understand what tends to drive
20 the Utah summer peak days?

21 A. I believe I have a fair understanding.

22 Q. And give us your understanding.

23 A. Basically, it is temperature, more
24 specifically a build-up of temperature over time.

25 Q. And the consequences of that is those loads

1 that tend to respond to higher temperatures tend to
2 drive the peak day usage; is that correct?

3 A. In the summer, that is correct.

4 Q. And that usually in Utah translates into,
5 what, air conditioning loads in both commercial and
6 residential establishments?

7 A. Yes, as well as we see the possible irrigation
8 increase as well.

9 Q. And if, as you discovered, the peak load data
10 used in your direct testimony and for purposes of the
11 direct cost of service analysis, if it doesn't capture
12 that contribution to the peak then would you say it
13 fairly represents the various classes' contribution to
14 that peak?

15 A. I would say it does not. That's why we made
16 the change to the revised methodology.

17 Q. You were asked if there is a check on that.
18 Recognizing that you disagree with those who argue that
19 the calibration, the jurisdictional loads shouldn't have
20 been discontinued in '02, in fact had that calibration
21 continued to exist there wouldn't have been as great of
22 disparity, correct? In other words, the disparity that
23 existed between the jurisdictional peak data and the
24 class peak data used in the direct testimony, that
25 delta, which was fairly significant, as you testified

1 led you to go back looking why, had it been calibrated
2 to the jurisdictional peak load, whether or not you
3 think that's the accurate representation of peak loads,
4 it would have reduced that delta to virtually zero,
5 right?

6 A. I am going to answer this in the way I think
7 you are asking it, and feel free to correct me if I am
8 wrong. My understanding of calibration involves
9 actually reallocating loads between the jurisdictional
10 loads, the difference between the jurisdictional loads
11 and the class loads back into the class loads. If
12 calibration was occurring we would not have seen that
13 difference Mr. Dodge is describing, because we have not
14 seen any difference between the jurisdictional loads and
15 the class loads. If you are using the jurisdictional
16 loads as a tool to check against the class loads, rather
17 than as a calibration, then you would have seen that
18 difference.

19 Q. And so that's the important thing is to
20 explain the difference or try and identify what causes
21 the difference between the jurisdictional peak load and
22 the class peak load theoretically for the same day,
23 correct?

24 A. Correct.

25 Q. In your testimony, I believe you identified in

1 your direct and rebuttal some of the potential sources
2 of that delta between the jurisdictional and the class
3 peak load, and one of those you indicated was
4 temperature; is that right? Excuse me, that peak load
5 data is not, applies a constant loss factor is what I
6 meant to say.

7 A. Yes.

8 Q. And the jurisdictional load of course is at
9 input?

10 A. Correct, the jurisdictional loads contain
11 actual losses. Class loads are adjusted by a static
12 loss factor. Any difference between those two would
13 show up as a difference between jurisdictional loads and
14 class loads.

15 Q. And if we were to try and identify who is
16 causing the losses at the peak day, would temperature
17 have anything to do with that?

18 A. Well, all loads would have losses. Some loads
19 have greater losses. So inasmuch as temperature drives
20 losses, yes.

21 Q. So, in other words, as temperature increases
22 losses increase, correct?

23 A. Correct.

24 Q. And, therefore, those classes that are most
25 temperature sensitive would have a heightened

1 responsibility for the amount of losses on that peak
2 day, correct?

3 A. Those loads that are most temperature
4 sensitive are on, serve on voltage levels that have
5 higher loss levels, so it is not just the temperature
6 driving that increase, it is the fact that those
7 particular schedules are on higher loss levels.

8 Q. And there is no attempt right now in the class
9 cost of service analysis to assign those higher losses
10 to those temperature-sensitive classes, is there?

11 A. Correct, there is no mechanism in place for us
12 to do that.

13 Q. Then the biggest difference, as it turns out,
14 was this mismatch of the actual peak class relative
15 responsibility to the date that was being selected in
16 the forecast test year, that turned out to be the
17 biggest difference explaining that delta that was
18 pointed out by the parties, correct?

19 A. Yes, it did.

20 Q. And then one other has been suggested by the
21 Division witnesses, and that is temperature
22 normalization of the jurisdictional peak and not the
23 class peak. Can you respond to that? Do you degree
24 with that?

25 A. Temperature normalization of the

1 jurisdictional, I believe that's what happens in the
2 forecast as it is now.

3 Q. Did you read the testimony of Mr. Nunes. I
4 believe it was, who indicated that in his view there is
5 a mismatch, one of the explanations of the difference
6 between jurisdictional peak data and class peak data was
7 that the one was temperature adjusted and the other was
8 not?

9 A. I remember Mr. Nunes was making the
10 recommendation that the class loads be based on a
11 temperature-normalization procedure as well; is that
12 correct?

13 Q. Yes. And I would like you to respond to that.
14 Do you agree with that suggestion?

15 A. I do not. Temperature normalization, any sort
16 of normalization, involves, basically, averaging of
17 data. If you have a particular rate group that is
18 growing very quickly, which the Utah jurisdiction does,
19 that averaging will understate their contribution to the
20 system peak. The Company believes it is a much better
21 estimation if we use the most-recently-available class
22 load data to make those adjustments rather than
23 temperature-adjusted class load data.

24 Q. Some have complained, Mr. Thornton, in this
25 docket that because you didn't catch this issue until

1 your rebuttal testimony that they haven't had time to
2 validate it. What would it take to validate that the
3 peak day on 2008 better represents your current forecast
4 of the peak date in 2010 or 9 in the current test period
5 than the one that was in your original direct testimony?

6 A. I believe Mr. Brubaker put together some very
7 nice exhibits that do that same thing. Let me just
8 state that the methodology, we went to a very simple
9 methodology, as I stated in my summary, the base load
10 data did not change, the forecast energy did not change.
11 All we did in making this revision was adjust the base
12 loads for the forecast energy. We decomplicated the
13 process, if you will. And the result of that in
14 comparing the jurisdictional load data to the class load
15 data is a substantially decreased annual average. The
16 exhibit we provided -- I can't remember who we provided
17 it to -- to the DPU, I believe, shows that on an annual
18 basis the adjustment is now 2/10 of 1 percent. We
19 consider that a pretty good fit.

20 Q. And it didn't take a great deal of data or
21 analysis to demonstrate that it is a much better fit in
22 your rebuttal testimony than it was in your direct,
23 correct?

24 A. No, it did not.

25 MR. DODGE: I have no further questions.

1 Thank you.

2 CHAIRMAN BOYER: Mr. Reeder?

3 CROSS EXAMINATION

4 BY MR. REEDER:

5 Q. Good morning, Mr. Thornton.

6 A. Good morning.

7 Q. Take a step back for a moment if we might.

8 The test period in this case and the test period in the
9 '08 case overlap, as I understand it. Do you have the
10 same understanding?

11 A. Yes, they did.

12 Q. So some of the base raw data used in that case
13 was data used in this case?

14 A. That is correct.

15 Q. And the data hasn't changed?

16 A. For the six-month overlap period the data did
17 not change.

18 Q. And that's changed is this realignment we have
19 been talking about?

20 A. That is correct.

21 MR. REEDER: I have marked as the next exhibit
22 in order this document.

23 CHAIRMAN BOYER: I think this will be UIEC
24 Cross Exhibit 3. I wouldn't wager on that.

25 Q. I have handed you a document that's been

1 marked as UIEC's Cross Exhibit 3. Do you recognize that
2 document?

3 A. Yes.

4 Q. That document is a data request we sent to
5 presumably you about the loads in this case?

6 A. Okay.

7 Q. Attached to this document is the data that is
8 produced in the file entitled "Merged." Are you
9 familiar with that?

10 A. Yes.

11 Q. Does the data that's attached show the loads
12 as the peaks as originally forecasted and the peaks as
13 forecasted after the realignment?

14 A. Yes, it does.

15 Q. And does it not show, sir, that for nearly
16 every class the loads were increased for the peak period
17 that was not held constant in this realignment?

18 A. It does appear to show that.

19 Q. So in your judgment, sir, would it be fair to
20 imply that this was done for some reason to disadvantage
21 the residential class?

22 A. I can guarantee you that's not the case.

23 Q. In fact, every class was a beneficiary or
24 suffered from the realignment of the peaks, didn't they?

25 A. One moment. I should note on your exhibits

1 here one of these is presenting the data at sales, and
2 one is at input.

3 Q. The point being every class changed, didn't
4 they?

5 A. Every class did change, you are correct.

6 MR. REEDER: Let's mark as the next exhibit in
7 order, trusting it will be someplace like Exhibit No. 4.

8 Q. I have put in front of you a document marked
9 Cross Exhibit 4, UIEC Cross No. 4. Do you have that
10 document in front of you?

11 A. Yes, I do.

12 Q. Do you recognize that document?

13 A. Yes, I do.

14 Q. Did we ask a series of questions in an attempt
15 to understand why there was a departure between the
16 jurisdictional load and the sum of the class loads?

17 A. Yes.

18 Q. And have you suggested in your testimony that
19 a reason for part of that departure may have been the
20 loads that are intermittent loads in the loads that are
21 electric-furnace-type loads?

22 A. Correct.

23 Q. And did we inquire of you the size of those
24 loads?

25 A. Yes, you did.

1 Q. And does this document show the size of those
2 loads?

3 A. Yes, it does.

4 Q. Mr. Thornton, looking at the size of these
5 loads, can you give me an estimation of the contribution
6 of these loads to the size of the departure? Are they
7 significant or not significant?

8 A. In some months they are significant, in some
9 months they are not significant.

10 Q. In which months are they significant?

11 A. January, February, March, May, November,
12 December.

13 Q. What is the order of magnitude of that
14 significance?

15 A. It would appear to be about 5 percent of the
16 total load.

17 Q. 5 percent of the departure may be accounted
18 for by these loads?

19 A. No, the total of these loads represents
20 5 percent of the total jurisdictional load.

21 Q. And the departure from the jurisdictional load
22 to the class loads attributed to by these loads is what,
23 sir, significant or insignificant?

24 A. Again, on some months significant, on some
25 months insignificant.

1 Q. I guess the numbers will speak for themselves.
2 We can argue that in brief, I suppose. You have some
3 discussion about weather?

4 A. Yes.

5 Q. Is it the case that you adjust the peaks for
6 weather after you have forecasted them?

7 A. No, we do not.

8 Q. What weather adjustments do you make to loads
9 as a part of forecasting?

10 A. The only weather adjustments that would be
11 applied to the class loads are those that are built into
12 the forecast energy.

13 Q. Mr. Thornton, do you have a document in front
14 of you that has been marked for identification as UIEC
15 Cross Exhibit 5?

16 A. Yes, I do.

17 Q. What is that document, sir?

18 A. It appears to be weather adjustments made for
19 the past five years by rate schedule.

20 Q. What's the purpose of these adjustments?

21 A. I'm going to have to profess ignorance. I did
22 not prepare this document.

23 Q. Do you understand the weather adjustments that
24 are made to the load data?

25 A. No weather adjustments are made to the load

1 class data other than that that's included in the
2 forecast energy.

3 Q. So do you have an explanation for us on why
4 when we asked for the adjustments that were made for the
5 past five years, the loads, you would provide us this
6 document showing the adjustments?

7 A. Again, I did not prepare the document.

8 Q. As a load forecasting witness for the Company,
9 you don't know why you adjusted for weather or whether
10 you adjusted for weather or the magnitude of the numbers
11 for the adjustment of the weather?

12 A. I would not consider myself a load forecasting
13 expert. I would consider myself a load research expert.

14 Q. Who is the person who can answer the questions
15 as to why you make weather adjustments to some but not
16 all of these loads, as shown by the exhibit?

17 A. My best guess would be Dr. Eelkema.

18 Q. Turning to your area of expertise, then, you
19 are the person who designs and executes the load
20 sampling?

21 A. Yes, I am.

22 Q. All right. Let's try this exhibit. If I am
23 keeping my numbers correct, we are up to UIEC No. 6. Do
24 you have that document in front of you?

25 A. Yes, I do.

1 Q. Are you the witness who is responsible for
2 this data request?

3 A. Yes, I am.

4 Q. Can you tell me what it is?

5 A. It is a listing of where sample sites were
6 drawn for the various, the Utah residential schedule 23
7 and schedule 6 samples for both the studies that went
8 in, in 1991 and those that went in, in 2008.

9 Q. The first page of this exhibit we see the
10 sample size for 1991, class 451,000, number of samples
11 169, strata four?

12 A. Correct.

13 Q. If we turn pages in this document we will come
14 to the description of the sample put in place in 2008,
15 back about five pages?

16 A. Correct.

17 Q. Do you find that?

18 A. Yes.

19 Q. Now we have got a sample size of 660,000. We
20 have class size of 660,000?

21 A. Correct.

22 Q. We have got a sample size of 170?

23 A. Correct.

24 Q. We grew the universe 200,000 to increase the
25 samples by one?

1 A. Correct.

2 Q. We see a strata in the first sampling protocol
3 of four?

4 A. Correct.

5 Q. We see a strata in the second sampling
6 protocol, three?

7 A. Also correct.

8 Q. Do you know if we understand why it is that,
9 given the importance of load forecasting for this
10 company, when the population grows as the population has
11 grown, that we would add but one sample site and reduce
12 the strata?

13 A. I will try.

14 Q. Please do.

15 A. Stratified sample design is a technique which
16 allows us to sample a very large group of customers with
17 a very small number of sample points. The samples
18 aren't -- sample size is not necessarily driven by the
19 size of the population. If you had 660,000 residential
20 customers doing the same thing at the same time, you
21 could sample them with one meter. They obviously don't
22 do that. But it is the variability of usage within that
23 group that drives the sample size.

24 In order to get estimates of that variability
25 we have to either use data from old samples incorporated

1 into the new sample design, or we have to borrow data to
2 complete the sample design. In the 1991 samples we did
3 not have good estimates of variance for any of the
4 samples listed, the residential, the schedule 23 or the
5 schedule 6. We ended up using an auxiliary variable or
6 borrowed the data to do that. As such our sample
7 designs were, in my opinion, oversized. They were
8 oversized on purpose, because we did not have a good
9 variable to base the sample design on.

10 When we moved to the 2008 samples we did have
11 those previous samples to draw upon to provide estimates
12 of variability within the group. When we plugged in
13 those variability numbers it turned out that we did not
14 need as big a sample as we had put in originally. In
15 fact, I think the sample design for the residential
16 shows a requirement of 144 meters not 170, which
17 supplemented that sample with an additional 26 meters
18 just because we were able to do that.

19 The move from four strata to three strata was
20 an attempt on our part to make the sample more robust.
21 The more strata you have in any sample the harder it is
22 to maintain. If you are drawing your boundaries so
23 narrowly that a simple change of usage by a particular
24 customer is going to move them into a new strata, that
25 causes some strata maintenance problems. So as we go

1 forward we try to reduce the number of strata.

2 But the quick and dirty reason for why we were
3 able to implement the new sample designs with the exact
4 same number or slightly increased or slightly lowered
5 number of meters is because we had better data to draw
6 upon from the old samples to design the new samples.

7 I hope that helped.

8 Q. What role did budget play in designing these
9 samples?

10 A. Budget is always a consideration.

11 Q. Did your budget constrain the way you designed
12 these samples?

13 A. Budget can constrain the way we design them.
14 We try to get an idea in our head where we want to go
15 ahead with the sample, then we try to get the budget
16 approved for that. Since 2005 we have been able to get
17 all the budget dollars we needed to implement the sample
18 designs we want to implement.

19 Q. You have not been able to get the money?

20 A. We have been able to get the money.

21 Q. You initiated the new samples you described
22 here. You initiated those beginning in late 2008?

23 A. We put them into production in late 2008.

24 Q. And began to gather data in late 2008?

25 A. That is correct.

1 Q. Did you use some of that data in the test
2 period in this case?

3 A. Yes, we did.

4 Q. What period did you use?

5 A. For the residential and schedule 23 load
6 studies we used October through December 2008, for the
7 schedule 6 we used November-December 2008.

8 Q. The load data in this case contains the data
9 from two different sampling protocols?

10 A. It is not a different sampling protocol. It
11 is two different samples, designed to provide the same
12 type of answer.

13 Q. Were smashed together to provide the answers
14 here?

15 A. The sample was used to provide data for
16 January through September, other data October through
17 December.

18 Q. Why is it you didn't use all the data from the
19 new sample?

20 A. When you go to all the trouble and expense of
21 putting together a new sample, you just as soon put it
22 into production as soon as possible; that way you are
23 not incurring the cost of having to read two separate
24 samples for some set of overlapped months.

25 Q. Could you have used the sample data from the

1 new sample for this case?

2 A. Did you say from the new sample?

3 Q. Yes.

4 A. We did use data from the new sample for this
5 case.

6 Q. And you used it for the entire period?

7 A. No, it was only available for the months I
8 listed.

9 Q. When will data for the whole year be available
10 to use for sampling?

11 A. For the whole year of?

12 Q. When will data from these new samples be
13 available for forecasting for a whole year?

14 A. The samples that went into production in
15 October 2008 will have, collect a year's worth of data
16 in September 2009.

17 Q. So would we expect in the next case to be
18 filed by this company that we would see the data from
19 the new samples?

20 A. Yes, you would.

21 Q. And we would expect to see the forecast for
22 the new samples in the next case?

23 A. Yes, you would.

24 Q. What purposes other than class cost of service
25 studies is this data used for?

1 A. Flow profile data actually has a number of
2 uses. We make the data available to customers on a
3 subscription basis. They can go out and see their usage
4 online. It is also used in deregulated markets. In
5 Oregon it is used to bill customers who have opted not
6 to take service from the Company. We also use the
7 communication protocols we have with these type of
8 meters to provide billing services for the customers,
9 the Company's largest customers.

10 Q. Does the forecast that you develop from these
11 meters, this data, have other uses before this
12 Commission other than this cost of service study?

13 A. No, it does not.

14 Q. Do you use any of these samples to forecast
15 your peaks?

16 A. I'm sorry, somebody coughed.

17 Q. Do you use any of the data gathered from these
18 samples to develop a forecast to determine the cost
19 effectiveness of your DSM measures?

20 MS. HOGLE: Objection, your Honor, this is
21 beyond the scope of the examination.

22 CHAIRMAN BOYER: It is getting a little bit
23 afield, Mr. Reeder.

24 Q. Let's try the answer, and then we will leave
25 it. Are you using it anywhere else or not?

1 A. Yes.

2 MR. HICKEY: Is there a ruling?

3 Q. Where else do you use it?

4 A. It has been used in a transformer load
5 management study. It is currently being used in a study
6 of residential solar generation and wind generation.

7 Q. Have you vetted the size and shape of your
8 sampling protocol before this Commission to determine
9 whether or not it meets the confidence intervals that
10 you propose, propose that it meets?

11 A. For the general samples or the DSM?

12 Q. Both.

13 A. To my knowledge, no.

14 MR. REEDER: I have nothing further.

15 CHAIRMAN BOYER: Mr. Reeder, do you want to
16 offer UIEC Cross Exhibits 3, 4, 5 and 6?

17 MR. REEDER: If I may, I would offer
18 Exhibits 3, 4, 5 and 6.

19 CHAIRMAN BOYER: Any objection? Seeing none
20 they are admitted.

21 Mr. Gardiner, have you questions for
22 Mr. Thornton?

23 CROSS EXAMINATION

24 BY MR. GARDINER:

25 Q. Just a few. As I understand it peak days and

1 peak loads --

2 CHAIRMAN BOYER: Mr. Gardiner, you will have
3 to bring that a little closer and turn it on if it is
4 not on.

5 Q. As I understand it, over time peak days are
6 primarily driven by temperature; is that correct? I
7 think that's what you told Mr. Dodge?

8 A. Summer peak days are primarily driven by
9 temperature. The same could be true of winter peak
10 days.

11 Q. That's because customers turn on their air
12 conditioners, correct?

13 A. That is a large contributor.

14 Q. But irrigators don't turn on their air
15 conditioners, do they, they turn on their pumps?

16 A. That is correct.

17 Q. So the assumption must be if there is an
18 effect on irrigator demands that temperature has an
19 effect on how much water they pump; is that correct?

20 A. That is correct.

21 Q. But isn't it also true that the primary factor
22 on whether irrigators turn on their pump is
23 precipitation?

24 A. That is also correct.

25 Q. For example, you can have an extremely hot

1 day, but if you have a thunderstorm that comes over the
2 mountains and rains, the irrigators turn off their
3 pumps, don't they?

4 A. I will not profess to be an irrigation expert,
5 but I will say yes.

6 Q. Consequently, the primary factor for
7 irrigators is precipitation, not temperature; is that
8 correct?

9 A. I would go with that.

10 Q. But in Rocky Mountain Power's cost of service
11 study on the weather factors they didn't use
12 precipitation, they relied upon temperature, didn't
13 they?

14 A. That is my understanding.

15 Q. And the only adjustments they made were based
16 on temperature, correct?

17 A. Also correct.

18 MR. GARDINER: Thank you.

19 CHAIRMAN BOYER: Ms. Smith?

20 MS. SMITH: Wal-mart has no questions for this
21 witness. Thank you.

22 CHAIRMAN BOYER: Let's turn to Commissioner
23 Allen.

24 / / /

25 / / /

1 EXAMINATION

2 BY COMMISSIONER ALLEN:

3 Q. Mr. Thornton, I am curious about standards for
4 using low-profile data and meter data. I guess the plus
5 or minus 10 percent rule is a PERCA rule, right?

6 A. It was originally proposed by PERCA, yes.

7 Q. Are there other national standards or
8 organizations that you belong to that define how meter
9 data should be used or sample sizes or statistical
10 methodology that you adhere to?

11 A. We are members of the Association of Edison
12 Illuminating Companies' Load Research Group, as well as
13 the Western Load Research Association. Both of those
14 groups go with the plus or minus 10 percent at the
15 90 percent confidence level.

16 Q. Would you say that, are there other standards
17 besides that, I assume there are, besides the 10-percent
18 rule? Sample size, for instance?

19 A. Well, there are sample size considerations,
20 you want to make sure you are satisfying the
21 requirements of central limit theorem and so on, which
22 basically means we want to have a minimum number of
23 sample sites in a given stratum. But the overriding
24 rule is the 90/10 standard.

25 Q. So, in general, do you feel comfortable or are

1 you confident you generally follow those national
2 standards, in this particular case your data and your
3 research is founded on that kind of consistency on those
4 national standards?

5 A. Yes, I am. We treat those standards as a
6 minimum standard. As I mentioned, we have exceeded that
7 standard for the latest residential load study, and
8 where we can we are going to exceed it in any other
9 study we install from this point forward. I do believe
10 that the load data used in this rate case presents a
11 statistically reasonable estimate of the loads at the
12 time of the peaks presented for this case.

13 COMMISSIONER ALLEN: Thank you.

14 EXAMINATION

15 BY CHAIRMAN BOYER:

16 Q. I have one area I would like to question you
17 about, Mr. Thornton. I think you have already answered
18 this, but I am going to ask the question in a different
19 way. Do you have an opinion as to whether or not using
20 your current method, that is to say using actual peak
21 data, is that a better method of predicting loads during
22 the test year and/or the test, the rate-effective period
23 than the prior method you used? Do you have an opinion
24 on that?

25 A. The prior method being the method we proposed

1 in our original filing?

2 Q. Correct.

3 A. I believe it is a much better method. And I
4 think the exhibits that have been built around that
5 point that out. We are providing estimates that are
6 much closer to the jurisdictional load levels than have
7 been achieved in the original filing.

8 CHAIRMAN BOYER: Thank you. Redirect?

9 MS. HOGLE: I don't have any. Thank you.

10 Okay, just one minute.

11 (An off-the-record discussion was held.)

12 REDIRECT EXAMINATION

13 BY MS. HOGLE:

14 Q. Mr. Thornton, Ms. Schmid asked you earlier if
15 you verified the accuracy of the load research data
16 particularly with respect to applying saturation. Do
17 you verify the accuracy of the load research data, and
18 is that applying saturation captured within that
19 verification?

20 A. No, it is not.

21 MS. HOGLE: I have nothing further, your
22 Honor.

23 CHAIRMAN BOYER: Thank you, Mrs. Hogle.

24 Thank you, Mr. Thornton, you may be excused.

25 Shall we move now to your next witness?

1 MS. HOGLE: Yes. The Company would like to
2 call Mr. Craig Paice.

3 CHAIRMAN BOYER: We intend to go until about
4 10:30 and give our reporter a break. He also has a
5 parking meter issue he can deal with during that break.

6 C. CRAIG PAICE,
7 called as a witness, having been duly sworn, was
8 examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MS. HOGLE:

11 Q. Good morning, Mr. Paice.

12 A. Good morning.

13 Q. Would you please state and spell your name for
14 the record?

15 A. My name is C. Craig Paice. The last name is
16 spelled P-a-i-c-e.

17 Q. How are you employed?

18 A. I am a consultant --

19 CHAIRMAN BOYER: Mr. Paice, will you bring
20 that mike a little closer to you so we can all hear.

21 A. I am employed as a consultant for Rocky
22 Mountain Power in the cost of service and pricing
23 section of their regulation department.

24 Q. In that capacity did you prepare direct and
25 rebuttal testimony with attached exhibits?

1 A. Yes, I did.

2 Q. Has anything changed in your testimony,
3 Mr. Paice?

4 A. No.

5 Q. So if I were to ask you the same questions set
6 forth in your testimony today would your answers be the
7 same?

8 A. Yes.

9 MS. HOGLE: Your Honor, at this time I would
10 like to move for the admission of Mr. Paice's direct and
11 rebuttal testimony with attached exhibits.

12 CHAIRMAN BOYER: Any objections? Seeing none,
13 the direct rebuttal and rebuttal testimony together with
14 exhibits are admitted.

15 Q. Mr. Paice, have you prepared a summary for
16 today?

17 A. Yes, I have.

18 Q. Please proceed.

19 A. In my direct testimony, I presented the
20 Company's class cost of service study based on the
21 12-month forecasted test period ended June 30, 2010.

22 In my rebuttal testimony, I presented the
23 Company's class cost of service study for the 12-month
24 forecasted test period ended June 30, 2010, based on
25 Rocky Mountain Power's revised annual results of

1 operations for the state of Utah as presented in the
2 rebuttal testimony of Company witness Steven R.
3 McDougal. Results are prepared both by customer group
4 and by function assuming current rate levels and the
5 return provided by the proposed price increase. The
6 cost of service study continues to utilize the revised
7 protocol methodology that was employed in the Company's
8 direct case.

9 The study also includes the following
10 enhancements: First, revised customer class loads as
11 previously discussed by Company witness Mr. Scott
12 Thornton.

13 Second, after reviewing the direct testimony
14 of DPU witness Joseph Mancinelli and various data
15 requests, we made several minor functional factor
16 changes. The dollar impact of these changes was
17 relatively small, and I have included a list of these
18 factors in my Exhibit Rocky Mountain Power CCP-4R.

19 Allocation results were determined using
20 methodologies consistent with prior Commission decisions
21 which have been reviewed, they have been discussed, and
22 they have been examined multiple times over the years
23 and have withstood the test of time. Neither the
24 Commission nor the Company has found a reason to move
25 away from these methodologies. While I and I believe

1 other witnesses agree that there is no single correct
2 cost of service methodology, the methodology used and
3 supported by the Company represents a middle-of-the-road
4 approach that falls within an acceptable range of
5 reasonableness when compared to the divergent
6 recommendations presented by other parties.

7 In conclusion, the cost of service study
8 presented in this filing appropriately allocates costs
9 to customers and follows previous Commission decisions
10 in the state of Utah.

11 This concludes my summary.

12 MS. HOGLE: The witness is available for cross
13 examination, your Honor.

14 CHAIRMAN BOYER: Thank you. Let's begin with
15 Ms. Schmid.

16 MS. SCHMID: Could we have a moment?

17 CHAIRMAN BOYER: Yes.

18 (A pause in the proceedings.)

19 CROSS EXAMINATION

20 BY MS. SCHMID:

21 Q. Good morning.

22 A. Good morning.

23 Q. In your rebuttal testimony at page 29,
24 lines 665 to 669, I have some questions about that.

25 Would you like to turn there? I have questions relating

1 to end-of-year balances.

2 A. Okay.

3 Q. So in your rebuttal testimony at that point
4 you talk about end-of-year balances of materials and
5 supplies that are related to each function as reported
6 in the company's FERC form 1 on page 227; is that
7 correct?

8 A. Yes.

9 Q. Do you happen to have page 227 of FERC form 1?

10 A. No, I don't.

11 Q. And I apologize, I only have one copy. I did
12 not make more. I have handed you what is page 227 of
13 FERC form 1, dated March 31, 2009.

14 A. You said FERC form 1 dated 2009? Or did I
15 misunderstand you?

16 Q. I may have mistyped the date. What is the
17 date on the form?

18 A. This shows the year/period of report end of
19 2008, fourth quarter.

20 Q. What is the end-of-year balance for account
21 154?

22 A. It would be 170,075,369.

23 Q. If we turn to your direct testimony, it is
24 your 300-page exhibit, I believe, if we turn to
25 line 2149 of that.

1 A. My direct testimony?

2 Q. What I am looking for, and I have just learned
3 that you may not have this printed, if we go to
4 line 2149 of your direct testimony, the JAM model, and
5 it is, at the bottom what it says is da, da, da, da, da,
6 it is related to CCP-3, your work paper, tab 2, Utah
7 JAM.

8 A. The line number again is what?

9 Q. 2149.

10 A. And we are looking at tab 2 of Exhibit 3?

11 Q. Yes.

12 A. Okay.

13 Q. Okay, thank you. So what is the total
14 PacifiCorp account 154 materials and supplies value that
15 is reflected on line 2149?

16 A. I don't have that value on line 2149.

17 MS. SCHMID: Could we have just one moment?

18 (A pause in the proceedings.)

19 Q. (By Ms. Schmid) Do you have the JAM model in
20 your testimony somewhere? What I have is a sheet, and
21 if I may show him and see it is familiar. Again, I
22 apologize, I only have one. Does that appear on there?

23 A. No, it does not. I don't know if it helps,
24 but the page I believe you are looking at is out of the
25 Jurisdictional Allocation Model. However, I don't

1 prepare the Jurisdictional Allocation Model itself. I
2 am responsible for preparing the data in that model that
3 is included only in the factor -- or only in the tab
4 that is labeled as "function."

5 Q. Are you familiar with the Jurisdictional
6 Allocation Model?

7 A. Only in a high level.

8 MS. SCHMID: Thank you. That's all.

9 CHAIRMAN BOYER: Mr. Proctor?

10 CROSS EXAMINATION

11 BY MR. PROCTOR:

12 Q. Mr. Paice, my questions relate to page 2 of
13 your rebuttal testimony and the question that was asked
14 beginning on line 30. Do you have it there, sir?

15 A. I have it.

16 Q. This change in -- first of all, how many cost
17 of service studies had the Company performed that
18 utilize this aligning Mondays with Mondays, Tuesdays
19 with Tuesdays approach?

20 A. My understanding is we have used that
21 particular methodology since we first began using
22 forecasted test years.

23 Q. That would have been in the mid 90's, perhaps,
24 middle or later?

25 A. No, we did not begin using forecasted test

1 years until I believe around 2006.

2 Q. Prior to that how did you align peak days in
3 your cost of service studies?

4 A. Prior to that we used actual test periods, and
5 it was actual load data that was used.

6 Q. When the cost of service study resulted in a
7 shifting of class loads, did the Company prior to the
8 forecasting of test years introduce some mitigating
9 factor into your study in order to account for the
10 possibility that peaks were changing the class loads as
11 the most -- excuse me, let me ask this way. Prior to
12 using the forecasted test year did the Company use,
13 mitigate the impact of a change in peaks when that
14 caused a change in class loads as opposed to some other
15 factor?

16 A. That would be a question better asked of
17 Mr. Thornton. I am not a research expert.

18 MR. PROCTOR: Thank you very much, Mr. Paice.
19 I appreciate it.

20 CHAIRMAN BOYER: Mr. Dodge?

21 CROSS EXAMINATION

22 BY MR. DODGE:

23 Q. Mr. Paice, do you agree with Mr. Thornton that
24 your revised current peak, your revised peak data
25 numbers are more representative of what one would

1 actually expect on a peak day in the test period?

2 A. Yes, I do.

3 Q. And more accurately represents the relative
4 class contributions to what would be expected to be the
5 12 monthly peaks in the test period?

6 A. Yes.

7 Q. If the approach of matching day to day but not
8 matching peak to peak has been used in cost of service
9 studies since approximately 2006, those studies would
10 suffer a similar problem, would they not?

11 A. They would be subject to that same situation,
12 yes.

13 Q. In your rebuttal, Mr. Paice, I believe on
14 about page 9, starting on about page 7, but I want to go
15 to page 9, you, basically, defend the current practice
16 of using the allocation factors and approach that the
17 Company uses. For example, on page 9 you are talking
18 about, let me begin on line 184, you say, "As with
19 earlier interjurisdictional task forces on allocation,
20 or PITA analyses, there was no clearly superior demand
21 energy classifications that emerge from analyses
22 conducted during the multistate process." Is it still
23 your position, the Company's testimony that there has
24 not been shown to be any superior approach to
25 classification than the one used by the Company?

1 A. Well, as I mentioned in my summary, there is
2 no one correct methodology to use in class cost of
3 service. I have been involved in the developing cost of
4 service studies for around 20 years, and I have never
5 found that one correct methodology. And it would be my
6 opinion that over the years, as this particular
7 methodology has been used and it has been analyzed by a
8 number of parties, that this still represents a
9 reasonable middle-of-the-road approach determining the
10 classification to be used for generation fixed costs.

11 Q. And if one is to say, let's choose one
12 particular generation type, for example, from this
13 approach and apply different factors, whether it be
14 functionalization, classification or allocation,
15 wouldn't it open up others to argue that you ought to
16 pull out others and apply a different number?

17 A. I'm not sure I understand the question.

18 Q. For example, the 75/25 split used now to
19 allocate demand-related costs, generation, transmission,
20 that's applied uniformly to all resources, is it not,
21 all generation resources, demand-related?

22 A. We are using the 75-percent demand, 25-percent
23 energy classification for all generation fixed costs.

24 Q. And if one were to propose to change that
25 classification for one particular type of resource,

1 would it not call into question whether the 75/25 used
2 for all should be reconsidered for all?

3 A. I believe it would.

4 Q. It's not your testimony that 75/25 is
5 necessarily the best representation of any particular
6 resource, but, rather, collectively, of all the
7 resources. Is that a fair statement?

8 A. Yes, it is.

9 Q. I have a question for you, Mr. Paice, on
10 page 20 of your rebuttal, and this is dealing with the
11 MSP rate mitigation cap allocation. You have a
12 difference with Mr. Higgins over whether or not it is
13 appropriate to reflect that cap as to generation costs
14 only, correct?

15 A. Yes, it is.

16 Q. You state on line 494 that the RMC, which is
17 the rate mitigation cap, does not limit the allocation
18 of generation costs, it only limits the level of
19 revenues, correct?

20 A. Yes.

21 Q. Let's talk for a moment, the MSP requires, at
22 least in this state, that the stipulation and the
23 approach approved by the Commission, that the Company
24 allocate costs both on rolled-in and on revised
25 protocol, correct?

1 A. Correct.

2 Q. And the only difference between the two is
3 that in the revised protocol approach additional
4 generation costs are allocated to the State of Utah?

5 A. Correct.

6 Q. So they wouldn't differ at all but for the
7 fact that the MSP stipulation allows additional
8 generation costs into the State, correct?

9 A. Correct.

10 Q. And then it caps the amount that that
11 alternative allocation approach can raise Utah rates,
12 correct?

13 A. It caps the revenue requirement amount that
14 would be allocated to the State, determined for the
15 State of Utah.

16 Q. That's your characterization of it. That
17 isn't what the stipulation says, is it? It caps the
18 amount by which Utah rates can go up as a result of the
19 increased generation cost allocation included in the
20 revised protocol. Isn't that a correct statement?

21 MS. HOGLE: Objection, your Honor. I'm not
22 sure that Mr. Paice has seen the stipulation, the MSP
23 cap stipulation.

24 MR. DODGE: But his testimony tries to
25 characterize it. If he hasn't I move to strike his

1 entire testimony on this issue.

2 CHAIRMAN BOYER: What was your last question,
3 Mr. Dodge?

4 MR. DODGE: He tried to characterize the MSP
5 stipulation and the approach used in Utah. When I use
6 "stipulation" I am saying the revised protocol as
7 implemented by this Commission, by stipulation of the
8 parties and Commission order.

9 Q. Is it not a correct characterization of that
10 to say that that process allows additional generation
11 costs into the State over and above rolled in, but then
12 caps the amount by which Utah rates can go up as a
13 result of that additional allocation of generation
14 costs?

15 CHAIRMAN BOYER: We will let him answer that
16 if he can.

17 A. According to my understanding it is correct.

18 Q. Thank you. Lastly, last topic, Mr. Paice, if
19 you will turn to page 23 of your rebuttal, you also take
20 issue with Mr. Higgins in terms of allocating as opposed
21 to calculating taxes. And to put this issue in context,
22 Mr. Paice, what Mr. Higgins talks about is only the
23 representation of current, returns at current income,
24 correct, at current revenue?

25 A. Correct.

1 Q. For example, on page, on line 526 and 527, you
2 talk about Mr. Higgins' approach rewarding classes or
3 punishing classes. We don't set rates based on returns
4 at current levels, do we, current revenue?

5 A. We set rates based upon the authorized rate of
6 return or the rate of return authorized by the
7 Commission.

8 Q. And the revenue requirement authorized, not
9 current revenues, it is projected revenues that rate
10 making takes place, correct?

11 A. Correct.

12 Q. If classes are going to be punished or
13 rewarded it will be at that level not at the
14 representation of returns at current revenue, correct?

15 A. Well, it is my understanding of what
16 Mr. Higgins concluded in his rebuttal testimony or
17 surrebuttal testimony is that he was referencing current
18 revenues in his calculation.

19 Q. That's exactly my point. Mr. Higgins'
20 testimony is that at current revenues allocating rather
21 than calculating taxes distorts the actual return at
22 current, it doesn't have any impact on what's actually
23 required to bring a class to cost of service at
24 projected revenues, does it?

25 A. I don't believe so.

1 Q. And one last question. Are you aware that in
2 the last Questar Gas Company rate case the Commission
3 approved a methodology that calculated taxes rather than
4 allocating them at current revenue?

5 A. I am only familiar to the extent that
6 Mr. Higgins has made that reference in his testimony. I
7 am not familiar with what happened in the Questar
8 proceeding.

9 MR. DODGE: Thank you, I have no further
10 questions.

11 CHAIRMAN BOYER: Thank you, Mr. Dodge. I do
12 want, as much as I hate to interrupt cross examination,
13 I do want to take a break here very soon.

14 MR. REEDER: Would you like me to be brief? I
15 shall try to be brief.

16 CHAIRMAN BOYER: Or we can resume after a
17 short break.

18 MR. REEDER: I will try to be brief or take a
19 break, whichever you prefer.

20 CHAIRMAN BOYER: Let's proceed for a little
21 while.

22 CROSS EXAMINATION

23 BY MR. REEDER:

24 Q. Good morning, Mr. Paice.

25 A. Good morning.

1 Q. Are you the witness in charge of the
2 allocation factor determinations for the Company?

3 A. The cost of service allocation factor
4 determination.

5 Q. And you are in charge of functionalization,
6 classification, and allocation factor decisions?

7 A. As far as it pertains to the cost of service
8 study, yes.

9 Q. Let's talk about allocation factors as it
10 relates to cost of service studies. I want to make sure
11 I have got the right witness. I have been wrong once
12 today. Allocation factors, on the production assets
13 you contend that the Company should use a 75/25
14 allocation factor for the production assets, do you not?

15 A. Yes, I do.

16 Q. And the basis for that contention is
17 precedence?

18 A. It is precedence and Commission approval.

19 Q. Other witnesses in this proceeding have
20 advocated that the allocation method follow the cause or
21 the operating characteristics of the asset or the
22 underlying financial relationships like a contract, have
23 they not?

24 A. Yes, I believe they do.

25 Q. In your judgment, as the person in charge of

1 allocation factors, which should trump, cause,
2 operations, contract on the one hand or precedent on the
3 other?

4 A. I think there is a -- you can make the case
5 for both of those. I don't believe they are necessarily
6 mutually exclusive.

7 Q. So this Commission could if it chose look at
8 each of the generation assets and decide new allocation
9 facts for each of them based on cause, operation or
10 contract?

11 A. My understanding is the Commission could do
12 that, or they are certainly able to make a decision on
13 whatever they feel is the appropriate basis.

14 Q. In your judgment, would that be a preferable
15 way to look at a cost of service study to look at the
16 cause of the cost rather than precedence?

17 A. I think causation is always an important
18 principle to use.

19 Q. Need this Commission wait for the change of
20 the MSP protocols and the JAM allocation methods
21 embedded therein in order to make a change in allocation
22 methods?

23 A. I'm sorry, was that a question?

24 Q. Yes. I will restate it. I'm guilty of
25 talking quickly. Need this Commission await a change in

1 the MSP and the embedded JAM allocation models before it
2 adopts new allocation models in the cost of service
3 study in the state?

4 A. Well, again, I think this Commission has
5 latitude to make whatever decision that they feel is
6 appropriate whenever they feel it is appropriate.

7 MR. REEDER: Let's have marked as the next
8 exhibit in order, I think I am up to Exhibit 8.

9 CHAIRMAN BOYER: I think it will be No. 7,
10 Mr. Reeder.

11 Q. Do you have in front of you what has been
12 marked for identification as UIEC Cross Examination
13 Exhibit No. 7?

14 A. It doesn't appear to be identified as you have
15 described it. I have what appears to be a response to a
16 UIEC data request 12.4.

17 Q. I think we have asked that be marked as UIEC
18 Cross Examination Exhibit No. 7.

19 A. Then I have that.

20 Q. Do you recognize that document?

21 A. No, I don't.

22 Q. Would you turn the page and look at the
23 documents attached to it. What is that document?

24 A. The title on the next page is titled "Service
25 Agreement for Network Integration Transmission Service

1 under PacifiCorp's Open-Access Transmission Tariff,
2 Volume No. 11."

3 Q. Is that the contract under which Rocky
4 Mountain Retail acquires transmission service from Rocky
5 Mountain Transmission?

6 A. I am unable to answer that question. I'm not
7 involved with the transmission.

8 Q. You, the witness in charge of allocation
9 factors for this company, don't know --

10 MS. HOGLE: Objection, your Honor, this is
11 argumentative. I don't know that Mr. Reeder has
12 established foundation.

13 CHAIRMAN BOYER: I think the tone of the
14 question I think is what --

15 MR. REEDER: I am guilty of speaking too fast
16 and having an aggressive tone. I will restate it.

17 CHAIRMAN BOYER: Why don't you see if he has
18 any familiarity with the document.

19 Q. Are you, as the person in charge of allocation
20 factors, aware that Rocky Mountain has a contract for
21 transmission services with a transmission function?

22 MS. HOGLE: Are you asking him about this
23 particular contract?

24 MR. REEDER: Any contract.

25 A. What I am aware of is the allocation factors

1 that are produced to be used in the cost of service
2 study.

3 Q. In developing those allocation factors did you
4 have occasion to inquire whether or not there was in
5 deed a contract under which Rocky Mountain purchased
6 transmission service?

7 A. No, I did not.

8 Q. Why not?

9 A. Again, this has to do with Rocky Mountain
10 Power's transmission service, in relation to the open-
11 access transmission tariff. This is information that's
12 developed by the transmission department. This is not
13 information with which I have occasion to be familiar.

14 Q. All right. When you make a decision on how to
15 allocate transmission, is it important to you how those
16 costs are incurred?

17 A. That's correct, yes.

18 Q. Would it be important to know that those costs
19 were indeed incurred pursuant to a contract?

20 A. Possibly.

21 Q. Would you turn to page 1 designated "Loads of
22 the Contract," that I will represent to you was provided
23 to us by Rocky Mountain as the contract under which they
24 acquired network-integrated transmission service? Do
25 you see the page entitled page 1 of 4 of Exhibit A,

1 page 4 of 23 it says on the bottom of the page?

2 A. That's correct.

3 MS. HOGLE: Objection, your Honor, that's
4 beyond the scope.

5 CHAIRMAN BOYER: Well, it is beyond the scope,
6 but let's see where Mr. Reeder is going with this.

7 Q. Do you see a title entitled "Utah Retail"?

8 A. That's correct, yes.

9 Q. Do you have any reason to believe that that is
10 not the entitlement of Utah Retail to network-integrated
11 transmission service on Rocky Mountain's transmission
12 system?

13 MS. HOGLE: Objection, your Honor. This
14 witness has testified that he has not seen this contract
15 before. He is not familiar with it.

16 CHAIRMAN BOYER: I am going to sustain that
17 objection.

18 MR. REEDER: I think the question was, does he
19 have any reason to believe it is not the entitlement of
20 the company?

21 MS. HOGLE: I believe you have ruled on the
22 objection, your Honor.

23 CHAIRMAN BOYER: I don't think this is the
24 right witness. Again, you are trying to prove your case
25 through an adverse witness. It tends to be a little

1 tedious. We do need to take a break here really soon.

2 Q. Mr. Paice, what role does energy play in the
3 determination of the cost of transmission?

4 A. The transmission plant is classified
5 75 percent demand, 25 percent energy, similar to
6 generation-related costs.

7 Q. Is the transmission rate predicated in any
8 fashion on energy?

9 A. I'm not sure what you mean by "transmission
10 rate."

11 Q. Do you pay or are you charged as Rocky
12 Mountain Retail, pursuant to a contract, for
13 transmission services; and, if so, on what basis?

14 A. Again, I'm not familiar with the transmission
15 services. That's determined by the transmission
16 department.

17 Q. So if on this record it should appear that
18 energy plays no part in determining a transmission rate,
19 would you object to that determination?

20 A. I can't speak to that.

21 Q. In your role as designing allocation factors
22 did you make any inquiry --

23 MS. HOGLE: Objection, asked and answered,
24 your Honor.

25 CHAIRMAN BOYER: That specific question hasn't

1 been answered, but I think we know the answer.

2 Q. You made no inquiry. Am I correct?

3 A. Your question again, please.

4 Q. Did you inquire what role energy played in
5 determining transmission costs?

6 A. That isn't a question in relation to this
7 transmission information you provided; and, no, I
8 didn't.

9 MR. REEDER: I move admission of Exhibit 8.
10 And I have no further questions.

11 CHAIRMAN BOYER: Any objection to the
12 admission of UIEC Cross Exhibit 8?

13 MR. PROCTOR: What about 7?

14 CHAIRMAN BOYER: He didn't mention it. I'm
15 not going to try his case for him.

16 MR. REEDER: Also 7 and 8.

17 CHAIRMAN BOYER: Any objection to either 7 or
18 8? All right, they are admitted into evidence. I hate
19 to interrupt your cross examination, but this will give
20 you a short break, Mr. Paice. Let's take a 10- or
21 15-minute recess right now for our reporter's
22 convenience.

23 (A recess was taken.)

24 CHAIRMAN BOYER: Okay, let's go back on the
25 record. My memory is that Mr. Reeder completed his

1 cross examination. So now we will ask Mr. Gardiner if
2 he has questions of this witness.

3 MR. GARDINER: I have none.

4 CHAIRMAN BOYER: Ms. Smith?

5 MS. SMITH: I have no questions, your Honor,
6 thank you.

7 CHAIRMAN BOYER: Commissioner Campbell I know
8 does.

9 EXAMINATION

10 BY COMMISSIONER CAMPBELL:

11 Q. Mr. Paice, if you would turn to your rebuttal
12 Exhibit CCP-1R. Insofar as you have been doing this for
13 20 years, and in the context that we have had a couple
14 rate cases in the past several years, can you just help
15 me understand how we could have gotten so far out of
16 line with outdoor lighting? I mean, would you expect
17 this sort of normal variation between study to study or
18 is this something we just haven't paid attention to, and
19 is far from where it should be?

20 A. Again, would you tell me where?

21 Q. On your cost of service study results, CCP-1R,
22 the first exhibit attached to your rebuttal testimony.
23 I'm just trying to understand the large differences. It
24 shows I think negative 45 percent for class 15, or
25 schedule 15, outdoor lighting. How does something like

1 that happen? How do we get so far off from center?

2 A. Primarily, the development of the cost are
3 based upon, is based upon the load data. And that
4 probably would require examination of that data over
5 that period of time to see how it compares from one
6 period to another. I can't address the development of
7 that load data or that would be -- have to be referred
8 to Mr. Thornton. But I know the loads that are
9 presented to us or provided to us by Mr. Thornton's
10 group is the data that's primarily responsible for
11 development of these costs.

12 Q. So is any analysis done when we have classes
13 that are so far from where they need to be as to what
14 the cause was or why? I guess I'm just trying to
15 understand how stable studies are, and I don't have the
16 prior study to know if this one was out of line or we
17 just didn't address it in the last case. That would
18 probably also be helpful to know what the trend is for
19 this class. But I guess I'm just asking questions about
20 the level of accuracy.

21 A. Well, the cost of service study is as accurate
22 as the data that we input into that. Again, this is
23 highly dependent for most rate schedules here, load data
24 is a significant determination of cost. I don't have
25 the information before me to refer back to the previous

1 case to know if in fact this is -- what kind of a
2 variation this happens to be. Also, because I don't
3 develop the load data, I don't know the level of detail
4 or the complexity of the development of that load data
5 for the line classes.

6 CHAIRMAN BOYER: Let me just ask a follow-up
7 question on that very point. When you do a cost of
8 service analysis and you see someone either paying far
9 less than cost of service or far more than cost of
10 service, what kind of response does that elicit from the
11 Company? Do you shrug your shoulders, or say we better
12 look into that a little further and see what's going on,
13 or let's address this in the next rate case? What
14 happens in house?

15 A. Well, if we look at the results of a given
16 cost of service study, we would go back and we would
17 look at that in relation to what was in the previous
18 study, and to determine if in fact there was a specific
19 reason why the difference has occurred. So we are
20 always looking to see what kind of variation occurs and
21 the magnitude of that variation, and if we determine
22 that there is something significant there then we go
23 back to previous periods to try to find out if we can
24 identify exactly what has happened.

25 CHAIRMAN BOYER: Okay, thank you, Mr. Paice.

1 Redirect, Mrs. Hogle?

2 MS. HOGLE: Thank you, Chairman. However, the
3 Company would like to offer that the questions that you
4 have posed and Commissioner Campbell have posed will be
5 addressed by Mr. Griffith.

6 CHAIRMAN BOYER: Great. Thank you.

7 REDIRECT EXAMINATION

8 BY MS. HOGLE:

9 Q. Mr. Paice, there was an implication just
10 because the cost of service study has been used for many
11 years it is not cost based. Do you have an opinion on
12 that?

13 A. Yes, I do. Again, as I mentioned in my
14 summary, the history is that beginning shortly after the
15 merger in 1989 between Utah Power & Light and
16 PacifiCorp, with the PacifiCorp Interjurisdictional Task
17 Force and Allocations group, or the PITA group, there
18 was significant analysis that went into determining the
19 12 CP, 75 percent demand, 25 percent energy methodology,
20 and since that time forward there have been other
21 analyses that have been prepared, significant analyses,
22 whether DPU, specifically in relation to docket
23 97-035-01, and even in the MSP process there have been a
24 number of people that have analyzed the data. They
25 presented findings to the Commission. The Commission in

1 that 97 docket issued their report and order wherein
2 they accepted the 12 CP 75/25 methodology.

3 So over time there has been, just like I say,
4 it is a tremendous amount of analysis that has occurred
5 to determine in fact what is the appropriate allocation
6 for the cost and the cost of service study, and it is my
7 understanding from what I have read in Commission orders
8 that they feel this particular methodology is cost
9 based.

10 Q. One more question, Mr. Paice. Is it your
11 understanding that revenue requirement is based on
12 calculation of rate base and expense?

13 A. Yes.

14 Q. And it is not based between a transfer
15 agreement -- excuse me -- it is not based on a transfer
16 agreement between transmission and retail; isn't that
17 true?

18 A. That's correct.

19 MS. HOGLE: Thank you.

20 CHAIRMAN BOYER: Thank you, Mr. Paice. You
21 may be excused.

22 Your next witness, Ms. Hogle?

23 MS. HOGLE: The Company would like to call
24 Mr. Lowell Alt.

25 CHAIRMAN BOYER: Please be seated, and

1 welcome.

2 LOWELL ALT,

3 called as a witness, having been duly sworn, was

4 examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MS. HOGLE:

7 Q. Good morning, Mr. Alt. Can you please state
8 and spell your name for the record?

9 A. My name is Lowell Alt, and it is spelled
10 L-o-w-e-l-l A-l-t.

11 Q. How are you employed?

12 A. I have been doing some part-time consulting,
13 and Rocky Mountain Power asked me, hired me to do some
14 review in this case.

15 Q. In that capacity did you prepare testimony for
16 this case, Mr. Alt?

17 A. I did.

18 Q. Mr. Alt, can you tell us what you did prior to
19 your consulting work?

20 A. Prior to my consulting work? You mean
21 immediately prior? I retired about four years and one
22 day ago from here, and before that I worked for the
23 Commission for about two and a half years, and before
24 that I worked for the Division of Public Utilities for
25 22 years or so, and before that 12 years with

1 Pennsylvania Power and Light.

2 Q. What is your experience?

3 A. I am an electrical engineer, have an MBA. I
4 worked as an electrical engineer for ten years. I have
5 worked in rates for a long time. I worked in the rate
6 department in Pennsylvania, at Pennsylvania Power and
7 Light, and before I left there, and moved out to Utah.
8 And I have been involved in utility regulation up until
9 I retired, and done a little utility consulting since.

10 Q. Thank you. Okay, let's go back to your
11 testimony. You said that you prepared rebuttal
12 testimony for the Company; is that correct?

13 A. Yes.

14 Q. Has anything changed in that testimony?

15 A. No.

16 Q. So if I were to ask you the same questions set
17 forth in your testimony today would your answers be the
18 same?

19 A. Yes.

20 MS. HOGLE: Mr. Chairman, at this time I would
21 like to move for the admittance of rebuttal testimony of
22 Lowell Alt, and attached exhibits.

23 CHAIRMAN BOYER: Any objection to the
24 admission of Mr. Alt's rebuttal testimony together with
25 exhibits? Seeing none, they are admitted.

1 Q. Mr. Alt, have you prepared a summary?

2 A. Yes.

3 Q. Please proceed.

4 A. Rocky Mountain Power asked me to review the
5 Office witness Paul Chernick's direct testimony and
6 review specifically the issues that he raised regarding
7 distribution costs, classification and allocation, and
8 to see if there were any issues that we needed to
9 address because of his raising those issues. And so
10 what I will give you now is a summary of my rebuttal
11 testimony in response to his testimony on distribution
12 costs, classification and allocation.

13 Most of Rocky Mountain Power's costs are joint
14 costs, that means they are shared facilities, customers
15 share the use of them, such as distribution substations
16 and lines. And joint costs must be allocated among the
17 customers that share those facilities. And the first
18 step in allocation, well, beyond functionalization, but
19 since we are just dealing with distribution that step is
20 mostly done, but the next step is classification, the
21 traditional categories are customer energy and demand
22 for electrical utilities.

23 Then allocation to the customer classes is
24 next step, and this is done based on relative shares of
25 measurable cost-defining service characteristics of

1 those customers. A cost-causal link between these
2 customer service characteristics and costs is
3 established I believe when the costs are allocated using
4 the same or similar data that the utility engineers used
5 in making investment decisions, and here the particular
6 distribution investment decisions. But sometimes the
7 data, the service characteristic data that the engineers
8 use is not available by rate schedule. When you are
9 doing the cost service study allocation you have to use
10 surrogate data.

11 Back in January of 1980, almost 30 years ago,
12 this Commission ordered the Company to -- well, I'm
13 sorry, they made a decision in a case with this Company
14 to classify distribution costs as demand except for
15 meters and service drops which were classified as
16 customer related. The demand classification that they
17 made in that case was reaffirmed by the Commission in
18 other cases, several other cases that followed that, and
19 it has never changed to this date.

20 On January 1984 this Commission ordered the
21 Company to study distribution cost allocation, and the
22 Company did that, and it took them a year, and they met
23 the date, and they filed that study January 15, 1985.
24 That distribution cost allocation study was reviewed and
25 considered in the next few cases by the Commission with

1 the Committee, that was their name at that time, the
2 Office today, claiming as much as 20 percent of
3 transformer costs were energy related and should be
4 classified as such. The Commission didn't go along with
5 that, and they stated in that case in their order that
6 they believe, while they believed a strong and
7 sufficient case was made for the reasonableness of the
8 study, they would allow further consideration in the
9 next proceeding.

10 So in those, the next proceeding there was an
11 exchange of ideas among the parties involved, including
12 input from the Committee at that time, and further work
13 was done by the Company on that study, and it resulted
14 in the final version being filed in October of 1989. So
15 after six years of study, review of multiple cases, this
16 Commission on February 9, 1990, almost 20 years ago,
17 adopted the Company's distribution cost allocation study
18 methods that have been used ever since.

19 This study was a comprehensive study. It had
20 extensive analysis of many possible allocators. There
21 was study and review and input by many parties and even
22 refinement of the methods over that six years.

23 So when I first looked at this, was asked to
24 look at this, I thought, the first question that came to
25 mind is, what are the current engineering standards that

1 are used by the Company's engineers in designing the
2 distribution system, in other words making distribution
3 cost investment decisions? So I got a copy of all their
4 standards, and it is quite voluminous, I might add, and
5 I spent many hours going through them, and I also looked
6 at the process that the Company engineers used, the data
7 they used, and in making these distribution cost
8 investment decisions. And the purpose of this review by
9 me was to learn if anything had changed in the 20 years
10 since the distribution cost allocation study had been
11 completed and finalized that would warrant a change or
12 that would affect distribution cost classification and
13 allocation.

14 What I found in my review was that the
15 projected peak load, including growth, is a key driver
16 in sizing substation transformers and, therefore, the
17 key cost driver of substation equipment. The projected
18 peak load is the key driver in sizing primary lines.
19 The Company has over 300 distribution substations, and
20 the engineers use the peak load at each one of those
21 substations in making their investment decisions about
22 change-outs and sizing of transformers for new
23 substations.

24 But as I said before, the cost-causal link is
25 when you use the data that the engineers used to make

1 these decisions and you use that in developing
2 allocation factors to allocate the cost among the
3 customers and rate schedules that use those substations.
4 But the problem is that that data that they use, the
5 peak load on each of those substations is simply not
6 available by rate schedule, and so because of that you
7 have to use surrogate data, some other data that's
8 similar in the allocation process.

9 Customer peak demand is a key cost driver I
10 found for line transformers and the secondary conductors
11 connected to them. Service drops are sized based on
12 demands, but because practically every customer needs a
13 service drop they are normally classified and I believe
14 correctly as customer related. Now, there are some
15 customers that share service drops, and so that's a
16 separate issue, but not large enough to warrant
17 classifying them other than customer related.

18 My review of the engineering standards of the
19 company supports the Commission's current approved
20 classification of distribution plan as demand related.
21 And I also found that the type of data that the
22 engineers used to size line transformers is very close
23 to the current allocation method.

24 So when I looked at the testimony of
25 Mr. Chernick I found no new comprehensive study of

1 distribution cost classification and allocation has been
2 submitted for review. I found no specific
3 recommendations regarding alternative allocation methods
4 that have been submitted for review. I found very
5 little evidence submitted to support his claim that the
6 current methods do not reasonably reflect cost
7 causation.

8 I found no evidence submitted that showed how
9 the distribution cost allocation study from 1989 used a
10 process for the selection of the allocation factors that
11 are currently used. It was flawed. I found no evidence
12 that he showed why that study was flawed in the
13 selection process of the allocators we are using.

14 So, in conclusion, I believe that the current
15 Commission-approved distribution cost classification and
16 allocation methods are still reasonable and shouldn't be
17 changed.

18 That concludes my summary.

19 MS. HOGLE: Mr. Alt is available for cross
20 examination.

21 CHAIRMAN BOYER: Thank you, Mr. Alt.

22 Ms. Schmid, questions for Mr. Alt?

23 MS. SCHMID: No questions.

24 CHAIRMAN BOYER: Mr. Proctor?

25 MR. PROCTOR: May I have a moment?

1 CHAIRMAN BOYER: Sure.

2 (A pause in the proceedings.)

3 MR. PROCTOR: I have no questions.

4 CHAIRMAN BOYER: Mr. Dodge, questions of Mr.
5 Alt?

6 CROSS EXAMINATION

7 BY MR. DODGE:

8 Q. Thank you, Mr. chairman, a few. Mr. Alt, I
9 would like to read to you an excerpt from the utility,
10 Electric Utility Cost Allocation Manual published by
11 NARUC. This particular passage I will represent to you
12 states, this is a quote, "The customer component of
13 distribution facilities is that portion of costs which
14 varies with the number of customers. Thus, the number
15 of poles, conductors, transformers, services and meters
16 are directly related to the number of customers on the
17 utility system."

18 Now, I recognize that in your analysis that
19 you just described and in the prior studies you
20 described in your testimony a decision was made that for
21 this system poles, conductors and transformers would be
22 classified as demand related, or should be, correct?

23 A. Correct.

24 Q. There is a reasonable argument to be made in
25 accordance with the NARUC manual that poles, conductors

1 and transformers could be customer related, correct?

2 A. No.

3 Q. You just disagree with NARUC?

4 A. I do.

5 Q. Under no circumstances you would think they
6 would be customer related?

7 A. I don't. And I am happy to explain.

8 Q. I will ask you to in a moment. The question I
9 was going to get to, and then I will let you explain,
10 there are some who would argue, including NARUC, that
11 poles, conductors and transformers should be customer
12 related rather than demand related, you acknowledge
13 that?

14 A. Oh, yes, there are people that believe that.
15 There are utilities, probably even Commissions that have
16 approved those methodologies, but not here.

17 Q. If that were to happen that would result in a
18 shift of costs from the commercial classes that are
19 subject to distribution costs to residential class,
20 would it not?

21 A. Yes, because that's where the customer count
22 is, and if you use a customer count as the allocator the
23 biggest customers are in the residential class, it would
24 be a big shift, yes.

25 Q. UAE has not elected to challenge the

1 determination that you support in this case that poles,
2 conductors and transformers are demand related but
3 rather to point out there are arguments that they are
4 customer related, to show that both sides of the
5 argument, Mr. Chernick didn't address those issues, did
6 he?

7 A. No.

8 Q. Now I would be pleased to have you explain
9 why you disagree with the NARUC manual on this issue.

10 A. Well, first of all, I presume you are talking
11 about the '92 manual. There was an original '73. And
12 when the Committee, the NARUC Committee was working on
13 redrafting that I was working with the Division and
14 actually provided input into that. I still have at home
15 I think an early draft of that manual. But not having
16 it in front of me and not having looked at it recently,
17 but I was under the impression that they still in that
18 manual point out that they are not making the case that
19 in all cases that the poles and wires are customer
20 related, but that that is one possible -- am I
21 correct -- I know I am not supposed to ask you
22 questions.

23 Q. I will accept that. I was not trying to get
24 you to agree with that statement but rather acknowledge
25 there is an argument that those should be classified

1 differently than what you have concluded.

2 A. And I agree with that.

3 MR. DODGE: No further questions.

4 MR. REEDER: No questions.

5 MR. GARDINER: No questions.

6 MS. SMITH: No questions, your Honor.

7 CHAIRMAN BOYER: Redirect, Ms. Hogle?

8 MS. HOGLE: None.

9 CHAIRMAN BOYER: That was hardly worth the
10 drive up from Mesquite, Mr. Alt. But thank you very
11 much.

12 Your next witness? Is that Griffith?

13 MS. HOGLE: Mr. Griffith. Yes. Thank you.

14 WILLIAM R. GRIFFITH,

15 called as a witness, having been duly sworn, was
16 examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MS. HOGLE:

19 Q. Good morning, Mr. Griffith. Can you please
20 state and spell your name for the record?

21 A. My name is William R. Griffith,
22 G-r-i-f-f-i-t-h.

23 Q. How are you employed?

24 A. I am director of pricing, cost of service, and
25 regulatory operations for PacifiCorp.

1 Q. In that capacity did you prepare direct
2 testimony and rebuttal testimony and attached exhibits?

3 A. Yes, I did.

4 Q. Has anything changed?

5 A. No, it has not.

6 Q. So if I were to ask you the same questions in
7 those testimonies today would your answers be the same?

8 A. Yes, they would.

9 MS. HOGLE: Mr. Chairman, at this time I would
10 like to offer the admission of direct and rebuttal
11 testimony of Mr. Griffith, together with exhibits.

12 CHAIRMAN BOYER: Are there objections to the
13 admission of Mr. Griffith's direct and rebuttal
14 testimony together with exhibits? Seeing none, they are
15 admitted.

16 Q. Have you prepared a summary?

17 A. Yes, I have.

18 Q. Please proceed.

19 A. The purpose of my testimony is to provide the
20 Company's rate spread proposals that reflect both the
21 direct and then the updated revenue requirements
22 sponsored by Mr. McDougal in this docket. My rebuttal
23 testimony also addressed some proposals, related
24 proposals from other parties. I have also sponsored
25 rate design proposals in this case. However, those will

1 be dealt with in phase 2 of this docket, as I
2 understand.

3 In the Company's direct case, the overall
4 average percentage change was 4.8 percent excluding
5 special contracts. The Company had proposed a range of
6 rate increases plus or minus 1 percent, or I should say
7 a range of 2 percent, or a variation of plus or minus
8 1 percent ranging from 4 percent to 6 percent. We
9 proposed a 4-percent increase for residential customers,
10 a 5-percent increase for general service customers on
11 schedules 23 and 6 and the lighting schedules, and we
12 proposed a 6-percent increase for schedules 8 and 9, the
13 large general service customers along with irrigation
14 customers.

15 In the Company's rebuttal request the revenue
16 requirement was reduced to an overall price increase of
17 approximately 4 percent. In the rebuttal case we
18 proposed again a range of plus or minus 1 percent over
19 an average increase. We proposed a range from 2.85
20 percent to 4.85 percent. We proposed for lighting
21 schedules 2.85 percent, the minimum. For residential
22 customers schedules 23, 6 and 8, based on the revised
23 cost of service study, we proposed an increase equal to
24 3.85 percent; and for schedule 9 and irrigation
25 schedule 10 we proposed an increase of 4.85 percent.

1 In both the direct and the rebuttal filings
2 the proposed rate spread was designed to reflect the
3 cost of service results while balancing the impact of
4 the rate change across the customer classes. It also
5 relied on the recent rate spread stipulation in docket
6 08-035-38. In that docket the parties agreed to a rate
7 spread, to rate spread percentages by rate schedules
8 which would range by two percentage points from lowest
9 to highest. And so by rate schedule in this case the
10 Company has proposed a similar range.

11 Rate spread is the product of the load
12 research results presented by Mr. Thornton, which then
13 flow into the cost of service study presented by
14 Mr. Paice. The cost of service study is used as a guide
15 in the Company's rate spread proposals. The load
16 research data and the cost of service data are made up
17 of thousands of data elements. There are thousands of
18 assumptions that go into the data. It is not perfect,
19 and it never will be. However, we believe it produces
20 reasonable results which reflect the costs the customers
21 impose on the system. Using the cost of service study
22 as a guide, we believe that the Company's rate spread
23 proposal in the rebuttal case is fair, produces a
24 reasonable result.

25 I also wanted to address in my summary the

1 surrebuttal testimony of Mr. Gimble, where he stated
2 that there would be -- there is a \$22 million cost shift
3 in the cost of service study, as occurred from the
4 direct case to the rebuttal case. In fact, the
5 Company's rate spread proposal for residential customers
6 in the direct case was an increase of \$23 million. In
7 the rebuttal case the proposed increase for residential
8 customers is \$22 million. There is actually a reduction
9 in the revenue increase proposed for residential
10 customers in our rebuttal case as a result of the cost
11 of service results in our proposal.

12 And that concludes my summary.

13 Q. Thank you, Mr. Griffith. Earlier today
14 Commissioner Campbell and Chairman Boyer raised
15 questions about, basically, how the Company reacts when
16 data in the current cost of service studies appear to
17 jump significantly and it is very noticeable. And so
18 what does the Company do when it sees that type of
19 information? Is there any reaction from the Company?

20 A. Well, as in a sense a consumer of the cost of
21 service study, since I am developing the rate spread
22 proposals, we do go through it carefully and look at
23 these kinds of effects and try to understand what's
24 going on.

25 The street lighting, the lighting schedules in

1 particular, can be problematic for -- well, one main
2 reason has to do with the hour of system peak in each
3 month. If it is an hour when the lights are on, street
4 lighting customers can be assigned costs for that month
5 in the 12 CP. However, if it is an hour when the lights
6 are not on, they wouldn't be. So a lot of the street
7 lighting impact, since lights only run at night, a lot
8 of the impact can depend on the time and the hour of
9 system peak for each month. So as that varies from year
10 to year, you will see some outliers or variations there
11 because of the temporal nature, the time in which
12 lighting is occurring.

13 The other thing that has happened over a
14 number of years is that we have had several rate spread
15 changes whereby I believe lighting was getting well
16 above what the cost of service results recommended they
17 should. All parties agreed it was reasonable. The
18 Commission ordered the rate change, and so we
19 implemented the rate change.

20 So lighting has probably been seeing higher
21 increases than the cost of service results would
22 suggest, and those would tend to accumulate and show up
23 in the results. But I think the main reason is probably
24 really the variation in the hour of system peak from one
25 month to the next, from one year to the next.

1 MS. HOGLE: Before I turn him over for cross
2 examination, does that answer your questions?

3 COMMISSIONER CAMPBELL: It does, except for I
4 guess the follow-up question is you in your rate spread
5 show -- why would you give lighting 2.9 percent of the
6 spread versus nothing, with them so far out of balance?

7 A. What we were trying to do, we were relying on
8 past settlements and ordered price changes and we wanted
9 to keep that same range, so we gave them the minimum of
10 the range. Certainly, you could argue they could have
11 gotten more, but we wanted to keep the bands within the
12 plus or -- the 2-percent range.

13 MS. HOGLE: The witness is available for cross
14 examination.

15 CHAIRMAN BOYER: Mr. Schmid, questions for
16 Mr. Griffith?

17 CROSS EXAMINATION

18 BY MS. SCHMID:

19 Q. Very, very few. How long have you worked for
20 PacifiCorp or its predecessors.

21 A. Twenty-six years.

22 Q. In all these years has the system changed
23 much?

24 A. Since I started the system has changed quite a
25 bit. I started working for Pacific Power and Light

1 Company.

2 Q. Has the resource mix used changed much?

3 A. I'm sure it has. I don't deal with resource
4 mix, but my understanding is that it has changed.

5 Q. If it has changed would that possibly affect
6 the classification, would that possibly require a change
7 in the classification of the underlying generation cost,
8 cost of service?

9 MS. HOGLE: Objection, your Honor. I don't
10 believe that this witness is the expert that the Company
11 has offered for that type of a question.

12 CHAIRMAN BOYER: I think Ms. Hogle is correct
13 on that.

14 MS. SCHMID: I will withdraw the question and
15 cease. Thank you.

16 CHAIRMAN BOYER: Are you finished?

17 MS. SCHMID: Yes. I'm sorry.

18 CHAIRMAN BOYER: Mr. Proctor?

19 MR. PROCTOR: I have no questions.

20 CHAIRMAN BOYER: Mr. Dodge.

21 CROSS EXAMINATION

22 BY MR. DODGE:

23 Q. Thank you Mr. Chairman. Mr. Griffith, in your
24 opinion, do factors other than the cost of service study
25 used by the, adopted by the Commission, if you will,

1 approved by the Commission, should other factors than
2 that go into determining the spread?

3 A. Yes, and I think I have explained that rate
4 impacts, for example, issues of fairness certainly
5 should also go into that decision.

6 Q. In your opinion, would a spread based directly
7 on the cost of service study used by the Company in its
8 direct testimony which had the peak allocation factors
9 incorrect, would that be reasonable, a spread based
10 directly on that study?

11 A. I haven't proposed that, no.

12 Q. In your view would that be reasonable to
13 propose?

14 A. Not in my view.

15 MR. DODGE: Thank you, I have no further
16 questions.

17 CHAIRMAN BOYER: Mr. Reeder?

18 CROSS EXAMINATION

19 BY MR. REEDER:

20 Q. Good morning, Mr. Griffith, good to see you
21 again. Welcome you back to Salt Lake City. Directing
22 you to page 4 of your rebuttal testimony.

23 A. Yes.

24 Q. The last part of the answer. The sentence
25 begins, "The rate qualifications" --

1 A. What line, please?

2 Q. Line 93, 94. Do you see that part of the
3 answer? "The rate qualifications assure that two
4 similarly-situated customers with same load size and
5 service characteristics, same voltage, same load factors
6 make up a class." Do you see that sentence?

7 A. Yes, say stay the same rate regardless of
8 business type.

9 Q. This was in response to some criticism of
10 Mr. Brubaker that schedule 9 may not share those
11 characteristics, was it not?

12 A. I think his concern was that the schedule 9 is
13 made up of both industrial and commercial customers, and
14 he thought that would produce distortions in the
15 measurement of class-rated return, and what we indicated
16 is that the business type, whether it is commercial or
17 industrial, doesn't matter. What matters is the type of
18 load they present on the electric system and how we
19 charge for that.

20 Q. Let's look at that load. Let's have marked as
21 the next exhibit in order UIEC Cross No. 9. It is
22 confidential, so please treat it confidentially. And,
23 counsel, if I get too close, stop me. Mr. Griffith, do
24 you have a document that has marked for identification
25 as UIEC Cross Examination Exhibit No. 9?

1 A. Yes, I do.

2 Q. Are you familiar with the content of that
3 document?

4 A. Yes.

5 Q. Did you maybe even prepare that document?

6 A. It was prepared under my supervision.

7 Q. For once I have got the right witness. Does
8 this purport to show the characteristics of the
9 customers that make up rate schedule 9?

10 A. Yes, it shows for the 12-month period ended
11 December of 2008, the kilowatt demands, the number of
12 bills, and the total kilowatts, which is some of the
13 kilowatt demands, and the total kilowatt hours for that
14 12-month period by customer, which would be a meter.

15 Q. Are the qualifications to be eligible for
16 schedule 9 in Utah is that one owns their own
17 transformer?

18 A. Yes, the requirement is they are served that
19 transmission voltage.

20 Q. Looking down the list these are by customer
21 numbers, are they not?

22 A. Right, these are just in no particular order.

23 Q. And we are not disclosing identity of any
24 particular customers, are we?

25 A. Correct.

1 Q. Can we describe, without breaching
2 confidentiality, the relative size of some of these
3 customers? I suppose that's a question for counsel.
4 The smallest customer that I have been able to find on
5 this chart looks to be about 40 kilowatts, Mr. Griffith.
6 Do you see that?

7 A. I see 40 kilowatts. I wouldn't agree. I
8 actually see 35 kilowatts. I wouldn't agree that's the
9 size of the customer.

10 Q. What would you think that customer size would
11 be?

12 A. I think in this test period of the 12-month
13 period that was their size.

14 Q. That was their load?

15 A. That was their load. However, this is 2008,
16 and there is an economic downturn. I'm not sure what
17 the circumstances are for each of these customers, if
18 some of them are off, some of them are not operating
19 during that period. What I do know is they are all
20 served transmission voltage.

21 Q. Looking down the list again, the largest one I
22 see is about 41 megawatts?

23 A. Yes, 42 megawatts.

24 Q. As we look at load factors, another of the
25 considerations, we see load factors ranging from

1 6 percent upward to into the 90's? I think your answer
2 is yes?

3 A. Is that a question?

4 Q. I was trying to ask a question. Is that what
5 we see?

6 A. Yes, we see a wide range of load factors.

7 MR. PROCTOR: No further questions.

8 CROSS EXAMINATION

9 BY MR. GARDINER:

10 Q. In balancing the impacts on customers, Rocky
11 Mountain Power looked at the increased dollars that
12 would be generated and the percentage increase in
13 monthly bills, correct?

14 A. Well, when we design rates we always look at
15 the impacts on monthly bills, that's correct.

16 Q. But the Company didn't evaluate whether the
17 customer class could pay, did it?

18 A. The Company does not for any rate schedule
19 look at that issue in setting rates. That's dealt with
20 in other forms.

21 Q. For example, specifically for schedule 10
22 customers, you didn't look to determine whether the
23 farmers could pay the increased rate at the spread
24 proposed by the Company, did you?

25 A. As I said, when we develop rates we don't look

1 at that issue in the rate-setting process to recover our
2 costs. We look at the cost customers impose on the
3 system, and we look at setting rates which we think are
4 fair and reasonable to recover those costs.

5 Q. And the Company didn't look at the economic
6 impact the increased rates and rate spread would have on
7 the agricultural economy in Utah, did it?

8 A. I think the Company is looking at the economic
9 impact on all participants in this, including the
10 Company and our customers and all classes of customers.

11 Q. I didn't see any data showing what effect it
12 would have on the ag economy in Utah in your testimony.
13 Can you point me to any?

14 A. I have not prepared, as part of my analysis I
15 don't prepare an estimate of the agricultural impact on
16 the -- the impact on the agricultural economy or on any
17 economy, any other group.

18 Q. You testified earlier that essentially you
19 take the load research, and that determines your cost of
20 service study, and then you come to rate spread. You
21 heard the testimony of Mr. Thornton that precipitation
22 was not included as a factor in determining the demands
23 put on the system by schedule 10 customers, correct?

24 A. It is correct that precipitation is not a
25 factor that we look at.

1 Q. So precipitation, the factor that determines
2 demand by schedule 10 irrigators hasn't found its way in
3 the load research, the cost of service study or in your
4 rate spread proposal, has it?

5 A. The effect of precipitation has not. What we
6 have certainly looked at is the cost of service results
7 which recommended an increase far in excess of the
8 recommended increase we proposed for irrigation, and we
9 have tried to mitigate that to dampen the impact on
10 customers.

11 Q. And demands for schedule 10 were primarily,
12 summer demands were primarily set by temperature. Do
13 you remember that?

14 A. Well, summer demands are set by load, which is
15 in part set by temperature, but as we are all aware we
16 do have summer and winter rates in Utah for all classes,
17 and we recognize that loads are higher in the summer and
18 that costs are higher.

19 Q. Temperature was the only weather factor used
20 by the Company in setting loads, wasn't it?

21 A. Well, first of all, loads are used in setting
22 rates, and those historic loads are then temperature
23 normalized. So it is really looking at the loads, and
24 we do know that summer loads are higher than winter
25 loads.

1 Q. So isn't it fair to say that for schedule 1,
2 schedule 6 and schedule 8 customers the demand is
3 affected by temperature, for schedule 10 customers the
4 demand is affected more by precipitation?

5 MS. HOGLE: Objection, your Honor, I'm not
6 sure that Mr. Griffith is the witness that the Company
7 has offered, in fact I am sure he is not the witness the
8 Company has offered for this type of question.

9 MR. GARDINER: May I respond?

10 CHAIRMAN BOYER: Yes, you may.

11 MR. GARDINER: He is the witness who has
12 testified about how the Company goes about balancing the
13 factors for customer impacts. I am challenging whether
14 the customer has balanced that impact on customer
15 schedules when it has failed to include the primary
16 factor for demand on the schedule 10 customers.

17 CHAIRMAN BOYER: I think that's a fair
18 question.

19 A. I think we have, first of all, we know that
20 irrigation are the only loads that are highly seasonal
21 in this way. We have almost no irrigation load in the
22 nonsummer months when costs are lower, and we have the
23 highest and we have irrigation loads when the costs are
24 highest in the summer. So we look at loads to reflect
25 our costs, and we did try to balance out the economic

1 impact on all customers by putting caps on the rate
2 change that we proposed. We did not look at
3 precipitation, that's correct.

4 Q. And you did not attempt to correlate
5 temperature to precipitation, did you?

6 A. That's correct.

7 MR. GARDINER: Thank you. I don't have any
8 other questions.

9 CHAIRMAN BOYER: Mr. Reeder, do you wish to
10 offer UIEC Cross Exhibit 9 into evidence?

11 MR. REEDER: If I may, thank you.

12 CHAIRMAN BOYER: Any objection? It is
13 admitted. Ms. Smith, do you have any questions?

14 MS. SMITH: Wal-Mart has no questions for this
15 witness.

16 CHAIRMAN BOYER: Commissioner Allen has no
17 questions and neither do the other two commissioners.

18 Redirect?

19 MS. HOGLE: None. Thank you.

20 CHAIRMAN BOYER: Thank you. You may be
21 excused. I'm showing the next witness is Mr. Higgins
22 for UAE. Shall we do that after the lunch break?

23 MR. DODGE: Your choice. We are prepared to
24 go or break.

25 CHAIRMAN BOYER: I think it would make more

1 sense to break now. We will take an hour and a half for
2 lunch.

3 (A lunch recess was taken.)

4 CHAIRMAN BOYER: Let's go back on the record
5 in docket 09-035-23. We are going to hear now from UAE
6 witness Mr. Higgins. You have been sworn, because we
7 talked to you yesterday, didn't we?

8 THE WITNESS: Yes, and I have told the truth
9 ever since.

10 CHAIRMAN BOYER: I should call your wife to
11 check on that.

12 KEVIN C. HIGGINS,
13 called as a witness, having been duly sworn, was
14 examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. DODGE:

17 Q. Mr. Higgins, you are back today to deliver a
18 summary on your cost of service and rate design
19 testimony. Would you please proceed.

20 A. Yes, thank you. I will summarize my testimony
21 regarding cost of service issues first and then proceed
22 to rate spread. In this case there have been several
23 challenges to the Commission's long-standing use of a
24 75-percent demand, 25-percent energy allocator for
25 production in transmission plants. The OCS and the

1 Division have made proposals to change this allocation
2 package. These proposals have the effect of shifting
3 costs to industrial customers. At the same time UIEC
4 offers a proposal that moves costs in the opposite
5 direction.

6 While there are methods that UAE may prefer to
7 75/25, UAE has accepted the Commission's determination
8 in docket No. 97-035-0197 that the 75/25 package is
9 appropriate for Utah, and UAE has come to view this
10 decision as representing a reasonable middle ground.
11 When it comes to class cost of service there is no holy
12 grail. That is, there is no one right answer that all
13 parties are likely to agree on. Any change from 75/25
14 will create winners and losers.

15 In short, there is no substitute for reasoned
16 judgment by the Commission in determining the resolution
17 of this matter. UAE believes this issue has been
18 thoroughly vetted in past cases, and the Commission's
19 reason to judgment has already been exercised.

20 In this proceeding I offered three critiques
21 of the Company's cost class of service analysis. Each
22 of these critiques has been within the framework of the
23 approved 75/25 method.

24 The first critique involves an issue I have
25 raised with several cases but has never come to the

1 Commission for determination. It pertains to Rocky
2 Mountain Power's depiction of class cost of service at
3 the MSP rate mitigation cap revenue requirement, which I
4 believe is conceptually incorrect. Under the Company's
5 approach class cost of service responsibility for the
6 distribution function varies between the rolled-in
7 revenue requirement and the MSP cap revenue requirement.

8 Despite the fact the only difference between
9 the rolled-in revenue requirement and the MSP revised
10 protocol revenue requirement is the allocation of
11 generation-related costs to Utah. As a result of this
12 incorrect approach, the Company's depiction of Utah's
13 generation cost of service is overstated. Because the
14 various Utah rate classes do not bear the same share of
15 generation costs as they do distribution costs, Rocky
16 Mountain Power's calculation results in a distorted
17 depiction of class cost responsibility under the MSP
18 cap. In particular, the Company's calculation typically
19 overstates the cost responsibility of schedule 9. To
20 fix this problem I recommend adoption of the approach
21 discussed in my direct and surrebuttal testimony.

22 My second critique pertains to the Company's
23 practice of allocating income taxes to classes rather
24 than calculating them. This is a nonstandard approach
25 that distorts relative rates of return at current

1 revenues. The relative return ratio is overstated to
2 classes earning above the average return, and it is
3 understated for classes earning below the average
4 return.

5 I acknowledge that the approach the Company
6 used to allocate income tax expense by class appears to
7 comport with the Commission orders cited by the
8 Company's Mr. Paice in his rebuttal testimony. However,
9 in docket No. 07-057-13 Questar Gas Company's treatment
10 of income taxes was changed from an allocation method to
11 a calculation method. I respectfully suggest that the
12 Commission should require the same change to be
13 incorporated in the Company's future cost of service
14 studies, so that the interpretation of class relative
15 rates of return will be consistent across dockets, as
16 well as more accurately reflective of class relative
17 rates of return.

18 My third critique pertains to certain data
19 quality issues that have been encountered in this case.
20 In my direct testimony I expressed serious concern over
21 the gap between the jurisdictional demand allocated to
22 Utah and the sum of class demands used to allocate costs
23 to customer groups. In the Company's direct filing this
24 gap was about 9.6 percent. In my view this gap was
25 resultant in an unreasonable detrimental impact on

1 census-measured classes, namely schedules 8 and 9.

2 In its rebuttal filing the Company made a
3 significant correction to the inputs used in its cost of
4 service study which was described by Mr. Thornton. This
5 correction reduces the aforementioned gap to about
6 2 percent. The explanation provided by the company in
7 its rebuttal testimony demonstrates that the approach
8 used in its corrected study is more soundly reasoned
9 than the approach used in its direct case.

10 Therefore, to the extent the Company's cost of
11 service study is relied upon in this proceeding, its
12 corrected analysis provided in its rebuttal testimony
13 should be used. In no case should the cost of service
14 study provided by the Division be relied upon as its
15 inputs are based on the flawed data in the Company's
16 initial filing.

17 Despite the improvements to the Company's
18 analysis I continue to believe that the issue of load
19 measurement requires further analysis, including
20 reconsideration of the Company's decision several years
21 ago to cease calibrating class loads to jurisdictional
22 loads.

23 I turn now to rate spread. With respect to
24 rate spread, the parties appear to be in two camps.
25 There were those such as UAE, UIDC and the Company that

1 believe that the Company's rebuttal cost of service
2 study provides better information than its initial
3 study.

4 There are other parties such as OCS and the
5 Division that appear to have taken the position that
6 they do not want to rely on the information in the
7 updated study. However, if one chooses to ignore the
8 information in the corrected study, it seems to me,
9 then, that the only reasonable rate spread to adopt is
10 an equal percentage across the board.

11 Clearly, ignoring the information in the
12 updated study does not imply that the best course of
13 action is to rely on information in the initial study,
14 which the Company's only rebuttal testimony clearly
15 demonstrates was significantly flawed. One certainly
16 does not use the information in the initial study to
17 rationalize placing the burden of any revenue increase
18 in this case primarily on the shoulders of industrial
19 customers, especially as American industry is attempting
20 to climb out from under the deepest recession in over 60
21 years, and particularly in light of the fact that the
22 industrial class is the major customer group least
23 responsible for the load growth that has been driving
24 rate increases in Utah these past several years. My
25 rate spread proposal is described in my surrebuttal

1 testimony.

2 Based on the information in the Company's
3 rebuttal cost of service study and based on other
4 factors discussed in my testimony, including the
5 principles of gradualism and remaining concerns about
6 quality of data, I propose a rate spread that recognizes
7 differential rate increases within a modest bandwidth of
8 plus or minus one half a percentage point of either side
9 of the system average rate increase, excluding special
10 contracts.

11 Specifically, I am recommending a rate spread
12 in which schedule 6 and lighting classes would receive
13 an increase that is one half percent below the system
14 average, and schedules 9 and 10 would receive an
15 increase that is one half percent above the system
16 average. All other rate schedules would receive a
17 uniform percentage increase that is approximately in the
18 middle.

19 I believe this basic approach should be
20 adopted at whatever overall revenue change is approved
21 in this case. The mechanics of implementing this
22 approach are described more fully in the revenue
23 apportionment discussion in my direct testimony and are
24 illustrated in my surrebuttal testimony on pages 17 and
25 18. Alternatively, as stated in my rebuttal and

1 surrebuttal testimony I also believe that an equal
2 percentage revenue change for all rate schedules would
3 be reasonable.

4 That concludes my summary.

5 MR. DODGE: Thank you. Mr. Higgins is
6 available for cross.

7 CHAIRMAN BOYER: Thank you, Mr. Higgins.

8 Ms. Hogle, questions for Mr. Higgins?

9 MS. HOGLE: I have no questions.

10 CHAIRMAN BOYER: Ms. Schmid?

11 CROSS EXAMINATION

12 BY MS. SCHMID:

13 Q. Very few. Could you describe the operational
14 characteristics of a wind turbine? For example, what
15 kind of an asset is it, how available is it, things like
16 that?

17 A. Well, a wind turbine is a generation facility
18 that operates when the wind blows, and the extent to
19 which it produces power is a function of how much the
20 wind is blowing.

21 Q. So a wind turbine is not then a good
22 substitute for a combustion turbine; is that right?

23 A. I view a wind turbine as being -- the decision
24 to invest in a wind turbine I would see as being driven
25 by different criteria than investing in a combustion

1 turbine.

2 Q. So one would perhaps invest in a combustion
3 turbine because you want to have a known output and
4 dispatchable output?

5 A. A combustion turbine is certainly considered
6 to have a higher degree of dispatch ability than wind,
7 which is not considered to be dispatchable.

8 Q. So are combustion turbines used to back up
9 wind resources?

10 A. Well --

11 Q. Or firm up?

12 A. As a general proposition, a utility would use
13 its generation fleet to provide regulating reserves
14 necessary to integrate wind. This may consist of
15 combustion turbines. It may consist of other resources
16 that the utility has at its disposal. It really depends
17 on the array of resources in a company's dispatch bag
18 and their ability to respond.

19 MS. SCHMID: Thank you very much.

20 CHAIRMAN BOYER: Mr. Proctor?

21 MR. PROCTOR: No questions.

22 CHAIRMAN BOYER: Mr. Reeder, do you have any
23 questions?

24 MR. REEDER: No questions.

25 MR. GARDINER: No questions.

1 MS. SMITH: I have no questions, Mr. Chairman.

2 CHAIRMAN BOYER: Mr. Campbell?

3 EXAMINATION

4 BY COMMISSIONER CAMPBELL:

5 Q. What is the impact of your view on how MSP
6 should be used in this? How much does that move the
7 cost of service study? Did you calculate a dollar
8 amount?

9 A. Commissioner Campbell, I did not calculate a
10 dollar amount in this case. It is not -- in this
11 particular case it was not terribly material. In prior
12 cases it was. And so for that reason I did not
13 calculate a specific impact. It is really more
14 applicable on a going-forward basis that the Company
15 needs to correct the approach that it is using. In past
16 cases it did produce material impacts on different
17 classes. For some reason because of the way the size of
18 the increase and the composition of the functions in
19 this case it was not terribly material. So I don't have
20 a specific number.

21 CHAIRMAN BOYER: Thank you, Mr. Higgins.

22 Mr. Dodge, any redirect?

23 REDIRECT EXAMINATION

24 BY MR. DODGE:

25 Q. Maybe just one reference for Commissioner

1 Campbell. Mr. Higgins, on page 26 of your direct, is
2 that where you attempted to estimate both in this case
3 and the last case the impact of the MSP cap issue you
4 have described, at least at the revenue requirement in
5 the direct case and the cost of service in the direct
6 case?

7 A. Well, in page 26 of my direct, Mr. Dodge, I do
8 discuss the impact of the MSP cap with respect to the
9 way it is characterized by the Company in terms of
10 return. I interpreted Commissioner Campbell's question
11 to speak to the class cost of service impact. For that
12 reason I said I had not calculated it, because it wasn't
13 material. Yes, with respect to the impact of the MSP
14 cap in general, I discussed that on page 26 of my
15 testimony. And I also identified the magnitude of the
16 impacts with respect to the shifting of cost generation
17 in my direct testimony.

18 MR. DODGE: Thank you. No further questions.

19 CHAIRMAN BOYER: Thank you, Mr. Higgins, you
20 are excused.

21 I guess that brings us to DPU witnesses. A
22 point of clarification, Ms. Schmid. Ms. Orchard told me
23 that she had received information that Mr. Nunes was
24 excused. I didn't get that this morning. Are you
25 intending to put him on?

1 MS. SCHMID: Yes.

2 CHAIRMAN BOYER: Your first witness, I guess,
3 Ms. Schmid.

4 MS. SCHMID: The Division would like to call
5 Mr. Mancinelli to the stand.

6 CHAIRMAN BOYER: Mr. Mancinelli, let's swear
7 you in.

8 JOSEPH MANCINELLI,
9 called as a witness, having been duly sworn, was
10 examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. SCHMID:

13 Q. Hello. Could you please state your full name
14 and business address for the record?

15 A. Joseph Mancinelli, 1801 California Street,
16 Denver, Colorado, 80228.

17 Q. By whom are you regularly employed?

18 A. R.W. Beck, Inc.

19 Q. In this proceeding which entity are you
20 working with?

21 A. I am working for the Division.

22 Q. In that role have you prepared testimony which
23 we will identify as DPU Exhibit 5.0, with Exhibits 5.1
24 through 5.8, and rebuttal testimony marked as DPU
25 Exhibit No. 5.0R, and surrebuttal testimony marked as

1 DPU Exhibit No. 5.0SR with exhibits down to 5.6SR?

2 A. Yes, that's correct.

3 Q. And do you have any corrections that you need
4 to make to this testimony?

5 A. Yes, I do.

6 Q. Could you please proceed?

7 A. Yes. I would like to make corrections to
8 Exhibit 5.5SR and 5.6SR. It has come to my attention
9 that there was an error in the treatment of the rate
10 mitigation cap that was inconsistent with what was filed
11 in my direct testimony. So to align my surrebuttal
12 analysis with my direct analysis I made an adjustment.

13 I would add that the adjustment in line with
14 the prior testimony that was just given did not have a
15 material impact on the end result, because it had to do
16 with my treatment of the rate mitigation cap adjustment,
17 which is not a significant adjustment in this particular
18 case.

19 Q. Do you have a summary statement that you have
20 prepared?

21 A. Yes, I do.

22 Q. With those corrections would your testimony
23 today be the same as it was as stated?

24 A. Yes. The only adjustments would be minor to
25 my rate spread recommendations. They would be basically

1 rounding adjustments in most cases.

2 MS. SCHMID: The Division has passed out
3 replacement pages for DPU Exhibit No. 5.5A through 5.5D,
4 and also for the 5.6SR. With that the Division would
5 like to move for the admission of Mr. Mancinelli's
6 testimony and exhibits as corrected.

7 CHAIRMAN BOYER: Any objection to the
8 admission of Mr. Mancinelli's direct, rebuttal and
9 surrebuttal testimony together with those exhibits as
10 corrected? Seeing none, they are admitted.

11 Q. Do you have a summary you would like to give
12 today?

13 A. Yes, I do.

14 Q. Please proceed.

15 A. My testimony in this proceeding can boil down
16 into this fundamental point: class revenue requirements
17 and related price signals associated with rate design to
18 reflect cost of service results. The cost that
19 PacifiCorp and RMP incurred in order to meet customer
20 service requirements should be properly aligned to rate
21 classes consistent with those usage characteristics.
22 This links cost recovery with cost causation. For RMP
23 customers the revenue requirement is derived from a
24 jurisdictional allocation of PacifiCorp costs.

25 Assumptions made in the JAM, I will call it

1 the JAM, with respect to functionalization,
2 classification and allocation, whether you agree with
3 them or not, result directly in costs being transferred
4 to RMP customers. To preserve the linkage between cost
5 recovery and cost causation assumptions in the JAM must
6 align with assumptions in the RMP cost of service.

7 Once this alignment has been achieved class
8 revenue departments and associated rate levels should be
9 adjusted such that they improve the relationship between
10 current rate levels and those determined in the cost of
11 service. From this perspective I have reviewed the JAM
12 and the RMP cost of service and have discovered the
13 following issues that break the linkage between cost
14 recovery and cost causation.

15 These issues are as follows. First, I have
16 found inconsistencies related to the functionalization,
17 classification and allocation of specific cost items in
18 the RMP cost of service compared to the JAM. RMP has
19 acknowledged some of these inconsistencies and have made
20 a few corrections as shown in Mr. Paice's
21 Exhibit CCP-4R.

22 Other suggested changes that I have included
23 in my direct testimony Exhibit DPU-5.5 have not been
24 made, as Mr. Paice has cited the availability of better
25 information within the cost of service analysis compared

1 to the jurisdictional allocation analysis. I do not
2 dispute the better information may exist, but such
3 information must be used in the JAM to properly reflect
4 cost of service. Using such information only in the RMP
5 cost of service renders a less-than-desirable result.

6 In total, with respect to this specific issue,
7 correcting these areas keep the two models in tune on a
8 going-forward basis, but does not render a significantly
9 different cost of service compared to that followed by
10 the Company.

11 Secondly, inconsistencies associated with the
12 treatment of seasonal generation of resources. Much of
13 the seasonality that exists in the JAM is lost in the
14 RMP cost of service model. This is important given that
15 RMP's continued commitment to a seasonal rate design. A
16 seasonal cost of service supporting these rates shall
17 align with the corresponding cost causation in the JAM.

18 Third, the classification of wind generation
19 resources using the F-10 factor, which is 75 percent
20 demand and 25 percent energy, including an allocation of
21 the classes, does not recognize the fact that wind
22 generation is primarily a source of energy. In addition
23 to this issue, other intervenors have expressed their
24 concerns with respect to this 75/25 classification of
25 generation plan.

1 The important issue here is that RMP applies
2 the 75/25-percent classification uniformly to all
3 generation assets. This uniform approach implies that
4 75/25 classification is representative average of all
5 generation resources. However, there is no calculation
6 to support this practice, which has been in place since
7 the early 1990's.

8 I believe the proper class classification
9 should consider important planning and operational
10 differences of the various generating resources: wind,
11 for example. Once properly classified allocations
12 should reflect the use and usefulness of these assets to
13 customer classes. Given the various perspectives on
14 generation cost classification and the changes in
15 PacifiCorp's load and resource mix over the past 20
16 years I recommend a technical committee be established
17 to review this issue.

18 Lastly, a rate mitigation cap is a mechanism
19 to protect RMP customers from higher generation costs
20 associated with the revised protocol method. Therefore,
21 the cap adjustment should be applied to the production
22 function and not to all functions as is the current
23 practice by the Company. Not all classes use each
24 utility function in equal proportions. Therefore, by
25 correctly designing the cap production function, the

1 benefit associated with the cap will be apportioned to
2 various classes equitably.

3 Based on these concerns I made adjustments to
4 the RMP cost of service model and have developed an
5 alternative cost of service result shown on my rebuttal
6 testimony Exhibit 5.5SR, revised, just handed out. The
7 cost of service result is similar to that calculated by
8 Mr. Paice in his direct testimony, but differs
9 significantly from the calculation provided by Mr. Paice
10 in his rebuttal testimony recently shared on
11 November 12.

12 Much of this difference can be attributed to
13 the change in the Company's approach to the calculation
14 of class demand responsibility. I have not used the
15 Company's revised class demand calculations in my
16 analysis, as the Division has not had adequate time to
17 analyze all the complex issues surrounding this
18 revision.

19 Because the Company's cost of service is based
20 on suspect class demand data, I have proposed a rate
21 spread that is founded on my cost of service results,
22 but does not lower rates for any rate class,
23 particularly the residential class. This approach
24 mitigates proposed rate increases for other rate classes
25 and provides some room for further rate adjustments in

1 another rate case, once issues around class demand
2 responsibility are resolved.

3 This begs the question, why use the Company's
4 cost of service at all? After reviewing the Company's
5 rate spread proposals as well as those from other
6 intervenors it appears that no one seriously looks at
7 the cost of service when making rates with rate spread
8 proposals in the first place. I believe this is
9 dangerous practice, as a rate should be based on cost of
10 service principles.

11 RMP's cost of service, despite its weaknesses,
12 has been relied upon in recent past cases, and while not
13 perfect is acceptable for the current proceeding,
14 tempered as I suggest in my testimony, with the
15 understanding that several key cost of service issues
16 are resolved before the next case or in the next case.

17 In closing, the cost of services suggest that
18 a calculation that links cost recovery with cost
19 causation. For RMP customers cost causation is the
20 direct result of how customers are allocated
21 PacifiCorp's key costs in the jurisdiction allocation
22 model.

23 At the end of the day this boils down to four
24 key cost drivers: demand, energy, number of customers,
25 and specific direct assignments in certain cases. The

1 application of these four drivers in the jurisdiction
2 allocation model result in RMP system costs, the RMP
3 system revenue requirement. In turn, these costs should
4 be allocated to each rate class honoring the underlying
5 cost causation and the use and usefulness of the asset.

6 That concludes my comments.

7 MS. SCHMID: Thank you. Mr. Mancinelli is now
8 available for cross examination.

9 CROSS EXAMINATION

10 BY MS. HOGLE:

11 Q. Mr. Mancinelli, in your summary and throughout
12 your testimony you continue to recommend that
13 functionalization and classification of costs in the
14 jurisdictional allocation model and the cost of service
15 models remain as consistent as possible; is that
16 correct?

17 A. Yes.

18 Q. And in your surrebuttal testimony, lines 129
19 through 131 -- page 7, lines 129 through 131, roughly.
20 Take a moment to find that, if you would. I'm
21 specifically looking at your testimony that says that
22 Mr. Paice provided the source information supporting the
23 Company's functionalization for account 154. Do you see
24 that language at the bottom of the page, page 7?

25 A. Yes.

1 Q. As an example where better information
2 justifies the use of an allocation method that is
3 inconsistent with the jurisdictional allocation model,
4 correct?

5 A. Correct.

6 Q. So on page 28 of Mr. Paice's rebuttal
7 testimony he cites the source information and provides
8 it as an exhibit. It is called functional factors
9 study. It is the comprehensive study. My question is
10 simply, did you read the study?

11 A. Yes.

12 MS. HOGLE: Thank you. I have no further
13 questions.

14 CHAIRMAN BOYER: Mr. Proctor, no questions?

15 Mr. Dodge?

16 CROSS EXAMINATION

17 BY MR. DODGE:

18 Q. Thank you, Mr. Chairman. Mr. Mancinelli, on
19 page 8 of your rebuttal testimony, on line 143, you have
20 a sentence that reads, "Treating all generation assets
21 uniformly makes little sense." Is it your position that
22 the way the Company has allocated and classified
23 generation assets for the last 20 years and in this
24 jurisdiction and in several others makes little sense?
25 Is that basically where you are coming from?

1 A. What I am saying is that if you look at the
2 generation portfolio of the Company over the last 20
3 years it has changed significantly, and if you look at
4 the classification assumption, 75/25, it has been used
5 that entire time. And if classification is really
6 linked to the use of the underlying generation assets,
7 it is hard to justify the fact that it hasn't changed.
8 And wind really accentuates the issue, because you look
9 at wind, and I don't think anybody can argue with a
10 straight face that wind is 75-percent demand related.
11 And recognizing that it is a blended factor, you would
12 expect that factor to change over time, if there was a
13 method or a reasonably objective approach in looking at
14 it every time a cost of service is filed.

15 Q. Mr. Mancinelli, you recognize that most people
16 wouldn't argue with a straight face that transmission is
17 anything but 100-percent demand related?

18 A. Some people would, some people wouldn't.

19 Q. FERC allocates it that way? They are at least
20 one of those, right?

21 A. That's correct.

22 Q. Yet in this state 25 percent is allocated on
23 energy. Now, if we start changing the wind allocated,
24 for example, don't we have to look at whether
25 transmission is also allocated incorrectly?

1 A. Well, in my testimony I recommend that
2 transmission be allocated in aggregate consistent with
3 generation. In other words, 75/25 generation, 75/25
4 transmission I think is a reasonable approach. If the
5 classification changes for generation, I think the
6 classification for transmission should be reviewed as
7 well.

8 Q. Let me talk about a different one. What about
9 a simple cycle peaking plant? Most would argue that's
10 primarily demand, right?

11 A. That's correct.

12 Q. Particularly if it is built to back up a wind
13 resource?

14 A. That's correct.

15 Q. You have not in your cost of service allocated
16 the simple cycle peaker plants 100-percent demand, have
17 you?

18 A. In my cost of service, I have only changed the
19 classification of the wind. I have not changed the
20 75/25 split on any other resource.

21 And also, just to clarify, in my surrebuttal I
22 identified specific costs associated with wind, such as
23 wind integration charges, and I did reclassify those,
24 but I did not do a wholesale reclassification of all
25 generation costs.

1 Q. Therein lies my concern with your testimony,
2 Mr. Mancinelli. If you start changing the
3 classification for one resource, that shifts costs one
4 way, but don't change the allocation for other
5 resources --

6 MS. SCHMID: Objection, is Counsel testifying
7 or is there a question?

8 CHAIRMAN BOYER: I think he is leading up to a
9 question.

10 Q. It started with "if you," that suggested a
11 question. Let me try again. I will pause when I finish
12 and ask the witness to pause in case you have an
13 objection to the question. Mr. Mancinelli, my
14 statement, which maybe wasn't a question, was "therein
15 lies my problem," and the question is if you change the
16 classification of one generation resource that shifts
17 costs one way, but fail to make changes in the
18 classification of generation costs that even you might
19 acknowledge should have a higher, for example, demand
20 allocator, aren't you simply pecking on one group of
21 customers without really fixing the problem?

22 A. The reality of the current cost allocation
23 process is that it is a two-step process. You have an
24 allocation done at the jurisdictional level, and then
25 you have an allocation done at the company level, and

1 the two processes are not directly linked. And so they
2 are always out of sync to some degree.

3 And in my testimony -- I can't point to
4 exactly where -- but in my testimony I did indicate that
5 it needs to be fixed in the JAM as well. But because of
6 the inability to fix it in the jurisdictional allocation
7 model, I made the adjustment in the cost of service
8 model, hoping as the iterations go through that these
9 issues are fixed and the alignment is true to form.

10 Q. I understand that. I can point you to page 27
11 of your rebuttal, and we may talk about that in a moment
12 where you recommend that JAM be changed, and in a moment
13 I will ask you if you understand how that happened.
14 That aside, my point, my question did not relate to
15 consistency between JAM and the state class cost of
16 service study, the intrastate study, but rather the fact
17 that you picked one generation resource to change the
18 classification amount without changing the
19 classification of other resources that might have a
20 different demand energy allocator than 75/25 in the
21 world you live in, even. Is that not an accurate
22 statement that you just chose one, there are others you
23 think should change, but you chose not to adjust those?

24 A. Obviously, I changed wind. I did not address
25 it for other resources. And the reason -- I guess

1 one -- I guess the explanation for that is trying to
2 identify some adjustments that were just blatantly
3 obvious. Whereas, you get into some of these other
4 issues related to other types of resources and the
5 classification becomes a trickier issue. It is not
6 unsolvable, but it is trickier. So I tried to make an
7 adjustment that I thought was obvious.

8 Q. Mr. Mancinelli, let's talk just a bit about
9 that. You say it is obvious. I believe you testified
10 that at least two categories of consideration should go
11 into cost allocation. One is the planning perspective,
12 why the resource was built to meet what need, which
13 presumably would be at the time it was built; and the
14 second one is operational considerations, what it's used
15 for during the test period. Did you not acknowledge
16 both of those should go into a cost of service analysis?

17 A. Yeah, they should be considered when you are
18 looking at cost classification, yes.

19 Q. For example, in your testimony you described
20 that one way to look at a coal plant, for example, is if
21 it has got an 80-percent load factor you might say it is
22 80-percent energy related, because that's the amount of
23 time it is delivering energy. You testified something
24 to that effect, did you not?

25 A. Correct.

1 Q. Did you read Mr. Higgins' testimony that
2 indicated at the time those coal plants were built, A,
3 there was no option to build a gas plant; B, it was
4 capacity as much as energy driving the need for new
5 resources; and, C, this Commission allocated coal
6 100 percent to demand? Did you read that?

7 A. Yes.

8 Q. And if you take those considerations into
9 effect, then it may not be quite as obvious that the
10 current allocations are incorrect, wouldn't you agree?

11 A. I would not agree. I think, you know, you are
12 focusing particularly on planning with respect to that
13 question, but operationally it is very important too,
14 how it is operating. So I think you need to look at
15 both.

16 Q. That was my question, shouldn't you look at
17 both? And if you simply say a coal plant that has an
18 80-percent capacity factor in mind, hypothetical, and,
19 therefore, it is 80-percent energy, you are ignoring the
20 planning decisions, the reason that the plans may have
21 been brought on in the first place, correct? If that's
22 all you look at is what it is doing in the test period,
23 you have ignored the planning considerations that went
24 into building these resources in the first place. Is
25 that not an accurate statement?

1 A. If you are asking me should you view it in a
2 longer-term view of the asset rather than the test here,
3 I agree with that statement.

4 Q. What if one found one's self in an environment
5 where wind was virtually the only resource that could be
6 built, for environmental or other considerations, then
7 might that not even throw some doubt on your obvious
8 statement that wind is only 100 percent energy?

9 A. No. I stick to that statement, because the
10 proposition in your suggested question is not realistic.

11 Q. There are no environmental constraints today
12 on building other resources like coal or even natural
13 gas?

14 A. Oh, there are. I was under the assumption you
15 are saying the entire load could be served by wind.

16 Q. I didn't say that. I said do planning
17 considerations that may dictate one resource over
18 another, given things like environmental considerations
19 and uncertainties, have any place in the planning
20 process, as opposed to simply saying because energy
21 can't be dispatched 100 percent of the time it is all
22 energy?

23 A. Oh, certainly. I mean environmental
24 considerations are key in the planning process and
25 should be factored into the classification.

1 Q. Now, when you -- you come to this Commission
2 and suggest that a 20-year precedent should be
3 overturned, essentially, and the Commission should
4 embark on the process of a wholesale revision of the
5 classification and allocation approach by this company.
6 Is that basically what you are recommending?

7 A. I'm suggesting it needs to be looked at
8 closely and seriously. Whether -- at the end of the
9 day, you may come up with 75/25. But I'm just saying it
10 should be looked at.

11 Q. You criticized the Company, I believe, or I
12 think it was a criticism, or maybe all the parties that
13 support it, for sticking with the 75/25 over 20 years
14 without doing an analysis to see whether that really
15 does represent a reasonable average of all the
16 resources. Have you done an analysis that suggests that
17 it is not?

18 A. No.

19 Q. To upset that kind of a long-term history and
20 several Commission orders approving it, wouldn't that be
21 maybe the best step demonstrating it isn't a reasonable
22 allocation overall of generation and transmission assets
23 before you ask the Commission to undergo a massive
24 reevaluation of the whole process?

25 A. To clarify, I have seen no supporting

1 information provided by any of the parties in this
2 proceeding other than precedence that justifies a 75/25.
3 I conclude that at some point in the development of that
4 number or other numbers there was some logical reasoning
5 behind that, and that reasoning is at least 20 years
6 old. And so my recommendation is to look at it again.
7 Clearly, one of the concerns is that whenever you change
8 anything in a cost of service somebody is a winner and
9 somebody is a loser. I think somebody said that this
10 morning. But you are presuming that everybody is okay
11 right now. And I think the issue is that because you
12 are not looking at it there are winners and losers that
13 are just paying, gladly paying right now one way or the
14 other because we don't really know.

15 Q. If we have a 20-year precedent and you wonder
16 if it is not accurately reflecting cost of service,
17 isn't it incumbent upon you to demonstrate that and then
18 ask the Commission to undertake this reevaluation?

19 MS. SCHMID: Objection, calls for a legal
20 conclusion.

21 Q. I'm not asking from a legal perspective. From
22 an expert witness perspective, before you come in to the
23 Commission and ask them to upset a precedent that has
24 been established for 20 years, don't you think it would
25 be appropriate for you to first demonstrate there is a

1 problem?

2 A. Again, I -- in this case, in my analyses, I
3 have not changed the 75/25 other than for wind. I am
4 suggesting, though, that a group of technical folks get
5 together and look at that for future cases, and that
6 suggestion is based on issues I myself have found and
7 issues that other intervenors have raised.

8 Q. You mention it is 20 years old. You weren't
9 around, Mr. Mancinelli, but are you aware that, at least
10 you weren't around in this state, I believe, testifying,
11 that the Division, the Committee, the Company, the
12 Commission staff, UAE, and similar parties from six
13 other states in the last decade went through a very
14 massive evaluation of the interstate allocations and in
15 the context of that the intrastate allocations, and
16 concluded to leave it alone at 75/25 classification of
17 production and transmission? Are you aware of that?

18 A. I'm aware of the precedence, yes.

19 Q. I'm not talking about the precedence that go
20 back 20 years, I am talking about a more recent
21 reevaluation at the multistate level, MSP level. Are
22 you aware that that occurred?

23 A. Yes.

24 Q. And if someone represented to you that that
25 evaluation took place among all those parties, and there

1 was general consensus among the states as well as the
2 parties in this jurisdiction to continue allocating in
3 the way it had been, that would at least suggest to you
4 it is not all just 20 years old, the analysis, would it
5 not?

6 A. There could be more current reviews of the
7 classification allocation, if that's your point.

8 Q. Let's turn to your notion that if we undertake
9 this reevaluation that perhaps we can come up with
10 better classification decisions for the production and
11 transmission plan. Let me start with, I assume you have
12 testified enough to know that everyone doesn't always
13 agree with you. Is that a fair statement?

14 A. Yes.

15 Q. And in this case, for example, you have got
16 one suggestion that we ought to move to a 100-percent
17 demand allocator for production and transmission, with a
18 33CP allocator for at least some resources; is that
19 right?

20 A. That's correct.

21 Q. You have got a suggestion that maybe the
22 average in excess allocation approach should be used as
23 an alternative in this docket; is that correct?

24 A. That's correct.

25 Q. And you have got, on the other end you have

1 got one party recommending that we go to an equivalent
2 peaker method or a different similar method to allocate
3 production and transmission costs; is that correct?

4 A. Yes.

5 Q. Do you have any reason to believe that if we
6 went into some kind of a task force or docket or
7 anything else that the parties wouldn't take those exact
8 same positions and leave the Commission with an array of
9 choices that would be as wide as they are in this
10 record, and the Commission looking for a reasonable
11 compromise of those positions?

12 A. That is a potential pitfall.

13 Q. In fact, isn't that almost certainly what
14 would happen?

15 A. I can't predict the future.

16 Q. Let's turn for a moment to your spread
17 recommendation, Mr. Mancinelli. You testify in your
18 surrebuttal on page 23 -- excuse me -- on page 22, you
19 ask whether you have reviewed the Company's calculations
20 in support of its revised demand allocation, and you
21 indicate that -- help me here, is it Mr. Nunes?

22 A. Nunes.

23 Q. I have heard it four different ways, and I
24 didn't know. To Mr. Nunes, I apologize for
25 mispronouncing your name. You indicate in your answer

1 on line 400, "Mr. Nunes representing DPU has reviewed
2 the available information," and in your next sentence
3 you say, "He remains concerned that it is flawed, and,
4 therefore, you say, "I don't recommend using it for cost
5 of service or spread in this case." Is that a fair
6 summary?

7 A. Yes.

8 Q. In Mr. Nunes' testimony, I guess this would be
9 his surrebuttal testimony, and I can turn you to it if
10 you would like, but on page 9, in response to
11 Mr. Thornton's proposed changes to the class peak load,
12 he said, "While this would represent a conceptual
13 improvement as the class demands would be based on
14 weather conditions, this change does not prevent other
15 problems with the Company's methodology." Is it not
16 true that Mr. Nunes' primary concern was that this
17 doesn't address everything he should be, he thinks
18 should be addressed?

19 A. You are going to have to ask him that
20 directly, but I know he has more issues.

21 Q. He does. But he described Mr. Thornton's
22 correction as a conceptual improvement, but you are
23 recommending this Commission use the conceptually worse
24 approach in looking at cost of service and rate design;
25 is that correct?

1 A. I am recommending using an approach that has
2 been vetted in everybody's comfortable web. I mean,
3 clearly, the change in the methodology had a significant
4 impact on the cost of service results, and you don't
5 want -- you know, cost of service results, based on my
6 experience, cost of service results particularly when
7 you have test years on top of each other like this,
8 should not vary that much. But, yes, we have
9 significant variation in the results, and quite frankly
10 the results were provided to us at a point in the case
11 where we couldn't really do much about it to evaluate
12 it. So Mr. Nunes has -- is our expert here, and we
13 suggest that we want to make sure that these adjustments
14 are being correctly done, so that the next case doesn't
15 have issues as well.

16 Q. I assume by that, that you or Mr. Nunes vetted
17 the peak load responsibility that the Commission used in
18 its direct testimony and concluded that it was correct;
19 is that right?

20 A. Mr. Nunes has looked at all the load research.
21 I have not. I have looked at the cost of service and
22 cost allocations.

23 Q. And he indicates Mr. Thornton's improvement is
24 a conceptual improvement. Implicit in your suggestion
25 that the Commission should rely on what you call fully

1 vetted and accepted class peak load responsibility,
2 isn't the assumption that someone vetted it and someone
3 accepted it and someone relied upon it? Were you not
4 here today to learn that they have been making the same
5 mistake since 2006 in this jurisdiction by using peak
6 load assignments for forecasted test periods that don't
7 reflect the actual peak day cost causation or speak
8 responsibility? Did you hear that testimony?

9 A. I did. But I think the issue is that there
10 may be more issues as well.

11 Q. So let's fix them all or none and use the
12 acknowledged flaw data, the data that is acknowledged to
13 be flawed by the only party that has presented it, the
14 Company, you would rather rely on that for cost of
15 service and spread recommendations than something that
16 takes a conceptual step towards improving it but doesn't
17 go all the way, according to Mr. Nunes. Is that your
18 testimony?

19 A. My testimony, quite frankly, is that the cost
20 of service results that I have determined or calculated
21 should be tempered because of the uncertainty of the
22 load data, and the tempering basically ultimately
23 results in no classes, no customer classes receiving a
24 rate decrease. The mathematical impact of that is that
25 essentially it moves customers towards cost of service

1 but not entirely to cost of service, and as these issues
2 are vetted and the demand data is properly reflected,
3 there will be some consistency in the pricing given to
4 the customers. You don't want to raise a rate and lower
5 it, or you don't want to lower somebody's rate and turn
6 around and raise in a very short order of time. It
7 doesn't make a lot of sense. There needs to be some
8 consistency there. That's my testimony.

9 Q. So the limit of the tempering you are
10 proposing is that to the extent this Commission grants a
11 rate increase low enough that some parties would show a
12 negative number in your particular cost of service
13 analysis that they be held at zero, but if the revenue
14 requirement increase is sufficient to put everyone at
15 above zero, which is exactly your cost of service
16 results to the second decimal point, correct?

17 A. No, that's not it at all.

18 Q. I believe that's what you said, if you will
19 turn to page 20 --

20 A. If you look at my Exhibit S5.6, I'm sorry,
21 that's the calculation.

22 Q. That's at the Division's surrebuttal revenue
23 requirement position, a rebuttal of 16 million. What if
24 the number is 25 million, just hypothetical? Nobody is
25 going to have a negative number?

1 A. We would rerun it through the model, and it
2 would give you a new result.

3 Q. Your recommendation is you use those results
4 to the second decimal point. It would be exactly at
5 your cost of service numbers, when you have done
6 nothing, you have changed no classification except wind,
7 and you have accepted admittedly flawed data on peak
8 load responsibility, and yet you are recommending the
9 spread would be based on your study to the second
10 decimal point?

11 A. It is calculated to the second decimal point
12 because it is a mathematical equation, but you don't
13 have to go to the second decimal point. But I guess the
14 fact of the matter is, is that the cost of service, and
15 I think the Company actually testified to this, this
16 morning, the cost of service model that we have has
17 several issues in it, and these issues need to be
18 addressed, and all of these issues are going to be
19 addressed today in this proceeding, so we just can't
20 throw it out. Short of throwing it out we have no basis
21 for rate design.

22 Q. We have an updated cost of service study with
23 data that the Company claims, you heard the testimony
24 this morning, is significantly improved and, in fact, it
25 lines up with historical peak day data. If we have that

1 why can't we use that as the guide?

2 A. I guess what I am trying to say is that once
3 the Division has looked at that thoroughly and feels
4 comfortable with it, we can make a recommendation on it.
5 Right now we have no recommendation to make on that. So
6 we are not using that.

7 Q. So you are sort of taking yourself out of the
8 game. Did you run out of budget?

9 MS. SCHMID: Objection.

10 Q. No, I am serious. On what day -- I will
11 withdraw that question for now, but it will come back --
12 on what day -- you testified today that on November 12
13 is when you saw the updated peak allocation data,
14 correct?

15 A. I think that's when it was filed.

16 Q. And today is what day, sir?

17 A. December 16.

18 Q. So you had a month and four days, and you are
19 telling me that's inadequate time to vet whether, the
20 issue of whether or not the revised peak load data
21 better corresponds to actual peak cost responsibility in
22 the past?

23 A. Let me answer this way. Mr. Nunes is
24 responsible for that. It is not within my scope. So
25 for me, it is an irrelevant question for me. You would

1 need to ask Mr. Nunes.

2 Q. Yet you are the one making the cost of service
3 and spread recommendations in reliance upon the failure
4 of the Division to vet admittedly incorrect data that
5 the Company updates? You are willing to rely upon that?

6 A. I am relying upon data that has been used in
7 the direct testimony and also data that was similarly
8 used in the case that was just filed. I am trying to
9 look for some stability here. But the answer is
10 bouncing around like a yo-yo.

11 Q. Don't you see some inconsistency in
12 recommending to this Commission they throw out 20 years
13 worth of interstate and intrastate allocation procedures
14 for the sake of consistency, and yet say let's keep
15 punishing classes that have been punished by bad peak
16 load data just for consistency?

17 A. I just want to make it clear that the peak
18 load data and class demand responsibilities in a load
19 research and everything that goes with that is very
20 important to the cost study. If it is done correctly
21 you would expect that it would render a good result, and
22 the result would be somewhat stable in the sense that if
23 you are looking -- assuming there is no big changes on
24 the system, the results should be somewhat stable from
25 one upon time period to another, particularly if the

1 time periods are relatively close. So I'm not against
2 that. We just don't have comfort with what's been
3 going -- what has been filed by the Company at this
4 point.

5 Q. Again, that's because someone chose not, in a
6 month and four days, to vet that, to analyze it. Is
7 that your testimony?

8 A. No, it is not.

9 Q. Would the Division like more time to vet that
10 so that we can have a fair cost allocation in this case
11 or a fair recommendation from the Division, or do you
12 choose to just take yourself out of this discussion?

13 MS. SCHMID: Perhaps --

14 MR. DODGE: No further questions.

15 CHAIRMAN BOYER: Mr. Reeder?

16 CROSS EXAMINATION

17 BY MR. REEDER:

18 Q. Let me see if I understand your position in
19 this case. The load data in this case is important.

20 A. Yes.

21 Q. And your confidence level in the load data in
22 this case is not high?

23 A. My confidence level looking at just the
24 results, not analyzing the actual process, which is in
25 Mr. Nunes' area of expertise, looking at the results

1 doesn't give me a lot of confidence.

2 Q. And you don't get confidence because there
3 have been some fairly large swings from the last case to
4 this case as a result of what you have observed?

5 A. Absolutely.

6 Q. Now, if it is the case that a significant
7 contributor to those swings began a couple of years ago,
8 say 2006, maybe when we first started forecasting years,
9 would you want to look back beyond that and see if this
10 is one of the diseases caused by forecasted test years,
11 and we were comparing a disease study against a disease
12 study to conclude something that may not be appropriate?

13 A. The analytical nuts and bolts of what's going
14 on today and how that's changed over time is something
15 that again is Mr. Nunes' testimony. Okay? From my
16 perspective, I look at cost of service results and try
17 to evaluate what's causing the answer to change.

18 Q. You have been in this business a long time.
19 You are a professional. If we see a change, the change
20 begins to look fairly significant like the change in the
21 contribution to return from schedule 9 in case after
22 case, wouldn't you go back and see if there is something
23 that's happened in each of those cases where that has
24 occurred, that's consistent, that may have been a
25 disease that ought to be eliminated and make a

1 comparison? Surely, you wouldn't take a one-shot
2 picture to conclude something was correct in that
3 circumstance, would you?

4 A. You could go back to look. It is a
5 possibility.

6 Q. Did you go back and look?

7 A. I looked at -- I personally looked at this
8 case and the prior case.

9 Q. Did you go back and look at the case before
10 that case?

11 A. No.

12 Q. Did you look at the case when forecasting
13 first began in this jurisdiction?

14 A. No.

15 Q. So load data is one of the issues you think
16 the Commission needs to understand, spend some time
17 with, because it can result in instability with respect
18 to rate changes before things go forward, if I
19 understand your position?

20 A. Partly. And certainly it is one of the key
21 drivers of cost responsibility.

22 Q. Let's talk a couple of other areas. You and
23 Mr. Dodge have had considerable conversation about the
24 allocation factors. I understand your position. You
25 think it may be prudent to go back and look through the

1 75/25 to see if that still produces just and reasonable
2 results?

3 A. Correct.

4 Q. You would go back and look at that even though
5 that may have been used for 20 years, you would still go
6 back and ask that question about that, wouldn't you?

7 A. Correct.

8 Q. Focusing particularly on transmission, my
9 favorite topic, are you familiar with 888?

10 A. Generally.

11 Q. And 889?

12 A. Generally.

13 Q. For the record, they are FERC orders 888 and
14 889. Is it your understanding that those cases sought
15 to change the way transmission service was delivered by
16 FERC jurisdictional utilities?

17 MS. SCHMID: Objection, I think this is beyond
18 the scope of his testimony.

19 CHAIRMAN BOYER: I think he is going to tie it
20 in here. If Mr. Mancinelli knows, he can answer.

21 THE WITNESS: Reask the question.

22 Q. The target of 888 was the elimination of
23 discrimination in transmission provision by transmission
24 providers, was it not?

25 A. That's generally right.

1 Q. The discrimination was occurring between the
2 retail side and the wholesale side they were attempting
3 to eliminate?

4 A. That's generally correct.

5 Q. And they required some equal kind of treatment
6 as between the two functions, didn't they?

7 A. I believe so.

8 Q. As part of that they required that the retail
9 side and the wholesale side have contracts reserving
10 transmission, under a network-integrated transmission
11 contract, so there wouldn't be hoarding for the retail
12 side to the disfavor of the wholesale side, didn't they?

13 A. I'm not sure "hoarding" is the right word.

14 Q. It is just the word FERC used. Have you had
15 occasion to examine in connection with the allocations
16 in this case the contract that was entered into by
17 PacifiCorp Retail with PacifiCorp Transmission for
18 transmission services?

19 A. I did not.

20 Q. If there were such a contract is that
21 something that you think should be taken into
22 consideration in determining the correct allocation
23 factor for transmission service?

24 A. You are talking about allocation factor?

25 Q. Yes, sir, I am talking about allocation

1 factor.

2 A. Well, just as a matter of policy, I mean
3 having a thorough understanding of the underlying
4 factors that make up the revenue requirement are
5 important for everything including that.

6 Q. You would want to look at that contract,
7 wouldn't you?

8 A. I would say so.

9 Q. And if that contract priced transmission
10 service on a kilowatt basis, no relationship to energy,
11 would that contract pricing basis guide your decision on
12 what allocation factor to use?

13 A. My general response would be yes. You look at
14 the cost causation, and if the contract is structured as
15 demand charge, then it is certainly demand
16 responsibility that's causing cost associated with the
17 contract.

18 Q. Another consideration you recommended we look
19 at is the seasonality of loads in Utah, on page 10 of
20 your surrebuttal testimony, I think you observed that
21 lines 186 and 187 it may be appropriate to improve
22 summer/winter cost differentials, begin to focus on 3CP
23 or 4CP?

24 A. Page 10, which lines?

25 Q. I am reading 186, 187 of your surrebuttal

1 testimony. You may be looking at your rebuttal
2 testimony.

3 A. Yeah, okay. Yes. Yes.

4 Q. The kinds of things that you think deserve
5 further review in this jurisdiction are, A, the load
6 data; B, some or maybe all of the allocation factors;
7 and, C, some of the seasonal kind of information. Those
8 are the things that deserve further scrutiny in your
9 judgment, are they not?

10 A. Yes, that's a subset, yeah.

11 Q. While we have got this subset of things that
12 deserve further scrutiny, how should this Commission go
13 forward in avoiding radical changes that may not be
14 compelled in fact by the causes of costs? I think the
15 words you used were swings and civility.

16 A. I think the issue from a cost service study
17 is, first of all, it is something that is complex.
18 There are a lot of assumptions. You need to vet those
19 assumptions. But if it is being properly performed the
20 swings should be much less of an issue going forward.

21 Q. If there are significant swings we need to
22 drill through them. In the meantime we have caused no
23 harm, have we?

24 A. Absolutely. That was the basis for my rate
25 structure proposal. You don't want to give people

1 pricing signals that are inconsistent with their cost of
2 service as we anticipate it to be when all these issues
3 are resolved.

4 Q. You don't want to dump the whole increase on a
5 class of customers whose cost causing characteristics
6 may not be causing those costs you are trying to dump on
7 them, either, would you?

8 A. Every customer class should be allocated cost
9 based on their, as I said, cost causation.

10 Q. As best as we can learn them, but not based on
11 flawed data, would you agree?

12 A. Well, just as a matter of general statement, I
13 mean flawed data is something that you definitely want
14 to address.

15 Q. Is there a doctrine in the regulatory
16 community called the file rate doctrine?

17 A. Yes.

18 Q. And do you understand the file rate doctrine
19 to say that the rates in effect are presumptively
20 correct?

21 A. My understanding is more along the lines that
22 the rates in effect are legally binding.

23 Q. And you can't drill through those rates, the
24 rates are the rates, you don't drill through them, see
25 what made them, right?

1 A. Yeah, I mean customers can't negotiate rates.

2 Q. The rates are the rates, they are
3 presumptively correct?

4 A. Correct.

5 Q. That's the doctrine of the law we all kind of
6 start with? If our goal is to do no harm, isn't that a
7 presumption that we can begin with to establish a way to
8 allocate costs without dealing with the risks that we
9 might cause harm?

10 A. You are going to have to ask that again. You
11 lost me on that one. Try it again.

12 Q. If we have flawed data, questions about
13 allocations, questions about seasons, questions about
14 peak load, but we have a doctrine in the law that gives
15 us a presumption that existing rates are reasonable,
16 presumptively, isn't the best way to move forward to
17 deal with that presumption that exists, and to do no
18 harm using that presumption as our load star?

19 A. If you are asking me because our cost analysis
20 is flawed should we not rely on it for rate setting
21 because of this doctrine, is that essentially the
22 question?

23 Q. I am taking you at your word. Your goal is to
24 provide stability, to avoid swings, to avoid disruptive
25 changes in rates, where they may be uncalled for, for

1 reasons that we would discover if we drilled through the
2 data, aren't we better off starting with that existing
3 presumption as our load star for changing rates?

4 A. In other words, the current rate loads?

5 Q. Correct.

6 A. The interpretation of that is you just do
7 across-the-board rate increases on a going-forward
8 basis. I mean, clearly, the cost of service has issues,
9 but there is still probably a lot of good things in
10 there as well. And I think it is important that we rely
11 on the best tool that we have. I mean blindly ignoring
12 it I don't think gets anybody anywhere.

13 Q. If we are going to rely on that tool,
14 shouldn't we use the best information we have got inside
15 that tool, rather than looking back?

16 A. We should use the -- the whole process is a
17 process of continuing improving moving forward.

18 Q. With the load star of do no harm?

19 A. The key is charging customers cost based --

20 Q. On the cause of the cost?

21 A. And having a good and thorough analysis that
22 supports that is the key.

23 MR. REEDER: Thank you. I have nothing
24 further.

25 CHAIRMAN BOYER: Mr. Gardiner, any questions

1 for Mr. Mancinelli?

2 CROSS EXAMINATION

3 BY MR. GARDINER:

4 Q. When it comes to the recommended rate spread,
5 you not only have significant issues with Rocky Mountain
6 Power's load data but also Rocky Mountain Power's
7 increasing cost structure, don't you?

8 A. When you say "issues," I'm not sure. I mean
9 their cost structure has been increasing.

10 Q. Why don't you turn to page 28 of your
11 surrebuttal testimony and read lines 491 and 492?

12 A. Sure.

13 Q. In there don't you state that you have issues
14 with Rocky Mountain Power's increased cost structure?

15 A. What this testimony -- the purpose of this
16 testimony is to justify or support the position that I
17 have taken that no customer class shall receive a rate
18 decrease.

19 Q. What are the issues you have with Rocky
20 Mountain Power's rising income, rising cost structure?

21 A. I have no issues. The whole cost structure
22 revenue requirement have been reviewed by other members
23 of the Division staff. The scope of my testimony is
24 strictly on cost allocation.

25 Q. So we really don't have issues, then, right?

1 A. I have no basis for having an issue.

2 Q. Okay. Now, the next statement, "The
3 possibility of a much-needed review of the entire cost
4 of service allocation methodology." That sounds a
5 little bit wishy-washy to me. How strongly do you
6 believe that there ought to be a review of the entire
7 cost of service allocation methodology?

8 A. I feel very strongly about it. It is
9 basically the cornerstone of my entire testimony.

10 Q. And that hasn't been done in this case, has
11 it?

12 A. No. There has been no wholesale significant
13 proposals, for example, to cost classification, use of
14 the F10 factor, things like that in my testimony.

15 Q. Simply quotes that a lawyer from Bluffdale can
16 understand it, you think there is a need to review the
17 entire cost methodology, but it hasn't occurred in this
18 proceeding, right?

19 A. Not in a wholesale manner or comprehensive
20 manner.

21 Q. As you advocate? Correct?

22 A. Let me restate this. Okay? The cost of
23 service has been, as far as the allocation, the logic
24 and the formula have been thoroughly reviewed by myself.

25 I am proposing some changes in this case that have

1 impact on the end result but not dramatic impact, if you
2 will, that some changes in assumptions that have been
3 proposed by other intervenors may have on the end
4 result. When I say that thorough review hasn't
5 occurred, I'm talking about my proposal with respect to
6 looking at these issues in technical committee and
7 determining if there is a better way of doing it.

8 Q. Let's focus on the issue of drama, even though
9 there hasn't been a review of the entire cost allocation
10 methodology, you on behalf of the Division propose an
11 increase for the irrigators at schedule 10 of
12 12.38 percent; is that correct?

13 A. Yes.

14 Q. That's over twice what the next-highest
15 schedule you recommend, it is over twice what you
16 recommend for the schedule 9 folks, right?

17 A. Correct.

18 Q. After that it is several times higher than
19 anybody else; is that correct?

20 A. I believe it is one of the highest, if not the
21 highest.

22 Q. Would you say it is dramatic?

23 A. It is, because the revenues compared to cost
24 of service are dramatically different.

25 Q. We will get to that in a moment. In fact,

1 let's get to it now. I remember you listed there were
2 four main factors in determining what rates and rate
3 spread should be. I only wrote down two, demand and
4 number of customers. Tell me what the relationship is
5 between customers and rate spread, number of customers
6 and rate spread.

7 A. The relationship between number of customers
8 is with the cost of service, cost causation, allocating
9 cost to classes, based on the number of customers,
10 services you are providing to customers, customer-
11 related-type costs.

12 Q. Is it true that the more customers you have
13 you would expect a higher cost of service?

14 A. Expressed in what units? Dollars?

15 Q. You tell me. I just want to know if there is
16 a relationship between the number of customers and the
17 cost of service.

18 A. Yes. I mean for costs, customer-related
19 costs, certainly, the more customers you have the more
20 usually proportionally costs you are allocated.

21 Q. Are you aware there are less irrigators in
22 this case than there was in the prior cases, that the
23 number of irrigation customers has gone down?

24 A. No, I'm not.

25 Q. Are you aware -- but still you recommend an

1 increase of 12.38 percent even though you weren't aware
2 that the number of irrigation customers has gone down;
3 is that correct?

4 A. The number of customers is only one of many
5 other factors that influence the cost of service for
6 that class.

7 Q. I believe you said it was one of four. That's
8 why I am covering this one. But the number of
9 customers, the number of irrigators has gone down, so it
10 should have caused cost of service numbers to go down,
11 shouldn't it?

12 A. Not necessarily. I mean if demand and energy
13 and if their directly-assigned costs changed, it would
14 impact the total.

15 Q. But to sum up, you recommended an increase to
16 12.38 percent without knowing whether the number of
17 customers in schedule 10 has gone up or down, right?

18 A. The 12 point -- the 12-percent adjustment
19 strictly looked at the cost of service results, compared
20 to the class revenues in total.

21 Q. I will take that as a yes. Am I accurate?

22 MS. SCHMID: Objection, I think that the
23 witness has already answered the question.

24 MR. GARDINER: I don't think he has. It is a
25 simple yes-or-no question.

1 A. The class revenues are a function of the rate,
2 and the rate has a variety of different charges, and the
3 cost of service is compared to the revenue collected
4 from that class in total.

5 CHAIRMAN BOYER: I think Mr. Gardiner's
6 question was, did you look at the number or the
7 increasing number of irrigators in making your
8 suggestion on this particular adjustment to that class
9 of customers?

10 A. Specifically, no. Just looked at cost of
11 service results, compared to class revenue.

12 Q. Let's go to the second factor that I wrote
13 down, and that was demand. Do you know -- let's first
14 talk about annual demand. Do you know what the annual
15 demand has been for electricity by the schedule 10
16 irrigators, what it has averaged over the past years?

17 A. No, I don't, not off the top of my head.

18 Q. Do you know what it has been for the
19 schedule 1 customers?

20 A. No.

21 Q. You don't really know what the demand has been
22 for any scheduled customer, annual demand, do you?

23 A. I know what the allocation factors in the
24 model, in the cost of service model have for each class
25 for demand, and that can be found actually I think in

1 Mr. Paice's exhibit, which he shows it quite clearly
2 what coincident demands by class are not coincident
3 demands energy class, a variety of factors that
4 influence the cost of services.

5 Q. So whatever knowledge you have about demand
6 comes from Mr. Paice's testimony?

7 A. We relied on the Company's model and also
8 Dr. Logan's duplication of that model in our analysis.

9 Q. From that model, from the testimony of
10 Mr. Paice, and your analysis, do you know whether the
11 demand, annual demand for electricity has increased more
12 for schedule 1 customers than schedule 10?

13 A. I don't.

14 Q. So to sum up, you really have no knowledge of
15 the demand factor, you have no knowledge of the number
16 of customers, whether it has gone up or down in
17 schedule 10, and still you are willing to come before
18 this Commission on two out of your four factors and
19 recommend an increase of 12.38 percent, correct?

20 A. That's not correct.

21 Q. Okay. I believe you said you believe that the
22 primary factor to be considered in setting rates and
23 rate spread is the customer, is the cost to the customer
24 class, the cost of providing service to each customer
25 class; is that correct?

1 A. I think that my comments with respect to rate
2 spreads are simply that costs of service results should
3 be relied upon in determining rate spread as objectively
4 as possible.

5 Q. Isn't the economic impact of the proposed
6 charges on each category of customer an equal factor to
7 be considered by the Commission?

8 A. My position -- you are talking about,
9 basically, social ability to pay and social issues. My
10 position on that is that RMP is running a business.
11 This is an analysis of their costs, and the costs of
12 service should reflect that. And rates should be based
13 on cost of service, because if they are not -- I'm
14 saying that not to the second decimal point, but as a
15 matter of course rates should be based on cost of
16 service, because if they are not then you are creating
17 subsidies and providing uneconomic price signals that
18 over the long run may cause you more problems. I think
19 the issues related to ability to pay and things like
20 that are really best dealt with, with governmental,
21 outside of the utility rate structure, with a variety of
22 governmental support and subsidies.

23 Q. I don't expect you to be a lawyer, but if
24 there is a statute in Utah that defines just and
25 reasonable, and lists as one of those factors the

1 economic impact of charges on each category of customer,
2 as an expert witness don't you think you should have
3 addressed that subject?

4 A. Again, I was concerned strictly on cost of
5 service.

6 Q. Don't you think you should have addressed that
7 subject?

8 A. Can you ask the question one more time,
9 please?

10 Q. I don't expect you to be a lawyer, but
11 assuming there is a Utah statute that defines what just
12 and reasonable is, and as one of those factors it lists
13 the economic impact of charges on each category of
14 customer, don't you think you should have addressed that
15 economic impact of the charges on each category of
16 customer?

17 A. I believe -- for me personally, I'm providing
18 the Commission the results of the analyses I have
19 conducted, and if there are any subjective --
20 subjectivity to that, that deviates significantly from
21 cost of service, that's for the Commission to decide.

22 Q. In fact, no witness from the Division has
23 addressed the economic impact of charges on each
24 category of customer, have they?

25 A. I'm not aware of that.

1 Q. Is one of the reasons you haven't performed
2 that analysis simply because of the relatively low
3 amount of revenue that is generated by the schedule 10
4 customers?

5 A. No. No.

6 Q. It was just because you weren't asked to, is
7 that it?

8 A. No. As a matter of course, in conducting
9 these types of analyses, I don't do that.

10 MR. GARDINER: I don't have any other
11 questions for this witness.

12 CHAIRMAN BOYER: Thank you, Mr. Gardiner.
13 Ms. Smith?

14 MS. SMITH: I have no questions, your Honor.

15 CHAIRMAN BOYER: I think this would be an
16 opportunity first for Ms. Schmid to do redirect, and
17 then we will take a short recess.

18 MS. SCHMID: I have no redirect.

19 CHAIRMAN BOYER: We will take a 10- or 15-
20 minute recess, give our reporter a little break. See
21 you back in here about 3:00.

22 (A recess was taken.)

23 CHAIRMAN BOYER: Okay, we are back on the
24 record. We will swear Dr. Brill now.

25 MS. SCHMID: Actually, I believe he has been

1 sworn.

2 CHAIRMAN BOYER: That's right. We heard you
3 on Monday, Monday a week ago. I will remind you that
4 you are still sworn, you are still under oath.

5 THOMAS BRILL,
6 called as a witness, having been duly sworn, was
7 examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MS. SCHMID:

10 Q. Mr. Brill, is it also your belief that your
11 exhibits have been admitted into evidence?

12 A. That is correct.

13 Q. Do you have a summary that you would like to
14 give?

15 A. Yes, I do. It is brief. My testimony
16 presented the Division summary rate spread
17 recommendation. The Division surrebuttal rate spread
18 proposal used the cost of service model, as modified by
19 Mr. Mancinelli, in guidance with the restriction that no
20 schedule receive a decrease. Mr. Mancinelli then
21 developed a rate spread proposal and set of proposals
22 that would summarize my testimony. The Division
23 surrebuttal spread proposal gets about halfway to full
24 cost of service.

25 In particular, the Division recommends that

1 Mr. Mancinelli's revised cost of service model and the
2 rate spreads that it produces be used for determining
3 class rate increases for whichever revenue requirement
4 the Commission adopts. The Division's recommendation of
5 about \$17 million was used with a set of relative
6 weightings of the various cost of service principles in
7 order to develop our spread recommendation.

8 This concludes my summary.

9 MS. SCHMID: He is now available for cross
10 examination.

11 CHAIRMAN BOYER: Ms. Hogle?

12 MR. HICKEY: I have no questions.

13 CHAIRMAN BOYER: Mr. Proctor?

14 MR. PROCTOR: None, thank you.

15 CHAIRMAN BOYER: Mr. Dodge?

16 CROSS EXAMINATION

17 BY MR. DODGE:

18 Q. Good afternoon, Dr. Brill. I think your last
19 statement was that your spread recommendations were
20 based upon consideration of all the factors. Is that
21 what you said?

22 A. As you know, spread is not an exact science,
23 and -- but, rather, a collection of principles from
24 fairness and straight cost of service and gradualism,
25 and the Division has subjective weightings for those

1 different principles, and, yes, we do apply them.

2 Q. And yet other than adding -- other than the
3 revenue requirement of roughly \$20 million, your
4 proposal is to apply Mr. Mancinelli's cost of service
5 study period, correct? You made no qualifications to
6 that?

7 A. I think in general that is correct. At our
8 \$17 million recommendation we did suggest that spread
9 preferably to one decimal point, I might add. And, of
10 course, Mr. Mancinelli was working with corrections in
11 the model, and those have been discussed previously.
12 And we put forward only one spread recommendation at
13 that recommendation for revenue requirement.

14 Q. Mr. Brill, don't you think that the Commission
15 deserves and the parties deserve advanced notice from
16 the Division as to how it would recommend spread occur
17 even at revenue requirements other than the specific one
18 the Division recommends?

19 A. That's a fair statement, and I was impressed
20 by what Kevin Higgins recommended in his testimony.

21 Q. Let's go back to how the Division applied
22 these other factors, that includes economic impact on
23 customers, etc. You are saying you applied them all,
24 but if I am understanding you right you have concluded
25 that each of those get zero weight, at least it won't

1 change Mr. Mancinelli's cost of service study except
2 maybe to the second decimal point? Is that basically
3 what you testified?

4 A. When the Division was at a much lower revenue
5 requirement recommendation, that associated with the
6 supplemental, the rebuttal filing, which is close to
7 zero, it was impractical to use kind of the straight
8 cost of service analysis, and then essentially went with
9 the uniform spread. But we were aware of the other
10 issues regarding fairness and who was overpaying and who
11 was underpaying.

12 And the Division did have several discussions,
13 realizing that our position would end up let's say in
14 the teens, and how we would subjectively rank or weight
15 those various cost of service principles. Clearly, we
16 were looking at schedules 9 and 10 underpaying, and how
17 they could be brought more in line with cost of service.
18 Yet, we only brought them halfway to cost of service.

19 Q. And when you say "cost of service," you mean
20 Mr. Mancinelli's cost of service analysis which you have
21 heard this morning relies on data that no one in this
22 docket has supported as accurate for the peak hour
23 contributions of the various classes?

24 A. Yes. The Division stands behind Mr.
25 Mancinelli's modified cost of service model.

1 Q. That's what you mean by cost of service,
2 whether it really represents cost of service or not, you
3 are standing by that number, correct?

4 A. Yes.

5 MR. DODGE: Thank you. I have no further
6 questions.

7 CHAIRMAN BOYER: Mr. Reeder?

8 CROSS EXAMINATION

9 BY MR. REEDER:

10 Q. How long have you been in the regulatory
11 business?

12 A. Four years.

13 Q. What's your Ph.D. in?

14 A. Natural resource economics.

15 Q. As an economist, when you confront uncertain
16 data, what do you do?

17 A. Well, often the solution is to collect more
18 data, to review the data you have, but above all be
19 careful about how you are using it.

20 Q. Why did you abandon that discipline in this
21 case?

22 A. You are talking about the update associated
23 with the Paice rebuttal?

24 Q. Yes.

25 A. The Division maintains it did not have time to

1 adequately review and analyze and verify that
2 significant update. It accepts, it understands there
3 might be conceptual improvements, and it is not opposed
4 to those conceptual improvements, but the Division
5 itself has not had time to adequately verify the
6 correctness of that significant update. It was filed on
7 Thursday, November 12, and our deadline was not the
8 hearings, not the one month and four days but our
9 deadline was a little more than two weeks, which was
10 surrebuttal on November 30.

11 Q. So because of the absence of time you want to
12 increase my friend irrigator's rates 10 or 12 percent,
13 and you want to dump the majority of the increase onto
14 schedule 9 because of the absence of time?

15 A. The correction -- let's discuss your friend
16 the irrigator in schedule 10.

17 Q. You are going to dump it on them because of
18 the absence of time, Dr. Bill? Is that the Division's
19 position?

20 A. The correction in the model that is proposed
21 with the significant Paice update didn't change the fact
22 of where schedule 10 is in terms of under or
23 overpayment. I look at the rate of return index for
24 schedule 9, associated with the Paice direct, and
25 schedule 10 was at -- and this is to two decimal places,

1 although it is printed in four -- schedule 10 was at
2 .43. With the correction of the significant Paice
3 update the irrigators are at .43.

4 Q. What about schedule 9?

5 A. Schedule 9 -- of course, it is a little
6 different at four decimal points. Let me put that on
7 the record. The irrigators at four decimal points are
8 at .4289, with the correction, with conceptually better
9 data, it is .4271. That's not much of a change. At two
10 decimal points it is still .43.

11 Let's discuss schedule 9. As you know, the
12 rate of return index with the Paice direct was .6893,
13 and with the correction, and I would call this an
14 improvement, it is .783. Less underpayment in the case
15 of schedule 9. That's where schedule 9 and schedule 10
16 were different in terms of where they were between the
17 Paice direct and the Paice update. For nine there was
18 an improvement in its position of underpayment. For ten
19 there was no improvement. So that update did not help
20 schedule 10 in terms of where they started off
21 underpaying. I leave it at that.

22 Q. There were other questions at issue too,
23 aren't there, which allocation factors to use?

24 A. Well, that's addressed by Mr. Mancinelli.

25 Q. And there were other questions relating to

1 seasonality, weren't there?

2 A. And he covered those as well, yes.

3 Q. And there were questions relating to weather
4 adjustments?

5 A. I understand.

6 Q. And in light of all of those questions about
7 the underlying data, you, as a Ph.D. economist on behalf
8 of the Division, want this Commission to dump it all
9 onto two classes?

10 A. Regarding the data significant update, the
11 Division maintains that the two weeks were not adequate
12 time to review, verify and make sure it was correct.

13 Q. Let me make it clear. You want to use time as
14 an excuse for dumping it on people. That's what you are
15 telling me?

16 MS. SCHMID: Objection, argumentative.

17 CHAIRMAN BOYER: Your "dumping" is a little
18 pejorative as well.

19 MR. REEDER: It is what it is.

20 THE WITNESS: I would prefer the word
21 "assigning."

22 MR. REEDER: I have nothing further.

23 CHAIRMAN BOYER: Mr. Gardiner, do you have any
24 questions for Dr. Brill?

25 MR. GARDINER: No, I don't.

1 MS. SMITH: I have no questions. Thank you.

2 CHAIRMAN BOYER: Nor do I. So let's give
3 Ms. Schmid here a second. Any redirect, Ms. Schmid?

4 REDIRECT EXAMINATION

5 BY MS. SCHMID:

6 Q. Yes. Dr. Brill, were you present in the
7 hearing room this morning when a company witness
8 discussed how long ago the Company was moving towards I
9 will call it the new data and the new system?

10 A. I was not present, but I had a second source
11 inform me of that.

12 Q. So would it surprise you that the Company knew
13 about it before the Company actually filed its rebuttal,
14 because it had done that in different jurisdictions?

15 A. No, I wouldn't be surprised.

16 MS. SCHMID: Thank you.

17 CHAIRMAN BOYER: Okay, thank you, Dr. Brill.
18 You are excused.

19 And now we turn to Mr. Nunes. I apologize for
20 mispronouncing your name. That's the second time in
21 this case that I have used a Spanish accent improperly.
22 Please be seated.

23 JONATHAN NUNES,

24 called as a witness, having been duly sworn, was
25 examined and testified as follows:

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DIRECT EXAMINATION

BY MS. SCHMID:

Q. Good afternoon. Could you please state your full name and business address for the record?

A. Jonathan Nunes, last name is spelled N-u-n-e-s. My business address is 1000 Legion Place, in Orlando, Florida.

Q. By whom are you regularly employed?

A. A company called R.W. Beck.

Q. On whose behalf are you testifying today?

A. The Division.

Q. And did you prepare exhibits in this docket, testimony and exhibits in this docket?

A. Yes, I have.

Q. And I believe they are marked DPU Exhibit No. 9.0, with Exhibits 9.1 through 9.4, rebuttal marked DPU Exhibit 9.0R, and surrebuttal marked DPU Exhibit 9.0SR?

A. That's correct.

Q. Do you have any changes to those?

A. I do not.

Q. If asked the same questions today, would your answers be the same as submitted in your testimony?

A. They would.

MS. SCHMID: With that the Division would like

1 to move the admission of Mr. Nunes' testimony, Exhibit
2 No. 9.0 through 9.4, and Exhibit 9.0R and 9.0SR.

3 CHAIRMAN BOYER: Any objection to the
4 admission of Mr. Nunes' direct, rebuttal and surrebuttal
5 testimony? They are admitted.

6 Q. Do you have a summary you would like to give
7 today?

8 A. Yes, I do.

9 Q. Please proceed.

10 A. My testimony has covered two issues, the
11 Company's forecast of industrial sales, which directly
12 impacts the system energy forecast and indirectly
13 impacts the class loads used in this proceeding, as well
14 as test year class coincident peak demands, which are
15 used for cost allocation.

16 On the first topic, the industrial sales
17 forecast, the Company has relied on a subjective and
18 time-consuming process that largely achieves the
19 forecasted consumption data from the customers
20 themselves and intuition of the customers, customer
21 account managers. Conversely, the forecasts for the
22 other customer classes, as well as a small portion of
23 the industrial class, are based on a generally objective
24 econometric process and economic projections from a
25 specific data provider. I recommend that the Company

1 develop a more objective and easily replicable
2 forecasting process for the entire industrial class that
3 is explicitly consistent with the forecasts for the
4 other customer classes. This process could either
5 replace or augment the existing process, in the latter
6 case acting essentially as a benchmark to results of the
7 existing process.

8 Moving on to the second issue, the Company's
9 class loads, the available evidence suggests that the
10 Company's load research samples used in this proceeding
11 do not yield sufficiently accurate load estimates for
12 the affected classes, mainly residential, small
13 commercial, and general service classes, as well as the
14 irrigation class. I have examined monthly differences
15 between estimates of class energy and actual billed
16 energy and have developed confidence intervals of these
17 differences that far exceed the standard the Company
18 purports to adhere to. This may be a function of the
19 age of the sample design, unrepresentative weighting of
20 certain types of customers or other factors, perhaps in
21 combination. While the new sample designs that have
22 been implemented for these classes may improve the
23 accuracy of the resulting estimates, the new sample
24 designs were not in place until very late in the base
25 year in this rate case.

1 The Company's argument that the data regarding
2 monthly differences between estimated and actual class
3 energy should be ignored in favor of annual comparisons
4 is not compelling. In addition, this simplification
5 takes off the table valuable information regarding the
6 accuracy of the monthly load estimates, which actually
7 form the basis for cost allocations.

8 There are also other problems at play with
9 respect to the overall calculation of class demands,
10 including for those classes that are directly metered.
11 While I have not been able to uncover all of the
12 necessary details regarding the methodology behind the
13 test year class demands, it is clear that the class
14 demands are developed directly from historical loads and
15 are not weather-normalized to the expected peak
16 conditions of the test year. I believe the lack of
17 weather normalization is partly responsible for the
18 differences between the jurisdiction peaks and the sum
19 of the class coincident peaks, the class loads. This is
20 a problem for both the initially-filed class demands and
21 those used in the Company's rebuttal testimony. In this
22 case when I say the word "normal" I am referring to peak
23 day normal weather conditions, those that would be
24 expected on a peak day, not those that occur on average.
25 The term "normal" is used in either context.

1 I'd like to add that the assumptions for the
2 cost of service should be the same as those used in the
3 Company's planning and revenue requirement development.
4 This is why I have suggested that the class loads be
5 weather-normalized to the same peak weather conditions
6 that are assumed for purposes of the jurisdiction peaks,
7 which drive the Company's generation resource additions,
8 in part, and operations, as well as the costs.

9 In the Company's rebuttal testimony they
10 suggest that the initially-filed class loads may have
11 come from test year periods that were not reflective of
12 peak weather conditions, let alone normal peak weather
13 conditions. The class loads used in the Company's
14 rebuttal testimony are purported to correct this problem
15 by using actual base year peak loads, while in the case
16 of nondemand metered classes estimated base year peak
17 loads. While I believe this is a conceptual improvement
18 I have had not had adequate time to verify the Company's
19 logic and participate adequately in the discovery
20 process on this new load data.

21 In addition, as a result of this methodology
22 change, the test year class loads still do not reflect
23 expected peak conditions, simply those that happened to
24 occur in the base year. Finally, I believe there may be
25 other problems with the test year class loads that are

1 as of yet largely uncovered but may be as a result of
2 ongoing discovery in these proceedings.

3 That's all I have.

4 MS. SCHMID: Thank you. Mr. Nunes is now
5 available for cross examination.

6 CHAIRMAN BOYER: Okay. Thank you, Mr. Nunes.
7 Ms. Hogle?

8 CROSS EXAMINATION

9 BY MS. HOGLE:

10 Q. I just have a few questions. Mr. Nunes, have
11 you heard testimony today that on an annual basis the
12 discrepancies that you discussed in your summary are
13 actually significantly less pronounced than on a monthly
14 basis?

15 A. Yes, I have. Can you clarify what differences
16 you are referring to?

17 Q. The differences between the class load peak
18 data and the jurisdictional peak data.

19 A. Yes, I have.

20 Q. You testified that on a monthly basis the
21 discrepancies are again more significantly pronounced.
22 So isn't it true that the data could also be compared or
23 you can look at the data on a daily basis or even on an
24 hourly basis?

25 A. There may be a little bit of confusion here.

1 Part of my testimony is related to comparing energy
2 estimates from load research data to build energy that
3 has been calendar corrected, so that the comparison
4 between jurisdiction peaks and class loads is a
5 different comparison. If you can ask your question
6 again, I may be confused.

7 Q. I'm just -- I'm questioning whether if you
8 look at the data on a daily basis, would the differences
9 in the data between the load peak, the class load peak
10 and the jurisdictional peak be even more pronounced than
11 on a monthly basis?

12 A. I would think that's possible.

13 Q. So would you agree that as you look at the
14 data in lesser -- in lesser increments, you could
15 continue to say that the data between the load peak and
16 the class -- or excuse me -- the jurisdictional peak
17 will be even more pronounced, so the point being that
18 you have to rely on an annual basis comparison in order
19 for the data --

20 A. No, no. Again, it is just the consistency of
21 the loads in question. With regard to the load research
22 data, the comparison of the estimates of class energy
23 versus the actual billed energy, that's a consistent
24 period of observation, and those came from the same
25 historical periods. Again, I'm trying to respond, but

1 I'm not sure which set of data you are looking at.

2 Again, it is the monthly estimates of the class energy
3 that are used in this proceeding, not the annual
4 numbers.

5 MS. HOGLE: I have no further questions, your
6 Honor.

7 CHAIRMAN BOYER: Thank you. Mr. Dodge?

8 MR. DODGE: Mr. Proctor?

9 CHAIRMAN BOYER: Let's do that in the sequence
10 we have been following for the last five days.

11 MR. PROCTOR: I have no questions.

12 CROSS EXAMINATION

13 BY MR. DODGE:

14 Q. Good afternoon, Mr. Nunes. I am Gary Dodge
15 with the industrial group. On page 5 of your rebuttal
16 testimony, I am asking you to go there just for
17 reference. You may or may not need to.

18 A. I probably will.

19 Q. Under the question, "Please explain," and on
20 page 4 the question that you are explaining is your
21 response to Mr. Brubaker's conclusion, the conclusion
22 that you believe he drew in comparing the jurisdictional
23 peak load data with the class peak data used in the
24 case, correct?

25 A. That's right.

1 Q. Through that answer that, basically, is all of
2 page 5, I believe you identified five potential sources
3 of that difference. If I read your testimony correctly
4 you are saying there is a difference suggesting
5 inconsistencies, there are a lot of possible
6 explanations, then you address, as I read it, five of
7 those. I would like to walk through and see if you
8 agree with those differences. The first one that you
9 reference is I believe starting on line 69 has to do
10 with the fact that class demands are not adjusted for
11 peak temperatures; is that correct?

12 A. Yes. And just to clarify, what I intended
13 there was that it was my understanding that the -- when
14 you are developing class loads for future periods that
15 they would be based on peak conditions. What I intended
16 to reflect on was the fact that you would want them to
17 be, the peak conditions that you expect in a future
18 year, in other words under normal conditions, rather
19 than just any old peak weather conditions that happened
20 to happen in any period in the past.

21 Q. I think you clarified that in your summary,
22 what you meant by "normal" was basically looking at the
23 peaks for some period of time going back to normalize
24 what happens on a peak day, and then project the class
25 loads into that day. Is that essentially right?

1 A. That's correct.

2 Q. If you did that you would still preserve the,
3 in fact you would preserve the relative contributions of
4 the various classes on those peak days, you would just
5 normalize it over a longer period, correct?

6 A. As opposed to what?

7 Q. As opposed to the Company's initial approach,
8 which didn't reflect, didn't even purport to reflect,
9 based on their rebuttal testimony, the actual
10 contributions to peak on any actual peak day?

11 A. According to their rebuttal testimony, yes.

12 Q. How many years would you go back in order to
13 normalize the peak load data that you used to project
14 into the forecast test period?

15 A. There is a wide range of periods that have
16 used in the industry. The typical method has been on
17 the order of 30 years, but as a result of contentions
18 regarding weather trends sometimes as little as ten
19 years are used. I would argue 20 or 30 would be needed.

20 Q. So you acknowledge -- that was one of my
21 questions -- that if in fact one accepts that the trend
22 is for warmer temperatures, then a shorter period might
23 be warranted?

24 A. No. In fact, the National Oceanic and
25 Atmospheric Administration has developed some procedures

1 for ferreting out that philosophy, if you will. In
2 other words, they have developed methods to take a long
3 period of history into account but to account for
4 temperature trends which would still use an extended
5 historical period.

6 Q. So you are saying you would take into account
7 the fact that there may be a long-term historical trend,
8 but you would do it with the same number of years of
9 data?

10 A. Under the assumption that that trend was
11 observable and consistently significant, etc.

12 Q. Have you done any analysis or have any reason
13 to believe that a comparison of the actual peak, the 12
14 actual peaks that occurred in the base period in this
15 case, which I believe is calendar year 2008, is in any
16 significant way different than the averaged or
17 normalized peak data that you would suggest be used?

18 A. When you say "peak data," you mean the peak
19 temperature data?

20 Q. Yes.

21 A. Yes, I have. I have not looked at it on a
22 12-month basis, because I don't have the -- let me say
23 this correctly -- it is all on the map, let's say.
24 There are several months where the peak temperatures are
25 less in the base year than what I would call normal,

1 what the Company calls normal. But there are other
2 years, other months that the peak temperatures are
3 significantly less or in fact maybe a month or two that
4 the temperature conditions are not -- are reflective of
5 the opposite type of weather, on a shoulder month, for
6 example.

7 Q. My question is, have you done any analysis or
8 do you have any reason to believe that the net result of
9 using the longer-term, normalized peak temperature data
10 would change significantly the data from 2008?

11 A. Setting aside any other potential differences,
12 that's right.

13 Q. It is right that you haven't done an analysis
14 to demonstrate that that would be a significant, have a
15 significant --

16 A. No. Sorry. That is correct, I have not done
17 such an analysis.

18 Q. The second item that I believe you identified
19 as a potential explanation for this delta has to do with
20 load sample inaccuracy, which I believe you have already
21 referenced in your summary as well; is that correct?

22 A. That's correct.

23 Q. And all other things being equal, are we more
24 likely to find errors in the load data from the measured
25 classes or the estimated classes?

1 A. Well, depends on what you mean by the word
2 "error." Obviously, if you are looking at a historical
3 period you know what the demand metered loads are. But,
4 obviously, for the nondemand metered classes, obviously,
5 those are subject to error for the historical period, of
6 course.

7 Q. So for the historical period it is more likely
8 that the errors, if any, in the load data would be in
9 the measured -- excuse me -- in the projected or the
10 estimated load classes and not in the measured classes,
11 correct?

12 A. I think that's generally correct.

13 Q. The third item of disparity between the
14 jurisdictional load and the class peak load that I think
15 you identified, page 5, is what you refer to as a lack
16 of dependence between the Company's energy forecast and
17 jurisdiction peak forecast.

18 A. That's right.

19 Q. That's on lines 82 and 83. Can you explain
20 what you mean by that?

21 A. I will try. And I don't think this is a large
22 issue, but this affects the jurisdiction peaks. The
23 company's methodology independently forecasts the energy
24 for each of the customer classes and then adds on losses
25 to get to the jurisdiction energy, but the jurisdiction

1 peaks are forecast completely separately. So there are
2 times when just sort of the luck, if you will, of the
3 mathematics behind the econometrics will result in
4 differences, if you will, between the two that are
5 official. Many other forecasting processes integrate
6 the two forecasts directly, and the Company does not do
7 that. But as I have said before in my testimony that
8 methodology is not uncommon in the industry.

9 Q. And you stated you don't expect that to be a
10 significant driver of the difference between the two
11 numbers; is that correct?

12 A. The two numbers being the jurisdiction peaks
13 and the class-coincident peaks?

14 Q. Correct.

15 A. Correct.

16 Q. Then the fourth, which is on lines 83 and 84,
17 is the influence of estimated losses for class demands.
18 I think several witnesses testified that losses are
19 assigned to all kilowatt hours equally without regard
20 to, for example, temperature influences; is that right?

21 A. Well, I think the word "losses are" was the
22 word used or assigned is not -- well, let's say it
23 differently. Certain loss factors are assigned, yes,
24 due to variations in where the customer classes
25 generally take service; whereas, the jurisdiction peaks

1 are forecasted based on historical data measured already
2 at input, let's say.

3 Q. Do you agree that if we were able to assign
4 transmission losses to classes based on weather it would
5 result in a higher allocation of those losses to the
6 weather-sensitive classes?

7 A. I'm not an engineer, but I can -- I generally
8 understand that when the weather is hotter losses are
9 greater. I think that's where you are headed.

10 Q. Thank you. Then the fifth and last, I
11 believe, at least that I saw, area that you identified
12 as a potential explanation for the delta between the
13 class jurisdiction -- excuse me -- the jurisdictional
14 loads at peak day and the class loads at peak day are on
15 lines 84 through 86, and I will credit you here I think
16 with being prescient, you indicated potential
17 inconsistencies introduced by the method by which base
18 year hourly loads, whether from load samples or census
19 loads, are used to develop a test period loads -- are
20 used to develop test period loads for each class.
21 That's exactly the issue that the Company went back and
22 realized they had done, correct, that the manner in
23 which they took the base year loads and forecast them
24 forward introduced inconsistencies with the test period,
25 excuse me -- with the peak day relationship; is that

1 right?

2 A. I think that's essentially correct, yes.

3 Again, based on the Company's rebuttal testimony.

4 Q. Now, if you will turn to page 9, then, of your

5 rebuttal -- excuse me -- your surrebuttal. Again, what

6 we just went through is in your rebuttal testimony

7 before you had seen the Company's attempt to address

8 that fifth factor you identified, correct?

9 A. That's correct.

10 Q. Now, in your surrebuttal you state on line 158

11 that Mr. Thornton's outlines would quote "represent a

12 conceptual improvement," and I won't fill in, you can if

13 you want, but it doesn't address the other problems, and

14 I assume you mean primarily the four other problems that

15 we discussed and that you identified in your rebuttal

16 testimony; is that right?

17 A. Well, I wouldn't refer to them as problems.

18 They are simply differences between the jurisdiction

19 peaks and the class loads. It isn't necessary for the

20 class cost of service for those two to be equal. So any

21 differences between the two are not necessarily problems

22 or errors.

23 Q. Although, on line 160 you used the word

24 "problems." I was actually quoting you.

25 A. Correct. But I'm not referring to the

1 difference between jurisdiction peaks and class loads.

2 Q. Right. You were referring to the four
3 problems or issues that we addressed before or not?

4 A. No.

5 Q. Your example of one of the problems is the
6 weather conditions?

7 A. That is a problem, yes.

8 Q. Which we have already discussed?

9 A. Sure.

10 Q. Now, on lines 166 and 167, responding to a
11 question whether this new data represents a quote
12 "numerical improvement," you say, "It is far from
13 certain," and then you indicate it requires significant
14 additional discovery. What discovery would you need to
15 ask to determine whether or not Mr. Thornton's updated
16 data represents a quote "numerical improvement" over the
17 estimates used in the direct testimony?

18 A. I believe I need additional historical base
19 year load data for the classes, whether it is census,
20 metered or based on load research data, which I have
21 asked that question in a recent data request. I have
22 also asked a few other questions regarding whether the
23 Company has an idea about the weather conditions that
24 were actually in place for the directly filed test year
25 peaks. So there are a couple of other questions as well

1 that I recently asked that might yield that kind of
2 comfort, if you will.

3 Q. Let me -- and I appreciate you telling us
4 about the data request you have recently asked. Let me
5 follow up just briefly. You said you need additional
6 base period data?

7 A. That's right.

8 Q. For different years?

9 A. Correct.

10 Q. And is that in order to introduce the
11 normalization that you discussed?

12 A. No, that's to see to what extent the future
13 test year loads, class loads, sort of hold together or
14 make sense.

15 Q. You are talking about on the 12 peak days? Or
16 are you talking about a broader issue than that?

17 A. On the 12 peak days, I will say generally.

18 Q. Again, so I understand, you have the data for
19 the 12 peak days from the base period and what they
20 project into the test period. Are you saying you need
21 data from the 12 peak days in prior years?

22 A. That's correct.

23 Q. Is that again so that you can normalize, like
24 you have discussed the data, instead of just taking 2008
25 12 peak data, you want to take the normalization or

1 average of those over a longer period?

2 A. Ideally, if I had many years of base year
3 class data I could perform that sort of weather
4 normalization. I think there are other issues that that
5 kind of analysis would help to sort of resolve.

6 Q. And then, secondly, you say you have asked for
7 the weather conditions as of the 12 peak days in '08; is
8 that correct?

9 A. No. Those are easily available. It is the
10 weather conditions that are -- that correspond, if you
11 will, to the test year peaks, because it is not knowable
12 what day those peaks actually came from.

13 Q. So you are asking for what the Company assumed
14 would be the weather conditions on the 12 peak days in
15 the test period?

16 A. I think "assumed" is the wrong word, but
17 that's generally correct.

18 Q. When did you ask these data requests?

19 A. I don't recall exactly, but it was within the
20 last two weeks.

21 Q. And do you have responses?

22 A. Not that I am aware of.

23 Q. Why did you ask them within the last two
24 weeks?

25 A. Well, we only had the rebuttal testimony from

1 the Company I guess November 14 or so, and it wasn't
2 even clear in the rebuttal testimony that I reviewed,
3 Thornton's testimony, that is, that the analysis that
4 Thornton referred to was even reflected throughout the
5 Company's rebuttal filing. It was more of an aside that
6 I took, so it may have taken a couple more days to sort
7 of get to the bottom of the fact that this permeates the
8 entire case. Again, I'm -- I was reviewing certain
9 witnesses' testimony, not all the testimony.

10 Q. Let's make sure we understand. Mr. Thornton's
11 updates were filed on November 12, correct?

12 A. That's correct.

13 Q. And you didn't ask any questions between
14 November 12 and November 30, but in your -- you didn't
15 ask those questions between those two days; is that
16 correct?

17 A. I believe that is correct.

18 Q. You believe it is correct? And in your
19 surrebuttal you surmise that they had used that new data
20 throughout, as well as Mr. Mancinelli concluded the same
21 thing, correct?

22 A. Of course, yes.

23 Q. So sometime before November 30 you realized
24 that. I am just trying to understand what made you wait
25 for so long? Why once you saw it didn't you immediately

1 ask data requests to see whether or not that data, in
2 your opinion, was an improvement or not an improvement
3 over the peak load forecast used in the direct filing?

4 A. I think that it is fair to say that the
5 rebuttal testimony and the implications of the rebuttal
6 testimony required sort of a front to backward view of
7 all of the data requests we had already submitted,
8 because it was quite a curveball. And I want to say I
9 think that's true of the other witnesses and other
10 intervenors as well.

11 Q. At least one intervenor in this proceeding in
12 his surrebuttal was able to go back and try to
13 demonstrate the validity of the Company's updates in
14 Mr. Brubaker's assessments. Did you read that?

15 A. Yes, I have.

16 Q. Who made the policy decision, if you will, if
17 you know, among you, Mr. Mancinelli, Dr. Brill or anyone
18 else for the Division, that rather than explore that
19 data and ask the data request you indicated on the 30th
20 you would have to do in order to validate it, that you
21 would take the position you don't have time to validate
22 it and not try and go through the process?

23 A. Were you asking who made that determination?

24 Q. Yes.

25 A. I am not aware. I don't specifically recall.

1 Q. Were you ever asked, were you ever instructed
2 not to request it, because it was just too late, and the
3 Division was not going to bother with it or anything to
4 that effect?

5 A. No.

6 Q. Were there any budget constraints that
7 suggested you shouldn't ask for additional data or do
8 additional analyses?

9 A. Budget was never an issue with regard to this
10 rebuttal testimony.

11 Q. So now you have asked for it, what do you
12 intend to do with that data?

13 A. It is kind of difficult to tell until I
14 actually get it.

15 Q. Well, the hearing is over, theoretically,
16 tomorrow. Do you intend by tomorrow to come back with
17 some analysis of the data you asked for in the last two
18 weeks?

19 A. No, that won't be possible.

20 Q. If this Commission were to determine that
21 rather than rely on admittedly flawed data from the only
22 party supporting it, which was the Company --

23 MS. HOGLE: Objection, your Honor, I don't
24 believe that the Company stated that the data was
25 flawed.

1 Q. Maybe I shouldn't say "data." What I am
2 trying to get at, rather than rely on peak load
3 relationships that the Company admits is not
4 representative of the respective peak dates in the test
5 period, rather than that, if this Commission were to
6 decide it would rather have you analyze the new data,
7 how long would that take you?

8 A. I don't think I can make an estimate of that
9 right now.

10 Q. More than a month?

11 A. Certainly less than a month.

12 Q. So, again, if the Commission were to decide it
13 would rather have solid data to base cost of service and
14 rate design testimony on, you wouldn't object, I assume,
15 to doing the analysis you indicate?

16 A. I never object to doing work, if that's what
17 you mean.

18 MR. DODGE: I have no further questions.
19 Thank you.

20 CHAIRMAN BOYER: Mr. Reeder?

21 CROSS EXAMINATION

22 BY MR. REEDER:

23 Q. Mr. Nunes, what is a confidence interval or
24 confidence level?

25 A. Those are two different terms. I will answer

1 the confidence interval term. Confidence interval is
2 intended to represent the likely values, likely range of
3 values that would occur a certain percentage of the
4 time.

5 Q. What is a confidence interval?

6 A. That's what I just answered. Confidence level
7 is the percent of time. If I say a 90-percent
8 confidence level, then I would construct a 90-percent
9 confident interval, two different concepts.

10 Q. So if the Company has represented that the
11 sampling data will produce the desired information plus
12 or minus 10 percent precision at a 90-percent confidence
13 level, what does that mean?

14 A. The plus or minus 10 percent is the precision,
15 so you would think that the confidence interval would be
16 of a width of 20 percent.

17 Q. You have had occasion to example the sampling
18 design the Company began using in 2008, the new sample
19 design, as we have called it?

20 A. Yes.

21 Q. In that sample design they have got a sample
22 size of 660,000 households, I presume?

23 A. I'm not aware of the specific number, but that
24 sounds right.

25 Q. They have got a number of sampling meters of

1 about 170?

2 A. I think that's correct.

3 Q. And they have got a number of strata of about
4 three?

5 A. I think that's correct.

6 Q. In your experience, will that produce
7 90-percent precision at a 90-percent confidence level?

8 A. Plus or minus 10 percent. Let's just say plus
9 or minus 10 percent is quite a large band when you are
10 talking about loads, that would not surprise me, no,
11 particularly given the stratification methodology.

12 Q. Why would they reduce to three strata rather
13 than the four strata?

14 A. I don't know.

15 Q. Does that impact the quality of the sample
16 data?

17 A. It impacts the precision, almost certainly.

18 Q. When they reduce from four to three, how do
19 they maintain the same level of precision?

20 A. Well, there is a lot of inputs that drive the
21 calculation of the necessary number of samples to get
22 any particular level of precision at a particular
23 confidence level, so that there may be other moving
24 parts that you are not looking at.

25 Q. In addition to the moving parts that you are

1 implying, are the moving parts that you would suggest
2 the Company should include in their sample design to
3 ensure that the information they draw from a sample
4 provides information from which they can infer a peak
5 for class loads?

6 A. Well, the moving parts I was referring to are
7 things like the historical measured standard deviation
8 of the sample data, which is typically going to be based
9 on some previous sample results or perhaps the sample
10 results of a different utility nearby or something like
11 that. You need that data ahead of time, or at least an
12 estimate. And I really don't know what differences in
13 the sample design calculation drove that decision about
14 the parameters of the sample design for the 2008 sample.

15 Q. So would it be important to consider appliance
16 saturation, for example?

17 A. That's possible.

18 Q. Would it be important to consider the relative
19 size of the dwelling, for example?

20 A. It would. But most of those variables you are
21 referring to are also very highly correlated with total
22 usage, which is the stratification variable and the
23 variable that is used to determine the standardization
24 of the data. It is energy data that is used for the
25 purpose of developing the sample.

1 Q. So the --

2 A. I said that wrong.

3 Q. I thought it sounded strange.

4 A. It is the demand data from a historically
5 sampled customer that would be used to drive the sample
6 design. So to the extent those variables are highly
7 correlated with the variable of interest, then it
8 wouldn't be absolutely critical, if you will, to address
9 those other variables.

10 Q. Do you want to explain that, how if demand is
11 the information you are seeking that it is important to
12 know how that demand is generated? If one house turns
13 their air conditioner on for one day they have got
14 100 kilowatts. If one house turns on 1 kilowatt of
15 lightbulb for 100 days, they have got one. Why isn't it
16 important to know the saturation?

17 A. I didn't say it wasn't important. I said it
18 wasn't critical, because of the correlation between the
19 appliances that -- because of the correlation of the
20 appliances you are talking about or the saturation of
21 those appliances to load, peak demand.

22 Q. It isn't necessary to acquire them, in your
23 judgment?

24 A. It isn't critical.

25 Q. You are drawing a distinction that I am not

1 sure I understand the difference. Do you want to help
2 me?

3 A. Certainly, by achieving other types of data
4 about household energy usage, you could possibly develop
5 some other kind of a stratification variable, if it was
6 determined that that variable was responsible for
7 significant additional differences in demand, that you
8 weren't capturing based on your sample design.

9 Q. Would location be important?

10 A. Location would probably be important, yes.

11 Q. Looking at the Company sample design, have you
12 been able to determine whether or not those things that
13 are important but not critical are taken into
14 consideration?

15 A. They are not taken into consideration, no.

16 Q. In your judgment would they be -- I am
17 troubled to use the word "critical" -- would they be
18 something one ought to do to have a sample reliable for
19 use in predicting peaks?

20 A. I think it would be an analysis that the
21 Company should undertake to understand whether those
22 variables have a seasonal impact on the usefulness of
23 the demands that result from the load sampling, yes.

24 Q. Do you think it would be critical for this
25 Commission -- "critical," again, a word I don't want to

1 use -- important for this Commission to have that
2 analysis in front of them before they begin to rely on
3 this sample data for purposes of beginning the analysis
4 of predicting class load peaks?

5 A. I think there are plenty of other issues at
6 stake, so I don't think it would be critical.

7 Q. Would it be important? You are dodging on the
8 word "critical." I understand we may not be speaking
9 the same language.

10 A. I think at the least the Company should have
11 some data about its customers that would allow it to
12 understand whether certain other issues were at play
13 that could damage the quality of the sample design.

14 MR. REEDER: I have nothing further.

15 CHAIRMAN BOYER: Thank you, Mr. Reeder.

16 Mr. Gardiner, any questions for Mr. Nunes?

17 CROSS EXAMINATION

18 BY MR. GARDINER:

19 Q. I just have a couple questions to try to put
20 this in perspective. You were here when Mr. Mancinelli
21 testified, weren't you?

22 A. Yes, I was.

23 Q. Do you have any more confidence in Rocky
24 Mountain Power's class load data than he did?

25 A. I don't think Joe had any information other

1 than what I had to tell him, so the answer would
2 probably be no.

3 Q. So you don't have confidence in Rocky Mountain
4 Power's load data, do you?

5 A. Which load data are you referring to?

6 Q. What he referred to.

7 A. You will have to remind me.

8 Q. Don't you remember I specifically asked him if
9 he had confidence in Rocky Mountain Power's load data?
10 He said based on the results, no, or words to that
11 effect? He didn't mince the answer. I'm asking you, do
12 you have confidence in Rocky Mountain Power's load data?

13 A. No, I don't.

14 Q. Like him, do you believe there is a much-
15 needed review of the entire cost of service allocation
16 methodology?

17 A. I'm not a cost of service expert, so I don't
18 have an opinion.

19 Q. Not one way or the other? You don't lean one
20 way or the other that there ought to be an entire review
21 of it?

22 A. I think I answered the question. No. I'm
23 sorry, I don't have an opinion.

24 Q. That's okay. When it comes to weatherization
25 factors, the only factor that Rocky Mountain Power used

1 was temperature for summer peak loads, didn't it?

2 A. Can you repeat the question?

3 Q. The only weather factor that was used to help
4 them establish peak demands during the summer was
5 temperature, right? I think he used the word
6 "temperaturization."

7 A. Sorry, weather normalization is the term, but
8 I think you are correct.

9 Q. They didn't use precipitation. Don't you
10 think precipitation ought to be a factor when you are
11 trying to determine what the demands are by irrigators
12 who pump their wells?

13 A. I think it is fair to say that the
14 jurisdiction peaks to which we are now I believe talking
15 about typically do not happen during days of
16 precipitation; but if you are referring to the class
17 loads, then you would want to take that into account in
18 some fashion, yes.

19 Q. Wouldn't precipitation be the main weather
20 factor you would take into account in determining when
21 the peak demands would be by irrigators who pump wells?

22 A. I guess you are referring to like a
23 non-coincident peak, a peak of the irrigators
24 themselves?

25 Q. Right.

1 A. I think that's correct, yes.

2 Q. That hasn't been done, has it?

3 A. I don't think the non-coincident peaks of the
4 irrigators are of primary issue that I have been focused
5 on or any of these witnesses have been focused on.

6 Q. And no witnesses focused on precipitation, the
7 demand irrigators have put on the system, have they?

8 A. I think that's fair to say, yes.

9 MR. GARDINER: I have no other questions.

10 MS. SMITH: I have no questions, your Honor.

11 CHAIRMAN BOYER: Messrs. Allen, Campbell? Nor
12 do I.

13 Ms. Schmid, any redirect?

14 REDIRECT EXAMINATION

15 BY MS. SCHMID:

16 Q. Mr. Nunes, Ms. Hogle from Rocky Mountain Power
17 asked you some questions concerning monthly data and
18 annual data. Do you recall that line of questioning?

19 A. I do.

20 Q. Is monthly data important due to seasonal
21 allocation of costs in this case?

22 A. Absolutely.

23 Q. Mr. Dodge asked you some questions concerning
24 the time period between the receipt of what I will call
25 the new data and the filing of rebuttal testimony. Do

1 you recall that line of questions?

2 A. I do.

3 Q. During that period of time were you preparing
4 surrebuttal testimony on behalf of the Division?

5 A. I'm sure I would have been, yes.

6 Q. And is it fair to say that the data was
7 complicated and would require study to be able to
8 analyze and interpret it correctly?

9 A. Yes.

10 MS. SCHMID: Thank you.

11 CHAIRMAN BOYER: Thank you. Thank you very
12 much, Mr. Nunes. You are excused.

13 It's 4:00, and these were the witnesses we had
14 scheduled for today, but would it make sense to take
15 another witness today?

16 MR. PROCTOR: May I have a moment?

17 CHAIRMAN BOYER: Please. Indeed, Mr. Proctor,
18 if you decide to go forward and need a short recess we
19 could do that as well. But go ahead and consult with
20 your client.

21 MR. PROCTOR: Mr. Chairman, if we could take a
22 break, and we would like Mr. Gimble to go on and get him
23 done, and that would leave us with two witnesses
24 tomorrow. I would like to carry Mr. Chernick over until
25 tomorrow so that his testimony is in fact in a single

1 time.

2 CHAIRMAN BOYER: I think that's a great
3 suggestion, one I would have made. How much time do you
4 need, Mr. Proctor? Ten minutes?

5 MR. PROCTOR: Yes.

6 CHAIRMAN BOYER: Let's take a ten-minute
7 recess until 12 after or so.

8 (A recess was taken.)

9 CHAIRMAN BOYER: Okay, let's go back on the
10 record. I could be wrong, but I don't think you have
11 sworn in, in this proceeding, have you, Mr. Gimble?

12 DANIEL E. GIMBLE,
13 called as a witness, having been duly sworn, was
14 examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. PROCTOR:

17 Q. Mr. Gimble, if you would state your name,
18 spell your last name for the record, state by whom you
19 are employed, on whose behalf you are appearing here
20 today, and what your position is with your employer.

21 A. My name is Daniel E. Gimble, G-i-m-b-l-e. I
22 am with the Office of the Consumer Services. I'm a
23 special projects manager there.

24 Q. Mr. Gimble, in this matter have you filed
25 written testimony consisting of direct testimony which

1 has been marked as OCS Exhibit No. 5.0D, rebuttal
2 testimony marked as OCS Exhibit No. 5.0R, and finally
3 surrebuttal testimony marked as OCS Exhibit No. 5.0SR?

4 A. I have.

5 MR. PROCTOR: Mr. Chairman, I believe that
6 there is a typographical error on the witness list and
7 exhibit list that was provided to you. We will
8 substitute one that substitutes "OCS" for "DPU." I will
9 do that tomorrow morning, if that's acceptable to you.

10 CHAIRMAN BOYER: Yes, that would be fine,
11 thank you.

12 Q. Mr. Gimble, do you have any corrections that
13 need to be made to any of the volumes of testimony you
14 provided?

15 A. No. I did make one correction in my table 3
16 in my direct testimony, but I made that in my rebuttal
17 testimony, so that was my only correction.

18 Q. And if I were to ask the same questions of you
19 today as you responded to in your written testimony,
20 would your answers remain the same?

21 A. They would.

22 MR. PROCTOR: The Office would offer into
23 evidence the Gimble testimony that we have identified.

24 CHAIRMAN BOYER: Thank you, Mr. Proctor. Any
25 objection to the admission of Mr. Gimble's direct,

1 rebuttal and surrebuttal testimony? They are admitted.

2 MR. PROCTOR: Thank you, Mr. Chairman.

3 Q. Mr. Gimble, do you have a summary of your
4 testimony?

5 A. I do.

6 Q. Would you provide that, please.

7 A. In terms of my direct testimony it represents
8 the Office's initial rate spread proposal, the basis for
9 that proposal, general criteria to guide the
10 Commission's rate spread decisions, the classes we
11 represent, and improvements to the cost of service study
12 recommended by the Office's cost of service expert, Mr.
13 Chernick.

14 My initial rate spread proposal was based on a
15 revenue requirement reduction of about \$6 million. That
16 proposal involved rate increases for the commercial and
17 irrigation classes, near or at the jurisdictional
18 average increase, a rebalancing of the rates between the
19 residential schedule 1 and large industrial schedule 9,
20 to move those classes closer to cost service, no rate
21 change for schedule 8.

22 We had three factors we used in terms of
23 performing the spread proposal. First, the cost of
24 service study results filed in the direct case, showing
25 class-earned returns.

1 Secondly, trends in class returns dating back
2 to 2003 as shown in my corrected table 3, and also
3 concerns with the accuracy of the irrigation load data.

4 We also at the end of my direct testimony, or
5 in my direct testimony laid out general criteria to
6 guide the Commission's determination of rate spread for
7 the residential, small commercial and irrigation
8 classes. In terms of the residential classes any
9 increases we believe to the residential class should be
10 limited to no greater than 1 percent at any revenue
11 requirement level -- revenue requirement change level I
12 should say. If the revenue increase in this case is
13 below \$10 million then we believe these schedules should
14 not receive any rate increase.

15 Schedule 23 we believe the increase should be
16 near or at the jurisdictional average, that that class
17 has been performing very well in the Company's cost of
18 service studies really dating back to the last six
19 cases. We believe schedule 25, which is mobile home
20 parks, should equal the increase that schedule 23 gets.
21 And schedule 10, irrigators, we believe they should get
22 the jurisdictional average increase, and the testimony
23 on that is because of our concerns with the accuracy of
24 the irrigation load data.

25 In terms of rate schedule 25, we recommended

1 that be eliminated in the next rate case and that the
2 mobile home parks, the owners be moved to a different
3 schedule. We recommended schedule 23, and I believe the
4 Company generally agrees with that in their rebuttal
5 testimony.

6 Lastly, my testimony lists the improvements to
7 the cost of service study recommended by the Office's
8 expert, Mr. Chernick.

9 In terms of rebuttal testimony, my rebuttal
10 testimony discusses common ground among spread proposals
11 with the exception of UIEC's uniform percentage change
12 proposal.

13 My surrebuttal testimony, and this is where we
14 deal with the new load data, or the changed method in
15 terms of producing load data, it primarily responds to
16 the Company's revised rate spread proposal and
17 associated new cost of service study. I note that
18 RMP -- I already hit that.

19 Lastly, I provide the Office's spread proposal
20 at its new proposed revenue requirement reduction level
21 of \$10.9 million.

22 Turning to the new load data for a minute, my
23 surrebuttal testimony shows approximately \$22 million in
24 cost responsibility has been shifted from the commercial
25 and industrial classes to the residential classes in

1 comparing Mr. Paice's direct and rebuttal cost of
2 service results. These are in his Exhibit CCP-1 direct
3 and Exhibit RMPCCP-1R.

4 My table 1SR shows classes all increase at the
5 expense of a sharp reduction in the return for
6 schedule 1. The calculated cost of service increase for
7 schedule 1 increases from .6 percent in RMP's direct
8 case, in terms of what Mr. Paice filed, in terms of the
9 cost of service result, at the company's proposed
10 \$67 million increase, to about a 4-percent increase in
11 his rebuttal case after the introduction of the new load
12 data, and that's at a lower revenue, requested revenue
13 requirement level of 55 million.

14 I want to spend a little time responding to
15 Mr. Griffith's claim that the proposed increase to the
16 residential class hasn't materially changed between the
17 direct and rebuttal case. Mr. Griffith is correct that
18 the Company's recommended rate increase for the
19 residential class hasn't changed, and it still would
20 increase revenues associated with that class by about
21 \$22 million. What has changed, though, is Mr. Paice's
22 cost of service study results, which results in an
23 additional \$22 million to the residential class in his
24 rebuttal cost of service results. So I wanted to
25 attempt to clarify that.

1 In terms of the new cost of service study, the
2 Office recommends the Commission reject the Company's
3 rebuttal cost of service study and not rely on it to
4 guide spread decisions in this case. We believe the new
5 cost of service study has not been properly supported
6 with evidence, has not been subjected to an intensive
7 review process. I would just pause there for a minute.

8 The Office did submit DR's, after we saw the
9 Company's rebuttal testimony, it took us about four or
10 five days to assess that testimony, get those DR's out,
11 and our response based on those DR's and looking at the
12 rebuttal testimony is contained in Mr. Chernick's
13 surrebuttal testimony.

14 Finally, we believe the new cost of service
15 study has a significantly negative impact on one major
16 customer class, and that's the residential class, as
17 shown in Mr. Paice's rebuttal cost of service results.

18 Finally, the office spread proposal at a
19 \$10.9 million decrease for residential schedule 1, we
20 propose a 2-percent decrease for small commercial 23, a
21 .66-percent decrease; large commercial 6, .66-percent
22 decrease; the general service 8, no rate change; large
23 industrial, a 2.5-percent increase; and for the
24 irrigation class, schedule 10, a .79-percent decrease,
25 which is the jurisdictional average.

1 Mr. Chernick's testimony that assesses the load data, in
2 his direct testimony, he has concerns with the
3 irrigation class not meeting the design criteria. We
4 did not address the other classes, per se.

5 In terms of the new load data, we do have
6 concerns in terms of No. 1 that the late filing, the
7 late introduction of that load data and the Company's,
8 you know, heavy reliability on it for rate spread
9 purposes, the fact that we made some attempt to review
10 it, but we haven't done an in-depth, thorough analysis
11 of the new method and associated load data.

12 Q. So what principles should guide us in the face
13 of uncertainty?

14 A. Well, I think one thing that does need to
15 happen with the introduction of the new method to create
16 the load data for use in the cost of service model is
17 there probably needs to be some technical conferences in
18 the future that results in some kind of presentation to
19 the Commission, the conclusions of that analysis that
20 occurs at the time of our conferences on the new method
21 and the associated load data.

22 Q. Let's go back to the question I asked. What
23 principles shall we follow in the allocation of a
24 revenue requirement in the face of uncertainty? Let me
25 help you. Do you believe we should fund it with short

1 stability in rates?

2 A. I do believe rate stability is an important
3 consideration, but I guess I would go back, even with an
4 introduction of the new load data in this case, it only
5 increases the earned return, the calculated earned
6 return for schedule 9 to about .78 that's shown in
7 Mr. Paice's testimony.

8 Q. The load data is only one of the uncertainties
9 in this case, isn't it?

10 A. There are other suggested changes.

11 Q. In the face of those uncertainties do you
12 believe stability is important?

13 A. I believe stability is always a consideration.

14 Q. By promoting stability do you think we should
15 avoid swings?

16 A. Our testimony is we should follow as a guide
17 the cost of service results that were filed in the
18 direct case, for rate purposes.

19 Q. Do you think it is wise to decrease rates in
20 the face of uncertain data?

21 A. Please ask that again.

22 Q. Do you think it is wise to decrease some rates
23 in the face of uncertain data?

24 A. That's our proposal.

25 Q. I understand it is your proposal. I asked you

1 if you thought it was wise.

2 A. The rate decrease? The rate decreases for
3 schedules 23, 10 and 6 aren't significant. There is a
4 little more of a rebalancing between 1 and 9 based on
5 the cost of service study results.

6 Q. In the face of the uncertain data on this
7 record, have you considered whether or not Mr. Higgins'
8 proposal is reasonable?

9 A. I think there are some problems, number one,
10 with Mr. Higgins' proposal relies on the new load data,
11 the rebuttal cost of service study, and he has, if you
12 will, a carve-out for schedule 6 based on that load
13 data. Schedule 23 actually outperforms 6, and he has
14 got schedule 23 at the jurisdictional average.

15 Q. So you don't like his proposal because he uses
16 the corrected data?

17 A. That's one of the reasons. The other reasons,
18 I don't think he has got a comparable proposal in terms
19 of what he has done with 23.

20 Q. If you think the data is sufficiently
21 unreliable it should be used for no purposes, do you
22 agree with Mr. Brubaker's proposal?

23 A. That's not our position. Our position is
24 there should be some rebalancing in this case between
25 schedules 1 and 9.

1 Q. You want a rebalancing, even if it causes
2 harm?

3 A. Based on what we have analyzed, we don't think
4 it will cause harm.

5 MR. REEDER: Nothing further.

6 CHAIRMAN BOYER: Thank you, Mr. Reeder.

7 Mr. Gardiner, any questions?

8 MR. GARDINER: I have my microphone on, but I
9 do not have any questions.

10 CHAIRMAN BOYER: Ms. Smith?

11 MS. SMITH: Wal-Mart has no questions for this
12 witness. Thank you.

13 EXAMINATION

14 BY COMMISSIONER ALLEN:

15 Q. Mr. Gimble, I am looking at the testimony and
16 looking at also the summary of the positions of the
17 parties, and I see you have taken no position on
18 lighting, outdoor lighting; is that correct?

19 A. That's correct.

20 Q. Am I missing it somewhere, is there a
21 spreadsheet that shows me what lighting might do, what
22 might happen to outdoor lighting if we applied your
23 percentages in the other schedules? I'm just curious
24 because if we come up with a number when we make a
25 decision, isn't the implication that outdoor lighting is

1 going to pick up any differences in allocations?

2 A. Outdoor lighting is a pretty small class. It
3 is probably along the lines of the irrigation class. I
4 don't think it is going to impact things too much.

5 Q. So would it be fair --

6 A. The other reason we didn't address lighting,
7 it isn't our statutory.

8 Q. Because there is a blank in the spreadsheets,
9 in the calculation, would it be fair if we were taking a
10 look at this and we were to apply your other
11 percentages, would it be fair to back into that applied
12 percentage as the difference of what is applied to
13 whatever the decision is? Are we going to be conducting
14 ourselves fairly if we create that by backing into it as
15 a plugged number?

16 A. I mean I think outdoor lighting for a few
17 cases in a row has had a robust return.

18 Q. So one possibility, what you are saying is it
19 is going to be zero on the spreadsheet if we have to
20 re-create that implied number, that complement?

21 A. I mean if you are asking my opinion whether I
22 would groove the lighting schedules in terms of the rate
23 decrease, I would probably, if I had to give an opinion,
24 and given the return, I would probably put it below more
25 towards where the residential class is, if you are

1 asking my opinion on it.

2 Q. The bottom line is, in interpreting your
3 spreadsheet, if we decide we need to put something
4 there, it is up to our own devices as a Commission,
5 based on your recommendation?

6 A. Yes.

7 COMMISSIONER ALLEN: Thank you.

8 CHAIRMAN BOYER: I have no questions of
9 Mr. Gimble.

10 Any redirect, Mr. Proctor?

11 REDIRECT EXAMINATION

12 BY MR. PROCTOR:

13 Q. Mr. Gimble, Mr. Reeder prefaced his question
14 with the statement that OCS had rejected the rebuttal
15 cost of service recommendations from the Company because
16 they were tardy. Was their late filing one of the
17 reasons that the office now rejects them?

18 A. It was only one of the reasons.

19 Q. What are the other reasons?

20 A. We did perform some limited analysis which is
21 contained in Mr. Chernick's testimony -- I think I
22 discussed that a little bit -- that shows there are
23 concerns, that we do have some significant concerns with
24 the new load data in terms of not just impacting, for
25 example, the CP allocator but also other allocators, and

1 we are not quite sure why that's happening. It is
2 having a pronounced impact, because it is impacting
3 other allocators as well as having a pronounced impact
4 on particularly the residential.

5 MR. PROCTOR: Thank you, Mr. Gimble. I have
6 nothing further.

7 CHAIRMAN BOYER: Thank you, Mr. Gimble. You
8 are excused.

9 I think that concludes today's hearing.
10 Thanks for everyone's participation. I think we did a
11 good day's work today. We will reconvene tomorrow
12 morning at 9:00. Thank you.

13 (These proceedings were adjourned at 4:36 PM)

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C E R T I F I C A T E

I, BRAD J. YOUNG, hereby certify that I attended and reported the proceedings in the above-entitled and numbered matter and that the foregoing is a true and correct transcription of my stenographic notes thereof, to the best of my understanding, skill and ability on said date.

Dated at Salt Lake City, Utah, this 21st day of December, 2009.

BRAD YOUNG
COURT REPORTER

