

1 **Q. Please state your name and business address.**

2 A. My name is David L. Taylor and my business address is 201 South Main, Suite
3 2300, Salt Lake City, Utah, 84111.

4 **Q. Are you the same David L. Taylor who submitted pre-filed direct and
5 rebuttal test period testimony in this proceeding?**

6 A. Yes.

7 **Purpose and Summary of Testimony**

8 **Q. What is the purpose of your test period surrebuttal testimony (“Testimony”)
9 in this proceeding?**

10 A. The purpose of my Testimony is to respond to the test period rebuttal testimony of
11 Office of Consumer Services (“OCS”) witness Mr. Daniel Gimble, Utah
12 Association of Energy Users Intervention Group (“UAE”) witness Mr. Kevin
13 Higgins and Utah Industrial Energy Consumers (“UIEC”) witnesses Mr. Maurice
14 Brubaker and Dr. J. Robert Malko.

15 **Response to Mr. Gimble**

16 **Q. Does Mr. Gimble take issue with your characterization of the OCS position
17 on test period in the 2007 rate case?**

18 A. Yes. He says that I have mischaracterized the OCS’s position.¹

19 **Q. What was the basis for your view of the OCS position?**

20 A. I relied on the testimony of OCS witness Ms. Donna DeRonne on test period in
21 the 2007 rate case as the basis for my view of the OCS position. Ms. DeRonne
22 said: “the Committee’s position that the Company’s proposed test year, if
23 adjusted appropriately, can be reasonably reflective of the conditions RMP is

¹ Gimble Rebuttal, lines 20-21.

24 likely to encounter during the rate effective period.”² She later went on to say:“It
25 is the Committee’s view that the information and calculations presented in Exhibit
26 RMP___(SRM-1) can be adjusted such that the requested period can be
27 reasonably reflective of the conditions RMP will face in the rate effective period
28 .”³ My point was simply that Ms. DeRonne did not oppose the Company’s
29 proposed test period in that case and clearly took the position that the OCS could
30 make adjustments it believed were appropriate using the Company’s proposed test
31 period to ensure that rates set in that case reflected appropriate costs. The fact
32 that the OCS did not oppose the Company’s proposed test period must be put in
33 context with its position in this case where it does not recommend any particular
34 test period, only a test period that does not extend as far as the Company’s
35 proposed test period.

36 **Q. Why does Mr. Gimble say that the OCS has changed its position since the**
37 **2007 rate case?**

38 A. He says the OCS has changed its position based on the Major Plant Addition
39 (“MPA”) statute and the recent adoption of the Energy Balancing Account
40 mechanism.

41 **Q. Does Mr. Gimble add any reasoning or analysis to support his view that the**
42 **Commission can select a closer in time test period because those mechanisms**
43 **are in place?**

44 A. No. He continues to argue that because the Company can now receive alternative
45 rate recovery for major plant additions and will in the future be allowed to recover

² Test Year Testimony of Donna DeRonne, Docket 07-035-93, lines 33 – 36.

³ *Id.*, lines 125 – 128.

46 70 percent of shortfalls in net power costs, it is not necessary to set rates based on
47 costs that will be incurred during the rate-effective period.

48 **Q. Has Mr. Gimble provided any evidence that the 2011 calendar year test**
49 **period or any other test period best reflects conditions that the Company will**
50 **experience during the rate-effective period?**

51 A. No.

52 **Response to Mr. Higgins**

53 **Q. Mr. Higgins challenges your testimony that use of a June 2011 test period**
54 **would produce absurd results because it would not allow full recovery of the**
55 **Populus to Ben Lomond transmission line that has already been approved**
56 **for recovery in a MPA case.⁴ How do you respond?**

57 A. Mr. Higgins' argues either that the MPA statute should not be viewed as limiting
58 the Commission's ability to use whatever test period it wishes or that there could
59 be an exception to the test period for major plant additions previously approved.
60 His first argument does not address the fact that the major plant addition,
61 previously approved for inclusion in rates, is clearly part of the costs the
62 Company will incur during the rate-effective period. Thus, selection of an earlier
63 test period that excludes part of those costs makes no sense. The second part of
64 his argument effectively recognizes that problem by suggesting that an exception
65 be made in this circumstance. But Mr. Higgins does not explain why an
66 exception is appropriate for a major plant addition already approved and in
67 service, but not for the hundreds of millions of dollars of smaller investments that
68 have already been made and will be in service throughout the rate-effective

⁴ Higgins Rebuttal, lines 41-66.

69 period. Likewise, he does not explain why other plant investments that are
70 planned during the rate-effective period should not be included for an appropriate
71 portion of the test period in setting rates.

72 **Q. Mr. Higgins argues that while it is a truism that having a test period end**
73 **prior to the end of the rate-effective period will exclude plant investments**
74 **made during the rate-effective period, it is necessary to balance the interest**
75 **of the Company and its customers.⁵ How do you respond?**

76 A. Mr. Higgins' argument regarding balance between customers and the Company
77 seems to be based on the premise that rates are not fair to customers unless they
78 are less than the amount necessary to cover the Company's costs anticipated to
79 occur during the rate-effective period. The proper balance of interests is achieved
80 when rates are set at a level reasonably anticipated to cover the Company's
81 prudent costs during the rate-effective period. That is the point of just and
82 reasonable rates. If rates are set at a level that does not provide a reasonable
83 opportunity for the Company to recover costs for investments that will be made
84 during the rate-effective period, the Company will be disadvantaged and an
85 appropriate balancing of interests will not be achieved.

86 **Q. Mr. Higgins argues that Rocky Mountain Power's justification for the July**
87 **2011 through June 2012 test period is "a future period best reflects the**
88 **future."⁶ How do you respond?**

89 A. While I discuss and visually show how the Company's proposed test period best
90 aligns with the time period when new rates will be in effect, that is not the most

⁵ *Id.*, lines 67-73.

⁶ *Id.*, lines 116-120.

91 significant part of my message. It is not just that the earlier test periods do not
92 line up on the calendar with the rate-effective period, it is that the costs projected
93 for those earlier periods do not line up with the costs expected to be incurred
94 during the rate-effective period.

95 Both Mr. Steven R. McDougal and I have clearly laid out the hundreds of
96 millions of dollars in capital investment the Company is making to serve
97 customers through June 2012 that will not be reflected in customers' rates if an
98 earlier test period is selected. In addition, we clearly demonstrated the significant
99 difference between the net power costs projected for the different test periods. As
100 I demonstrated in my direct test period testimony, the selection of a test period
101 earlier in time than the Company proposal will understate total Company net
102 power costs by approximately \$21 million for each month the test period is pulled
103 back.

104 Mr. Higgins has not rebutted any of that evidence. From the evidence the
105 Company has presented in this case, it is easy to see that neither the plant
106 investments nor the net power costs from either the June 2011 alternative test
107 period or the calendar 2011 test period proposed by UAE and UIEC will best
108 reflect the conditions Rocky Mountain Power will encounter during the period
109 rates from this case will be in effect.

110 **Q. Do you agree with Mr. Higgins that the test period statute makes no**
111 **presumption either for or against an historical or a future test period?**

112 A. I agree that the legislative intent indicates there is no presumption for or against
113 an historical or future test period. However, that lack of presumption does not

114 alter the objective of the test period selection. Paragraph (a) of 54-4-4(3) states
115 the objective, which is “the commission shall select a test period that, on the basis
116 of the evidence, the commission finds best reflects the conditions that a public
117 utility will encounter during the period when the rates determined by the
118 commission will be in effect.” Paragraph (b) then provides three tools that the
119 Commission may use to meet that objective. The Commission may use a forecast
120 test period with data that does not exceed 20 months from the date of filing, an
121 historical test period with known and measurable adjustments, or a combination
122 of a forecast and historical test period. Whichever of those tools the Commission
123 chooses to use, it still must meet the objective laid out in paragraph (a).

124 If an historical test period or a partially historical and partially forecast test
125 period best meets that objective, then the Commission is free to use that test
126 period. To meet that objective, however, evidence must be presented that shows
127 that the costs included in the historical or partially historical test period are the
128 best projection of costs that the Company will incur while rates are in effect.
129 RMP has shown in both Mr. McDougal’s and my testimony that the projections of
130 costs in the alternative test period or the calendar 2011 proposed test period will
131 not best reflect the conditions Rocky Mountain Power will encounter while the
132 rates determined by this rate case will be in effect. This is not simply because the
133 earlier test periods don’t line up on the calendar with the rate-effective period; it is
134 because the investment and cost included in those earlier test periods do not
135 reflect the investment and costs that will be incurred to serve customers during
136 that time rates will be in effect.

137 There may be circumstances where an historical, a partially forecasted test
138 period, or a forecasted test period closer in time can meet that objective. I
139 discussed some of these circumstances in my rebuttal testimony. The
140 circumstances would be if operating expenses and net plant investment are
141 expected to continue to grow at about the same rate as load growth (increases in
142 kWh sales). Under those circumstances rates set using an historical test period
143 will be about the same as rates set by a forecast test period.

144 Unfortunately we do not find ourselves in that situation today. If that were
145 the case, the rate increases supported by the various test periods would be similar.
146 No party has even suggested, let alone provided evidence, that those conditions
147 exist in this case.

148 **Q. Has Mr. Higgins presented any evidence that the UAE-supported test period**
149 **meets the objective of the statute?**

150 A. No. Mr. Higgins states his opinion that the calendar-year 2011 test period best
151 reflects conditions during the rate-effective period, but he has not presented any
152 evidence to support that opinion.

153 **Q. Mr. Higgins refers to changes in US tax law in 2009 that happened four**
154 **months after the end of the 2007 general rate case as support for the wisdom**
155 **of the Commission selecting an earlier test period in that case. Is the**
156 **potential for some unforeseen event in the future reason to reject a test**
157 **period that projects costs through the rate-effective period?**

158 A. No. Using this logic, Mr. Higgins suggests that it is better for the Commission to
159 reject the Company's projection of costs and investment for a future period, a

160 projection that will be reviewed, analyzed, scrutinized, and most likely challenged
161 in this case and ultimately adjusted by this Commission, because some unforeseen
162 event may happen during that time period. In other words, it is better to ignore
163 what we reasonably expect to happen because some unexpected event may
164 happen. While some unforeseen event may happen, it is just as likely that an
165 unforeseen event or set of circumstances will increase costs, rather than reduce
166 costs, beyond the level projected.

167 **Q. Mr. Higgins argues that the Company can ameliorate the impacts of the**
168 **selection of a test period because it controls the timing of its rate cases. Is**
169 **that correct?**

170 A. No. The Company does not have complete control over the timing of rate cases.
171 Using the very example Mr. Higgins cites in his rebuttal testimony, when the
172 Company attempted to file its 2008 general rate case (Docket 08-035-38) in a
173 timely manner to “ameliorate” the impacts of the Commission’s test period
174 decision in the 2007 case (Docket 07-035-93), that filing was opposed by several
175 parties, including UAE. The Commission required RMP to refile its case two
176 months later and did not begin the 240-day statutory period until the case was
177 resubmitted.

178 **Response to Mr. Brubaker and Dr. Malko**

179 **Q. Mr. Brubaker and Dr. Malko claim that the Company's proposed test period**
180 **does not consider the need to balance the interests of customers with those of**
181 **stockholders or that the test period proposed by UIEC better balances those**
182 **interests.⁷ How do you respond?**

183 A. Like Mr. Higgins, these witnesses seem to ignore the fact that the interests of
184 customers and shareholders are appropriately balanced when rates are set to
185 recover the Company's anticipated cost of service during the rate-effective period.
186 Mr. Brubaker goes farther in responding to Dr. Joni Zenger in suggesting that
187 regardless of whether the Company receives appropriate recovery for capital
188 investments, it is obligated to make them.⁸ This is a biased view of the regulatory
189 compact. The regulatory compact provides the Company an opportunity to
190 recover its reasonable costs of providing service to customers. If the Company
191 cannot do so because rates are set ignoring costs that will be incurred during the
192 rate-effective period, as Mr. Brubaker would have the Commission do, the
193 interests of customers and the Company are not balanced, and the regulatory
194 compact would be violated.

195 **Q. Do either of these witnesses support their opinions with evidence that their**
196 **proposed test period better reflects conditions during the rate-effective**
197 **period?**

198 A. No. Mr. Brubaker raises issues about the accuracy of forecasts, but never
199 provides any evidence that the 2011 calendar-year test period UIEC proposes

⁷ Brubaker Rebuttal, p.10, lines 18-21; Malko Rebuttal, page 2, lines 7-11.

⁸ *Id.*, page 8, line 20- page 9, line 4.

200 better reflects conditions during the rate-effective period than the test period
201 proposed by the Company. He expresses concern that the Company's proposed
202 test period may include capital investments that may not actually be placed into
203 service during the test period, but provides no evidentiary basis for that concern
204 beyond citing the testimony of DPU witness Mr. Matthew Croft. Mr. McDougal
205 will respond to that claim. Dr. Malko's testimony is entirely theoretical except
206 for his reference to the test period proposed in the Wyoming general rate case. I
207 have already responded to that issue in my rebuttal testimony.

208 **Q. Does this conclude your Testimony?**

209 A. Yes.