

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations)	Docket No. 10-035-124
)	
)	Rebuttal Testimony
)	of Donna Ramas
)	For the Office of
)	Consumer Services

June 30, 2011

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1 **Introduction**

2 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

3 A. My name is Donna Ramas. I am a Certified Public Accountant licensed in
4 the State of Michigan and a senior regulatory analyst at Larkin &
5 Associates, PLLC, Certified Public Accountants, with offices at 15728
6 Farmington Road, Livonia, Michigan 48154.

7

8 **Q. ARE YOU THE SAME DONNA RAMAS WHO SUBMITTED DIRECT**
9 **TESTIMONY IN THIS DOCKET ON MAY 26, 2011?**

10 A. Yes, I am.

11

12 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13 A. I am addressing some of the positions taken by the Division of Public
14 Utility (DPU) witnesses, in their direct testimony filed on May 26, 2011.

15 Specifically I will be addressing:

16 (1) Artie Powell's recommended adjustment to Generation Overhaul
17 expense;

18 (2) Brenda Salter's recommended Renewable Energy Credit ("REC")
19 Tracker or alternative adjustment to REC revenues; and

20 (3) Mathew Croft's recommended update to the composite
21 depreciation rate.

22

23

24 I also discuss the REC recommendations presented in the May 26, 2011
25 direct testimony of Utah Association of Energy Users Intervention Group
26 (“UAE”) witness Kevin Higgins and US Magnesium LLC witness Roger
27 Swenson, as well as certain mischaracterizations presented in the
28 Supplemental Direct Testimony of Steven R. McDougal on June 2, 2011.

29

30 Each of the above referenced issues will be addressed below.

31 **Generation Overhaul Escalation**

32 **Q. DID RMP ESCALATE THE HISTORICAL GENERATION OVERHAUL**
33 **COSTS IN ITS NORMALIZATION ADJUSTMENT IN THIS CASE?**

34 A. No, it did not. The issue of the escalation of the historic generation
35 overhaul costs in determining the normalized level is addressed at page
36 43 of the Direct Testimony of Steven R. McDougal, lines 956 – 966:

37 The Company’s use of a four-year historical average was approved
38 by the Commission in Docket No. 07-035-93, as was the use of a
39 four-year average of planned expenses for the Company’s new gas
40 plants. This treatment, including escalation of the historical
41 components of the average, was utilized in the Company’s filing in
42 Docket Nos. 08-035-38 and 09-035-23, but the Commission did not
43 allow escalation to be applied in its final order in Docket No. 09-
44 035-23. The Company continues to believe that the purpose of
45 averaging is to adjust for uneven costs, not to adjust for inflation
46 and that without escalation overhaul expenses will be
47 systematically understated. However, consistent with the
48 Commission order, the Company has not applied escalation prior to
49 averaging in this case.
50

51 Thus, in preparing its filing, the Company chose to reflect the methodology
52 that was required by the Commission in two prior orders, each of which
53 specifically disallowed the application of an escalation factor.

54

55 **Q. HOW WAS THE ISSUE OF THE ESCALATION OF HISTORICAL**
56 **GENERATION OVERHAUL COSTS FOR PURPOSES OF**
57 **DETERMINING THE NORMALIZED COST LEVEL ADDRESSED BY**
58 **THE COMMISSION IN DOCKET NO. 07-035-93?**

59 A. The Commission addressed this issue in the August 11, 2008 Order in
60 Docket No. 07-035-93, at pages 81 – 82, as follows:

61 First, in our recollection, this is the first time escalation within
62 averaging has been proposed. We are not persuaded this is an
63 appropriate approach and are concerned, if accepted here, such a
64 practice would be extended to other cost items, by both PacifiCorp
65 and Questar Gas Company. The basis for using averages of actual
66 costs is because book amounts vary from year to year, and the
67 costs in one year are not considered normal. In the next case,
68 following the precedent established here, the Company will assert
69 this year's actual expense, considered in this case to be abnormal,
70 can be escalated to obtain a reasonable level of expense for the
71 next year. This seems to defeat the purpose of constructing an
72 average, which is to smooth out the year-to-year abnormalities.
73 Escalation in the Company's approach serves merely to inflate the
74 average, and the average is already higher than the budget.

75

76 **Q. HOW DID THE COMMISSION ADDRESS THIS ISSUE IN THE LAST**
77 **PACIFICORP RATE CASE?**

78 A. In the prior rate case, Docket No. 09-035-23, RMP again requested that
79 the historical balances used in deriving the four-year average normalized
80 cost be escalated, while OCS again recommended that the historical

81 amounts not be escalated. In its direct testimony in that Docket, the DPU
82 did not apply escalation to the historical balances in deriving its
83 recommended normalized amount. However, in the surrebuttal testimony
84 filed by DPU witness Artie Powell, the DPU modified its position in that it
85 recommended that the amounts be escalated. The Commission's
86 February 18, 2010 Order in Docket No. 09-035-23, at page 96, describes
87 the DPU's position: "According to the Division, the Commission could
88 choose to leave the issue open for more discussion, if needed, in future
89 cases without making any broad policy decisions here, but it recommends
90 the adjustment adopted in the 2007 rate case not be made in this case."

91

92 At page 97 of its February 18, 2010 Order, the Commission resolved the
93 issue of whether or not the historical amounts should be escalated in
94 determining the normalized amount to include in rates as follows:

95 In addition to those reasons enunciated in our prior order in Docket
96 No. 07-035-93, the Company provides no analysis of how their
97 approach when applied to historical data provides reasonable
98 results over time. The evidence provided in this case, and in other
99 recent cases, is not sufficient to support adoption of the Company's
100 method. For these reasons we do not accept the Company's
101 recommendation, rather we uphold our original decision in Docket
102 No. 07-035-23 and therefore accept the Office's adjustment.

103

104 The Order did not indicate that the issue was being held "open for more
105 discussion, if needed, in future cases" as suggested by the Division in that
106 docket. Rather, it specifically found that the evidence provided in the
107 case, as well as in other then recent cases, was not sufficient to support

108 the escalation of the historical balances in deriving the normalized level to
109 include in rates.

110

111 **Q. IS THE DIVISION AGAIN RECOMMENDING THAT THE HISTORICAL**
112 **BALANCES BE ESCALATED FOR PURPOSES OF NORMALIZING**
113 **THE GENERATION OVERHAUL EXPENSE?**

114 A. Yes. Despite the Commission's clear findings in Docket Nos. 07-035-93
115 and 09-035-23 that the historical balances should not be escalated in
116 determining the normalized level, as well as the exclusion of escalation
117 from RMP's request in this case, the DPU again recommends that the
118 historical balances be escalated. The Direct Testimony of Artie Powell, at
119 page 32, lines 540 – 542, states: "After updating the New Plant GOE for
120 the most current data available, I inflate the historical values to a common
121 base year and then average the values to arrive at an estimate of the test
122 year value." The impact is a recommended increase to RMP's updated
123 generation overhaul expense of \$232,951 with the entire increase above
124 the updated level resulting from the application of inflation to the historical
125 costs used in deriving the normalized cost. Thus, the result is that the
126 Division is recommending a generation overhaul expense that exceeds
127 the updated amounts presented by RMP.

128

129 **Q. ARE THE ESCALATION FACTORS USED BY THE DPU SPECIFIC TO**
130 **THE PERIOD IT IS ESCALATING?**

131 A. No. While the DPU is escalating costs incurred in the years ended June
132 30, 2007, 2008, 2009 and 2010, it did not use historical escalation factors
133 specific to those periods. Rather, it used an average of forecasted
134 escalation factors derived by Global Insights for the period June 2010
135 through June 2012 for maintenance for Steam and Other production costs.

136

137 **Q. HAS THE DPU ACCURATELY DESCRIBED THE POSITIONS TAKEN**
138 **BY THE PARTIES IN PRIOR RMP RATE CASES?**

139 A. No. In addressing this issue, at page 27, of Dr. Powell's testimony, lines
140 467 through 469, he states that "In past rate cases, parties have
141 advocated one of two methods to forecast generation overhaul expense
142 (GOE)." Dr. Powell then identifies "Method 1" as inflating the average of
143 four historical values and "Method 2" as averaging the inflated historical
144 values to estimate the test period value. However, Dr. Powell's
145 summarization of the methods or approach advocated in prior cases
146 completely excludes the method recommended by the OCS in prior cases,
147 which was adopted by the Commission in those cases, that a straight four
148 year average approach be used without any escalation applied.

149

150 **Q. HAS DR. POWELL PRESENTED ANY NEW EVIDENCE IN THIS CASE**
151 **INSUPPORT OF HIS ESCALATION OF THE HISTORICAL BALANCES**
152 **IN DERIVING THE NORMALIZED GENERATION OVERHAUL**
153 **EXPENSE LEVEL THAT HAS NOT PREVIOUSLY BEEN CONSIDERED**

154 **BY THE COMMISSION OR THAT YOU FIND PERSUASIVE OR**
155 **COMPELLING?**

156 A. No. The information presented in Dr. Powell's testimony comparing his
157 "Method 1" (i.e., inflation of the average of four historical values) and
158 "Method 2" (i.e., averaging of the inflated historical values) and the
159 arguments regarding why Method 2 is superior to Method 1 was
160 previously presented to the Commission in his surrebuttal testimony in the
161 prior RMP rate case, Docket No. 09-035-23. A comparison of Method 1 to
162 Method 2 and various model simulations and statistical comparisons
163 under either Method 1 or Method 2 was presented to the Commission for
164 consideration in that case. There is nothing new presented in this case
165 that should lead to the conclusion that the historical costs should be
166 escalated in determining the normalized cost level. The Commission
167 should re-affirm, once again in this docket, that the historical generation
168 overhaul expenses should not be escalated for purposes of normalizing
169 generation overhaul expense to include in base rates.

170

171 **Q. WHAT IS THE OCS' RECOMMENDATION WITH REGARDS TO**
172 **WHETHER OR NOT THE HISTORICAL COST LEVELS SHOULD BE**
173 **ESCALATED IN DERIVING THE AVERAGE?**

174 A. The issue of whether or not the historical costs should be escalated in
175 deriving the normalized amount for inclusion in rates was thoroughly
176 vetted by the parties in RMP Docket Nos. 07-035-93 and 09-035-23. The

177 issue was addressed in testimony in both of those cases, and I was cross
178 examined on this very issue during the hearings in each of those cases
179 before the Commission. In each of those cases, the Commission
180 determined that the historical costs should not be escalated in deriving the
181 normalized cost level to include in rates. The DPU's repeated
182 recommendation that the costs be escalated in deriving the normalized
183 generation overhaul expense level should, yet again, be denied.

184 **REC Revenues**

185 **Q. IN THIS CASE YOU HAVE RECOMMENDED SEVERAL**
186 **ADJUSTMENTS TO THE AMOUNT OF REC REVENUES THAT**
187 **SHOULD BE INCORPORATED IN BASE RATES ALONG WITH THE**
188 **IMPLEMENTATION OF A REGULATORY DEFERRAL TO ACCOUNT**
189 **FOR THE DIFFERENCE BETWEEN THE AMOUNT OF REC**
190 **REVENUES INCORPORATED IN BASE RATES AND THE AMOUNT**
191 **REALIZED BY THE COMPANY. HAVE ANY OF THE OTHER PARTIES**
192 **IN THIS CASE ALSO RECOMMENDED ADJUSTMENTS TO THE REC**
193 **REVENUES OR SOME FORM OF REC REVENUE TRUE-UP**
194 **MECHANISM?**

195 **A.** Yes. DPU witness Brenda Salter has recommended an adjustment to the
196 amount of REC revenues included in base rates as well as the
197 establishment of a REC tracker. UAE witness Kevin Higgins recommends
198 an increase in the amount of REC revenues to be incorporated in base
199 rates as well as a method for returning currently deferred REC revenue

200 balances and projected future deferrals back to customers. Additionally,
201 on behalf of U.S. Magnesium LLC, Roger J. Swenson recommends
202 several modifications to the REC revenues included in base rates as well
203 as a mechanism for sharing REC revenues on a going forward basis
204 between ratepayers and RMP shareholders. I will address certain aspects
205 of each of these witnesses' recommendations below.

206

207 **Q. COULD YOU PLEASE BRIEFLY DESCRIBE THE RECOMMENDATION**
208 **OF DPU WITNESS BRENDA SALTER AS IT PERTAINS TO REC**
209 **REVENUES?**

210 A. Yes. Ms. Salter addresses REC revenues beginning at page 10 of her
211 direct testimony in this case. The first component of Ms. Salter's REC
212 revenue adjustment increases REC revenues incorporated in base rates
213 by \$30,433,195 on a total company basis or \$17,984,770 on a Utah
214 allocated basis in order to reflect the impact of the updates to the REC
215 revenue projection provided by RMP in its response to DPU Data Request
216 10.52-2 First Supplemental. In my prefiled direct testimony, I also
217 reflected this Company update and agree that this adjustment should be
218 made.

219

220 As part of Ms. Salter's recommendation she also states that "...the
221 Division is recommending a REC Tracker be established in order to help
222 alleviate the fluctuation the Company is seeing in its market REC price."

223 (DPU Exhibit 8.0D-RR, P.13) As part of her recommendation, Ms. Salter
224 indicates that the tracker could be structured such that the filing and rate
225 adjustments would follow the Company's recently implemented Energy
226 Balancing Account ("EBA") and that this would enable the REC revenues
227 to be trued-up at the same time as the EBA expenses.

228

229 Beginning at page 13, line 252 of her direct testimony, Ms. Salter indicates
230 that if the Commission chooses not to adopt her recommended REC
231 Tracker mechanism, then an additional adjustment to increase the amount
232 of REC revenue included in base rates should be made. The premise is
233 that the additional increase in revenues should only be reflected if the
234 tracker is not adopted. In her alternative recommendation in the event a
235 tracker is not adopted, Ms. Salter has increased the amount of REC
236 revenues to be incorporated in base rates by an additional \$40,202,531 on
237 a total Company basis above the level that is included in the Company's
238 update. The net increase to the Company's original filing would be an
239 increase in REC revenue on a total Company basis of \$70,635,726.¹

240

241 **Q. DO YOU AGREE WITH THIS APPROACH TAKEN BY MS. SALTER IN**
242 **HER DIRECT TESTIMONY?**

243 A. No, not entirely. While I agree that the Company's update that was
244 presented in its first supplemental response to DPU Data Request 10.52

¹ DPU Exhibit 8.0D-RR, lines 268 through 271.

245 should be reflected as an initial starting point, I have recommended an
246 additional increase in the amount of REC revenues to be included in base
247 rates. Additionally, I have recommended that a regulatory deferral
248 account be set up to account for, or “track” the difference between the
249 REC revenues incorporated in base rates and the amount of REC
250 revenues realized by the Company on a going forward basis with the rate
251 effective date of this case. I do not agree with Ms. Salter’s
252 recommendation that additional REC revenues should be reflected in the
253 case only if a tracker mechanism is established.

254

255 It is important that the amount of REC revenues to be incorporated in base
256 rates be calculated on reasonable assumptions instead of based on the
257 amount presented by the Company in its supplemental response. Both
258 Ms. Salter and I agree that the amount of wind-related REC revenues
259 incorporated in the Company’s update that are not currently under
260 contract are significantly understated. It would not be appropriate to
261 include the amount of REC revenues in revenue requirement based on an
262 assumption that is clearly understated. Thus, I continue to recommend
263 that the amount incorporated in the Company’s update be increased by an
264 additional \$44,538,991 on a total Company basis resulting in total test
265 year projected REC revenues of \$130,686,411 (total Company basis).

266

267 I also continue to recommend that a regulatory deferral account be
268 establish in this case to account for, or “track”, the difference between the
269 amount incorporated in base rates and the actual REC revenues received
270 by the Company.

271

272 **Q. MS. SALTER HAS RECOMMENDED THAT A REC TRACKER FOLLOW**
273 **THE COMPANY’S RECENTLY IMPLEMENTED ENERGY BALANCING**
274 **ACCOUNT AND THAT THE REC REVENUES BE TRUED-UP AT THE**
275 **SAME TIME AS THE ENERGY BALANCING ACCOUNT EXPENSES.**
276 **DO YOU AGREE WITH THIS APPROACH?**

277 A. It is my understanding that the EBA true-up is subject to a 70%/30%
278 sharing between customers and shareholders. It is not clear from Ms.
279 Salter’s testimony whether or not such a 70%/30% sharing approach is
280 being recommended for the REC revenues. I would not recommend that
281 the deferred REC revenues be subject to any sharing mechanism, rather
282 customers should receive 100% of true-up balances.

283

284 Additionally, the Company has indicated that it intends to come in for rate
285 case proceedings on a regular basis, as a result, I do not agree that it is
286 necessary to address the REC revenues that have been deferred or
287 “tracked” each and every year as part of, or at the same time as, the
288 review of the EBA. Given the Company’s expressed intent to file regular
289 general rate case proceedings, coupled with the assumption that my

290 recommended increase in the amount of REC revenues to incorporate in
291 base rates is adopted, then I would continue to recommend that the REC
292 deferrals that would accrue after the rate effective date from this current
293 case be addressed at the time of the next general rate case proceeding
294 instead of as part of the annual energy balancing account reviews.

295

296 **Q. COULD YOU PROVIDE A BRIEF SUMMARY OF UAE WITNESS KEVIN**
297 **HIGGINS' RECOMMENDED ADJUSTMENTS TO REC REVENUES IN**
298 **THIS CASE?**

299 A. Similar to the findings of both Ms. Salter and I, Mr. Higgins also agrees the
300 amount of REC revenues incorporated in the Company's filing is
301 understated and that the Company update to its forecasted REC revenues
302 is also understated. Mr. Higgins also agrees that the \$7 per REC applied
303 by RMP to the amount of wind-related RECs available for sale that are not
304 subject to existing contracts is understated significantly. At page 26 of his
305 direct testimony, Mr. Higgins recommends that REC sales incorporated in
306 the test period in this case be increased to \$110.5 million. In calculating
307 this amount, Mr. Higgins has estimated that 50% of the still-available wind
308 REC will be sold at 90% of the average price of known transactions in the
309 test period.

310

311 **Q. DO YOU AGREE WITH MR. HIGGINS RECOMMENDED TEST YEAR**
312 **REC REVENUES OF \$110.5 MILLION?**

313 A. I continue to recommend that a higher amount of \$130.69 million be
314 reflected. One of the key differences between my recommendation and
315 Mr. Higgins' recommendation is that I have increased the percentage of
316 projected RECs to be generated being sold. This is discussed further in
317 my direct testimony and will not be repeated here. Thus, I agree with Mr.
318 Higgins that a significant increase in the projected test year REC revenues
319 should be made; however, I continue to recommend a higher adjustment
320 to reflect a higher quantity of REC sales in the test year.

321

322 **Q. IN YOUR DIRECT TESTIMONY, BEGINNING AT PAGE 37, YOU**
323 **RECOMMEND THAT THE BALANCE IN THE CURRENT DEFERRED**
324 **REC BALANCING ACCOUNT AS OF THE DATE OF THE**
325 **COMMISSION'S REPORT AND ORDER IN THIS CASE BE FLOWED**
326 **BACK TO RATEPAYERS OVER A THREE-YEAR AMORTIZATION**
327 **PERIOD. HAVE ANY OF THE OTHER PARTIES IN THIS CASE**
328 **ADDRESSED THE REGULATORY TREATMENT OF THE BALANCES**
329 **IN THE DEFERRED REC BALANCING ACCOUNT?**

330 A. Yes. Beginning at page 44 of the direct testimony of Kevin C. Higgins, he
331 recommends the establishment of a credit to customers in this docket over
332 a two year consecutive recovery period beginning with the rate effective
333 date in this case. Mr. Higgins recommends two separate time periods.
334 He first recommends that the amount of deferred incremental REC
335 revenues that would have accrued over the period February 22, 2010

336 through December 31, 2010 be credited back to customers over a one-
337 year period beginning with the rate effective date in this case. He then
338 recommends that the amount of incremental REC revenues deferred for
339 the period January 1, 2011 through September 20, 2011 be credited back
340 to customers over a one-year period beginning September 21, 2012.
341 Thus, under Mr. Higgins proposal the total amount of deferred REC
342 revenues as of the rate effective date in this case would be flowed back to
343 customers over a period of two years.

344

345 **Q. DO YOU AGREE WITH MR. HIGGINS' APPROACH?**

346 A. I agree that Mr. Higgins' approach would be a reasonable alternative to
347 my recommendation. In this case I have recommended that the deferral
348 balance as of the date of the Commission's order in this case be
349 amortized back to customers over a three-year period. Mr. Higgins'
350 approach would return those amounts to customers over a period of two
351 years. In my opinion, either approach would be reasonable and would
352 ensure that customers receive the benefit of these past REC revenues
353 that have been deferred on RMP's books.

354

355 **Q. ARE THERE ANY ISSUES RAISED IN THE DIRECT TESTIMONY OF**
356 **ROGER J. SWENSON ON BEHALF OF U.S. MAGNESIUM LLC THAT**
357 **YOU WISH TO ADDRESS IN THIS REBUTTAL TESTIMONY?**

358 A. Yes. Mr. Swenson has recommended a significant increase in the amount
359 of REC revenues to be incorporated in base rates in this case. As part of
360 his recommendation, when indicating whether or not PacifiCorp could be
361 at risk for the REC revenue dollars in his recommendation, Mr. Swenson,
362 at lines 165 through 167 of his testimony, indicates that PacifiCorp would
363 not be at risk as the revenues would flow through the EBA balancing
364 account. He also states that "I expect that the 70/30 sharing mechanism
365 and potential payment lag would give PacifiCorp sufficient incentive to
366 move quickly to make these sales." I do not agree with Mr. Swenson's
367 recommendation that the REC revenues be tracked through the EBA
368 balancing account and subject to the 70/30 sharing mechanism. As
369 ratepayers have funded the capital expenditures associated with the
370 resources that are producing the renewable energy credits, they should
371 also receive the benefit of the resulting REC revenues. This helps to
372 mitigate the costs of the renewable energy generation assets they are
373 funding in rates. These REC revenues should not be subject to the 70/30
374 mechanism as proposed by Mr. Swenson.

375

376 **Q. ON JUNE 2, 2011, THE COMPANY FILED A MOTION OF ROCKY**
377 **MOUNTAIN POWER FOR DETERMINATION OF RATEMAKING**
378 **TREATMENT OF DEFERRED ACCOUNTS ("MOTION"). THE MOTION**
379 **WAS ACCOMPANIED BY SUPPLEMENTAL DIRECT TESTIMONY OF**
380 **STEVEN R. MCDOUGAL IN THIS DOCKET ON DEFERRED**

381 **ACCOUNTS. HAVE YOU REVIEWED THE MOTION AND THE**
382 **SUPPLEMENTAL TESTIMONY OF STEVEN R. MCDOUGAL?**

383 A. Yes.

384

385 **Q. ARE THERE ARE ASSERTIONS IN THE JUNE 2, 2011**
386 **SUPPLEMENTAL TESTIMONY AND MOTION THAT YOU WISH TO**
387 **ADDRESS AT THIS TIME?**

388 A. Yes. In both the Supplemental Direct Testimony of Steven R. McDougal
389 and in the Motion, RMP has mischaracterized a position taken in my direct
390 testimony filed on May 26, 2011 by taking a statement in my testimony out
391 of context.

392

393 **Q. PLEASE EXPLAIN.**

394 A. At page 3, lines 54 – 58 of Mr. McDougal’s Supplemental testimony, he
395 correctly summarizes my position regarding the REC balances currently
396 being deferred as follows: “The OCS requested that the balance (as
397 reported by the Company on the last day of hearings in this case) be
398 amortized over a period of three years starting on September 21, 2011,
399 with the amount amortized trued up to actual accruals through September
400 20, 2011 through a deferred account for REC revenue that would be in
401 place thereafter.” Similar language is presented as part of Paragraph 12
402 of the Motion as follows: “The OCS requested that the balance (as
403 reported by the Company on the last day of hearings in this case) be

404 amortized over a period of three years starting on September 21, 2011,
405 with the amount amortized trued up to actual, through September 20,
406 2011, through a deferred account for REC revenue that the OCS
407 recommended be in place thereafter.”

408

409 However, Mr. McDougal also states in his testimony, that “In addition, the
410 OCS and UAE both made statements possibly suggesting that balances
411 should be an adjustment to the revenue requirement in this case or in
412 subsequent general rate cases.” (lines 63 – 66) Similarly, the end of
413 paragraph 12 of the Motion, at page 6, states: “However, the OCS and
414 UAE also made statements in their testimony possibly suggesting that
415 deferred balances be an adjustment to the revenue requirement in the
416 2011 general rate case or in a subsequent general rate case.” Lines 799
417 – 800 of my testimony is identified as the reference in the Motion in which
418 RMP has apparently interpreted as “possibly suggesting” that the deferred
419 balances be considered in either this general rate cost, “...or in a
420 subsequent general rate case.”

421

422 I have not recommended that the REC balances currently being deferred
423 be considered in a subsequent or future general rate case. I have clearly
424 recommended that the amounts currently being deferred and that will be
425 deferred until such time as the end of hearings in this case begin to be

426 passed on to customers at the same time as new rates resulting from this
427 rate case begin.

428

429 The two lines of my testimony referenced in the motion, lines 799-800,
430 states: "At the time of the next rate case following this case, any deferred
431 balance would be amortized as part of revenue requirement." However,
432 that section of testimony appears in the section in which I address the
433 level of REC revenues to include in base rates and recommend that a
434 deferred account for REC revenues be put in place with the effective date
435 from rates in this case, or September 21, 2011. The current existing
436 Deferred REC Balancing Account was addressed separately in the
437 subsequent section of my testimony. For the current Deferred REC
438 Balancing Account, I recommend in my direct testimony that the balance
439 in that account as of the date of the Commission's Report and Order in
440 this case be flowed-back to customers as part of this case. However, I
441 also did agree that the Company should be required to report the balance
442 in the account as of the final date of hearings in this case and that any
443 changes in that account from the final date of hearings through the first
444 day of the rate effective period resulting from this case could be
445 incorporated in the regulatory deferral account I recommend be
446 established in this case. (OCS-3D Ramas, Lines 832 – 839)

447

448 It is my understanding that as a policy issue, the Office supports
449 continuing Schedule 98 for the purpose of passing along this additional
450 REC revenue to customers and does not advocate that the balance be
451 incorporated into base rates in this or any future case. Thus, while the
452 balances to be passed on to customers would be addressed as part of the
453 rate case, the method for flowing the amounts back to customers would be
454 through the continuation of Schedule 98.

455

456 **Composite Depreciation Rate**

457 **Q. WOULD YOU PLEASE DISCUSS DPU WITNESS MATTHEW CROFT'S**
458 **RECOMMENDED UPDATE TO THE DEPRECIATION RATES IN THIS**
459 **CASE?**

460 A. In calculating the depreciation expense incorporated in its filing, RMP uses
461 composite depreciation rates by plant category instead of specific rates by
462 each plant account. The composite rates were calculated using June
463 2010 plant balances. The spread of the actual plant balances between
464 the individual FERC accounts will impact the composite depreciation rates
465 that are calculated. In his direct testimony, DPU Exhibit 7.0D-RR, at lines
466 50 through 55, Mr. Croft recommends that the composite depreciation
467 rates incorporated in the filing be updated based on the actual plant
468 balances at December 2010. As both Mr. Croft and I are recommending
469 that the plant balances be updated to reflect more recent actual amounts
470 in this case, I agree that it is reasonable to update the composite

471 depreciation rates that are used in calculating the test year depreciation
472 expense as well. I have not recalculated my recommended depreciation
473 expense to reflect Mr. Croft's more recent composite depreciation rates,
474 but agree that this is a reasonable approach.

475

476 **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

477 A. Yes.