

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

| | | |
|---|---|---|
| In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations |))))))))))) | <u>Docket No. 10-035-124</u> <u>DPU Exhibit No. 8.0R-RR</u> <u>PUBLIC</u> |
|---|---|---|

Rebuttal Testimony of

Brenda Salter

For the Division of Public Utilities

Department of Commerce

State of Utah

June 30, 2011

I. INTRODUCTION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. Please state your name and occupation.

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

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

A. I am.

Q. What is the purpose of your Surrebuttal Testimony?

A. The purpose of this testimony is to address the Office of Consumer Service's (Office) position on Deferred REC Revenue Accounting Stipulation from Docket No. 10-035-14.

Deferred REC Revenue Account

Q. Would you please summarize Ms. Donna Ramas proposal regarding the Deferred REC Revenue Account.

A. In her Direct testimony beginning at line 809 Ms. Ramas addressed the issue of the Deferred REC Revenue from Docket No. 10-035-14. Ms. Ramas recommended that the balance as of the date of the Commission's Report and Order in this case be flowed-back to ratepayers over a three-year amortization period. She said Rocky Mountain Power (Company) should be required to report the balance in the account as of the final date of hearings in this case. Also, she stated that any changes in the deferred account from the

24 final date of hearing through the first day of the rate effective period resulting from this
25 case could be incorporated in the regulatory deferral account recommended in the
26 previous section of Ms. Ramas' testimony.

27

28 **Q. Do you agree with Ms. Ramas assessment that the Deferred REC Revenue should be**
29 **addressed in this case?**

30 A. Yes I do. The Division believes this is the correct venue to address the amortization of
31 the deferred REC revenue and recommends a three year amortization period beginning on
32 the first day of the rate effective period. Ms. Ramas points to several reasons for
33 including the Deferred REC Revenue balance in this case. The Division is in agreement
34 with the Office's reasoning and would like to expound on one particular issue.

35

36 **Q. What is the issue the Division would like to address?**

37 A. It appears from data collected that the Company was aware of the rising market REC
38 price but failed to make parties to the 2009 rate case aware of this significant increase.
39 The Company then silently watched as the Commission set REC revenues in the rate case
40 at a price significantly lower than that booked or forecasted by the Company. In order to
41 get a better picture of the REC revenue data I have prepared a timeline, Confidential DPU
42 Exhibit 8.1R-RR, detailing actual REC revenue received in 2009 and 2010, the
43 Company's projections for REC sales, and relevant procedural dates.

44

45 In the 2009 rate case Ms. Ramas and I both proposed REC price increases in our Direct
46 testimonies filed on October 8, 2009. At this time the Company had booked
47 approximately \$8 million in REC revenues but failed to disclose to the Commission its
48 projected year end REC revenues of \$[REDACTED] million. Company witness Steven McDougal
49 in Rebuttal testimony accepted Ms. Ramas' recommended REC revenue projection of
50 \$18.5 million. By Rebuttal testimony the Company had booked approximately \$19.3
51 million and had projected year end REC revenues to be \$[REDACTED] million. At the time of the
52 Hearing the Company had booked over \$34.3 million in REC Revenues. It appears the
53 Company failed to disclose information thus the amount discussed above appears to
54 qualify as an exemption to the restrictions on retroactive ratemaking.

55

56 **Q. Why do you believe this constitutes an exemption to retroactive ratemaking?**

57 A. Retroactive ratemaking prevents regulated companies from collecting revenues to
58 compensate from prior over- or under- recoveries. However the Utah Supreme Court
59 allows for exceptions to the rule against retroactive ratemaking. The Utah Supreme
60 Court stated: "A utility that misleads or fails to disclose information pertinent to whether
61 a rate-making proceeding should be initiated or to the proper resolution of such a
62 proceeding cannot invoke the rule against retroactive rate making to avoid refunding rates
63 improperly collected." MCI Telecommunications Corp. v. Public Service Commission,
64 840 P.2d 765, 775 (Utah 1992). Clearly the Utah Supreme Court takes issue with
65 concealing or failure to disclose relevant information in a rate making proceeding. Thus,

66 the Company's actions seem to fit within the exception discussed by the Utah Supreme
67 Court.

68

69 **Q. What is your recommendation regarding the REC Revenue deferred balance?**

70 A. UAE's REC Revenue Deferral is an appropriate means to return to ratepayers the benefit
71 of their investment in renewable generation. The Company should be required to report
72 to the Commission at the time of the hearing the Deferred REC Revenue balance. Any
73 differing amounts from the hearing date to the Commission's Report and Order would be
74 included in my recommended tracker as outlined in my direct testimony. The Division
75 recommends a three year amortization period and that the Commission begin
76 amortization of the Deferred REC revenue balance as of the date of the Commission's
77 Report and Order in this case.

78

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

80 A. Yes it does.