

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**VERIFIED APPLICATION OF ROCKY
MOUNTAIN POWER FOR
APPROVAL OF SIGNIFICANT
ENERGY RESOURCE DECISION AND
FOR CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY**

)
) **DOCKET NO. 10-035-126**
) **Exhibit No. DPU 1.0-S**
)
) **Supplemental Direct Testimony of**
) **Charles E. Peterson**
)
)

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

Supplemental Direct Testimony of

Charles E. Peterson

March 17, 2011

PUBLIC VERSION

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

Supplemental Direct Testimony of Charles E. Peterson

Q. Please state your name, business address and title.

A. My name is Charles E. Peterson; my business address is 160 East 300 South, Salt Lake City, Utah 84114; I am a Technical Consultant in the Utah Division of Public Utilities (Division, or DPU).

Q. On whose behalf are you testifying?

A. The Division.

Q. Did you file direct testimony in this Docket on March 3, 2011?

A. Yes.

Q. What is the purpose of your supplemental direct testimony in this matter?

A. My testimony presents an update of the Division's position that is based upon information the Division and its consultant received March 16, 2011 as a result of a follow-up data request to PacifiCorp (Company).

Q. Please describe this additional information.

A. As background the Division submitted its data request 4.23 on February 2, 2011. Although the response was due February 16, 2011, the Company responded on March 1, 2011. DPU

23 Exhibit 1.1-S sets forth the Division's data request and the Company's confidential
24 responses.¹ However, the Company's response to data request 4.23 did not include the
25 present value revenue requirement (PVR) relative to the portfolio scenario the Division had
26 asked the Company to run. The Division then followed-up with its data request 9.1 on March
27 7, 2011 asking for the PVR calculations. The Division's consultant, Mr. Richard Hahn,
28 indicated in his direct testimony filed in this Docket on March 3, 2011, that this information
29 was still outstanding.² The Company responded after hours on Tuesday, March 15, 2011,
30 which according to the scheduling order in this Docket was over a day late.³ Exhibit DPU
31 1.2-S sets forth the Division's data request 9.1 and the Company's confidential response.

32

33 **Q. What does the Division conclude from this additional information?**

34 A. In the opinion of the Division's consultant, Mr. Hahn, the estimated loss due to the
35 Company's termination of negotiations for the Apex plant is \$ [REDACTED] for the system.
36 (The present value loss to Utah ratepayers is roughly \$ [REDACTED]).⁴ Mr. Hahn's conclusions
37 and recommendations are set forth in his Supplemental Direct Testimony filed March 17,
38 2011. Mr. Hahn has applied the same reasoning and methods in arriving at his conclusions
39 and advice to the Division that he applied and discussed in his Direct Testimony in this

¹ This data request and answer was previously provided as DPU Exhibit 2.12, which is part of Richard S. Hahn's direct testimony.

² Direct Testimony of Richard S. Hahn, p. 63, lines 1196-1205.

³ The answer to data request 9.1 was delivered after hours on March 15, 2011. The date stamp on the document of 5:22 p.m. is in error by one hour because the Division's date stamp machine had not yet been updated for the change to daylight savings time that had occurred this past weekend. Mr. Peterson directly observed that the Company had not delivered its response as of 6:00 p.m.

⁴ The actual amount to be allocated to Utah should be based upon the allocation factor for generation plants determined in the current general rate case, Docket No. 10-035-124.

40 Docket that was filed on March 3, 2011. (See Direct Testimony of Richard S. Hahn, in
41 Docket No. 10-035-126, March 3, 2011).

42
43 The Division accepts the conclusions and recommendations of its consultant and concludes
44 that a system value of \$ [REDACTED] is a reasonable estimate of the present value of the
45 economic loss incurred by customers as a result of the Company's actions.

46

47 **Q. What are the Division's recommendations in light of this new data?**

48 A. The Division continues to recommend that the Commission accept and adopt the Division's
49 conclusions and recommendations in its direct testimony filed on March 3, 2011, with the
50 following revision due to the just provided information. Previously the Division had provided
51 to the Commission an alternative that the Commission might accept a \$29 million value as
52 the system loss to ratepayers (with an allocated Utah portion of approximately \$12 million.)⁵
53 Based upon the revised information, the Division's best estimate of the present value loss to
54 ratepayers due to the Company's cancelation of negotiations for the Apex plant to be \$ [REDACTED]
55 [REDACTED], with the exact amount to be allocated to Utah to be determined in the current general
56 rate case, Docket No. 10-035-124. Therefore the Division substitutes the \$ [REDACTED] for the
57 \$ [REDACTED] in its previous testimony.

58

59 The Division would be quite comfortable if the Commission were to order that the Utah-
60 allocated present value of the \$ [REDACTED] be deducted from the revenue requirement
61 otherwise determined to be appropriate by the Commission in the current rate case. This

⁵ Direct Testimony of Charles E. Peterson, p. 32, lines 794-797.

62 final, or net, revenue requirement should be applied for a minimum of 12 months to base
63 rates in order to assure that ratepayers receive the full benefit.

64

65 **Q. Does this conclude your supplemental direct testimony?**

66 **A. Yes.**

67