

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	
Rocky Mountain Power for Authority)	Docket No. 10-035-124
to Increase its Retail Electric Utility)	Test Period Phase
Service Rates in Utah and for)	Surrebuttal Testimony of
Approval of Its Proposed Electric)	Daniel E. Gimble
Service Schedules and Electric)	For the Office of
Service Regulations)	Consumer Services

March 21, 2011

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION AND YOUR BUSINESS ADDRESS.

3 A. My name is Daniel E. Gimble. I am a special projects manager with the Office of
4 Consumer Services (Office). My business address is 160 E. 300 S., Salt Lake
5 City, Utah.

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7 Q. DID YOUR PREVIOUSLY PRE-FILE DIRECT AND REBUTTAL TESTIMONY IN
8 THE TEST PERIOD PHASE OF THIS PROCEEDING?

9 A. Yes I did.

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11 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

12 A. In rebuttal testimony, Company witnesses Mr. Steven McDougal and Mr. David
13 Taylor raise a number of issues that pertain to my direct testimony. Accordingly,
14 my surrebuttal testimony responds to the Company's rebuttal.

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16 II. COMPANY REBUTTAL

17 Q. DOES MR. MCDUGAL PROPERLY CHARACTERIZE THE OFFICE'S
18 POSITION REGARDING THE RELATIONSHIP AMONG THE EBA, MPA AND
19 APPROPRIATE TEST PERIOD?

20 A. No. The Office's position is that the EBA and MPA processes mitigate regulatory
21 lag, which is the root of Mr. McDougal's criticism. Consequently, the Office
22 recommended the Commission give careful consideration and weight to these
23 new ratemaking processes in making its decision on test period.

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25 Q. DOES THE EXAMPLE MR. MCDUGAL PROVIDES, THE NAUGHTON UNIT 2
26 FLU GAS DESULFURIZATION SYSTEM, REPRESENT UNADDRESSED
27 REGULATORY LAG?

28 A. No. First, the MPA process was never designed to completely "eliminate"
29 regulatory lag. However, the MPA process certainly can and does serve as an
30 important ratemaking tool to mitigate regulatory lag as evidenced by the 5.68%
31 rate increase on Utah customers' electricity bills in January 2011.

32 Second, if the Commission were to adopt the December 2011 test period
33 proposed by UIEC and UAE, then 2/13 (\$24) million of the Naughton project
34 would be put into rate base in both the concurrent Utah and Wyoming GRCs.
35 While the Company would have to wait until the next GRC in Wyoming to recover
36 additional project costs, the Company would have options in Utah. It could either
37 leave the costs of the Naughton project in the GRC or alternatively seek cost
38 recovery in an MPA filing in late 2011.

39 Third, while the Company indicates the Utah MPA I-II proceedings
40 enabled the Company to secure \$800 million of early cost recovery of certain
41 large capital projects in January 2011, it fails to note that the Company won't
42 begin to recover costs associated with those capital assets in Wyoming until
43 September 2011. The presence of the Utah MPA process enabled the Company
44 to accelerate the cost recovery of those significant capital assets by nearly 10
45 months in Utah compared to Wyoming. Thus, the Company's example actually
46 demonstrates that the MPA process is an effective ratemaking tool to ameliorate
47 the effects of regulatory lag and support earnings.

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49 Q. DOES MR. MCDOUGAL CORRECTLY CHARACTERIZE THE OFFICE'S
50 POSITION REGARDING THE INTERACTION OF COST RECOVERY
51 ALLOWED THROUGH THE EBA AND THE APPROPRIATE TEST PERIOD?

52 A. No. Promoting a sharing mechanism to maintain incentives for efficient
53 management is not akin to supporting recovery of only 70 percent of prudent
54 costs. The Office supports pursuing accurate net power cost forecasts in the
55 GRC, but does not concur that forecasting far into the future results in rates that
56 will be best reflective of expected conditions during the rate effective period.

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58 Q. IN HIS TESTIMONY MR. TAYLOR ASSERTS THAT ONLY IF OPERATING
59 EXPENSES AND NET RATE BASE ARE EXPECTED TO BE FLAT, COULD A
60 TEST PERIOD EARLIER THAN THE MONTHS RATES WOULD BE IN EFFECT
61 BE BEST REFLECTIVE OF CIRCUMSTANCES. DO YOU AGREE WITH HIS
62 ASSESSMENT?

63 A. No. This is a simplistic way to view the issue. There are circumstances beyond
64 those described by Mr. Taylor that would also make a closer-in test period more
65 reflective of actual conditions during the rate effective period. For example,
66 Division witness Croft's Direct Exhibit 2.1 shows that the Company has had a
67 tendency to over-forecast capital investment in recent GRCs. Therefore, anytime
68 the Company routinely over-forecasts capital investment or any type of operating
69 expense, using a test period closer in time will better reflect the rate effective
70 period than a test period with excessive costs included.

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72 III. RECOMMENDATION

73 Q. PLEASE STATE THE OFFICE'S RECOMMENDATION ON TEST PERIOD.

74 A. The Office recommends the Commission should generally require a test period
75 closer in time to when the Company's GRC is prepared and filed. We also
76 recommend that a test period decision be issued early in the proceeding to
77 promote a more efficient discovery-audit process. The MPA and EBA ratemaking
78 processes represent new and powerful tools that serve to mitigate regulatory lag.
79 The Commission should give consideration and weight to these new factors in
80 making its decision on test period.

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82 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

83 A. Yes it does.

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