

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF THE ) Docket No. 10-035-113  
APPLICATION OF ROCKY )  
POWER FOR ALTERNATIVE )  
COST RECOVERY FOR MAJOR )  
PLANT ADDITIONS OF THE )  
BEN LOMOND TO TERMINAL )  
TRANSMISSION LINE AND THE ) **HEARING**  
DAVE JOHNSTON GENERATION )  
UNIT 3 EMISSIONS CONTROL )  
MEASURE )

\* \* \*

June 2, 2010

9:03 a.m. to 9:26 a.m.

Public Service Commission  
160 East 300 South, Fourth Floor  
Salt Lake City, Utah 84111

\* \* \*

Letitia L. Meredith  
-Registered Professional Reporter-  
Certified Shorthand Reporter

A P P E A R A N C E S

Chairman Ted Boyer

Commissioner Ric Campbell

Commissioner Ron Allen

Yvonne Hogle, Rocky Mountain Power,

Patricia E. Schmid, Attorney General's Office,

Division of Public Utilities

Paul Proctor, Office of Consumer Affairs

Gary Dodge, UAE.

Bob Reeder, UIEC.

1 P R O C E E D I N G S

2 CHAIRMAN BOYER: May the record reflect this is  
3 the time and place duly noticed for the hearing on  
4 the Motion to approve a settlement stipulation on  
5 Docket No. 10-035-13. The caption reads "In the  
6 Matter of the Application of Rocky Mountain Power for  
7 Alternative Cost Recovery for Major Plant Additions  
8 of the Ben Lomond to Terminal Transmission Line and  
9 the Dave Johnston Generation Unit 3 Emissions Control  
10 Measure," sometimes known as the Major Plant Case,  
11 and some people have been calling it the Single Item  
12 Rate Case, but we don't call it that.

13 So what we'll do this morning -- I'll take  
14 appearances in just a second, but we'll proceed first  
15 with the proponents of the stipulation and  
16 cross-examination if any is necessary, and then  
17 opponents if any. So with that, let's take  
18 appearances, and we'll start with the company.

19 MS. HOGLE: Good morning, Chairman, Yvonne Hogle  
20 on behalf of Rocky Mountain Power, and I have with me  
21 Mr. Steve McDougal.

22 CHAIRMAN BOYER: Thank you. Welcome, both of  
23 you.

24 Ms. Schmid.

25 MS. SCHMID: Patricia E. Schmid with the

1 Attorney General's Office, representing the Division  
2 of Public Utilities and with me is Mr. Charles E.  
3 Peterson of the Division.

4 CHAIRMAN BOYER: Welcome to both you.

5 Ms. Murray, back from Europe, I guess.

6 Mr. Proctor.

7 MR. PROCTOR: Ms. Murray is back from Europe,  
8 and I'm Paul Proctor, representing the Office.

9 CHAIRMAN BOYER: I only mention that because I'm  
10 so envious.

11 Mr. Dodge.

12 MR. DODGE: Gary Dodge on behalf of UAE.

13 CHAIRMAN BOYER: And Mr. Reeder.

14 MR. REEDER: I'm Bob Reeder on behalf of  
15 Industrial Consumers, known as UIEC.

16 CHAIRMAN BOYER: Very well. Let's proceed  
17 Ms. Hogle with Mr. McDougal's testimony.

18 And we'll need to swear you in in this  
19 case, will we not?

20 MR. MCDUGAL: Yes.

21 CHAIRMAN BOYER: Please raise your right hand,  
22 or stand I guess and raise your right hand. Do you  
23 swear the testimony you're about to give in this  
24 proceeding shall be the truth, the whole truth, and  
25 nothing but the truth?

1 MR. MCDUGAL: Yes.

2 CHAIRMAN BOYER: Thank you. Please be seated.

3 DIRECT EXAMINATION

4 BY MS. HOGLE:

5 Q. Good morning, Mr. McDougal, please state  
6 your name, position, and tell us on whose behalf you  
7 are here representing today.

8 A. Yes. My name is Steven R. McDougal, and I  
9 am testifying on behalf the Rocky Mountain Power.  
10 I'm currently employed as the director of revenue  
11 requirements for the company. My business address is  
12 201 South Main, Suite 2300, Salt Lake City, Utah  
13 84111.

14 Q. What is the purpose of your testimony  
15 today?

16 A. I am here to testify in support of the  
17 stipulation. I will briefly review the events and  
18 the key elements of the stipulation which was entered  
19 into by Rocky Mountain Power, the Division of Public  
20 Utilities, the Office of Consumer Services, UAE  
21 Intervention Group, and Utah Industrial Energy  
22 Consumers.

23 Q. Can you now please summarize the  
24 Stipulation.

25 A. Okay. The signed Stipulation was filed

1 with the Commission on May 17th. While not all  
2 parties have signed the Stipulation, we are not aware  
3 of any party that opposes the Stipulation. A brief  
4 summary, on February 1st the company filed its  
5 application seeking recovery of major plant addition  
6 investments related to the Ben Lomond to Terminal  
7 Transmission Line and Dave Johnston Unit 3, or the  
8 DJ3 environmental improvements.

9 The original request was filed at  
10 \$33.7 million. On March 25th the company filed  
11 supplemental testimony decreasing or changing the  
12 rate increase to \$33 million. The originally filed  
13 request was filed using an 11 percent ROE, consistent  
14 with what the company had filed in the 2009 rate  
15 case. The supplemental testimony updated the ROE to  
16 the 10.6 percent ROE as ordered in Docket 0903523.

17 The parties met on May 5th, 2010, discussed  
18 settlement, and as part of that we have reached the  
19 terms and conditions set forth in this stipulation.  
20 As to the specific terms of the stipulation, I'll  
21 just cover a few of them. First off, and most  
22 importantly, Utah's share of the projected net  
23 revenue requirement impact of the major plant  
24 addition project was set at \$30.8 million annually.  
25 That amount was derived using paragraph 9C of the

1 Stipulation, which starts at the \$33 million in Rocky  
2 Mountain Power's revised request and goes through  
3 each of the individual adjustments to arrive at the  
4 30.8, and basically we agreed to adjustments related  
5 to allocations, updated plant and service costs,  
6 correcting the heat rate related to the DJ3 scrubber,  
7 some modeling changes as proposed by the DPU and then  
8 also an agreed upon value for incremental SO2  
9 allowances that I will discuss briefly in a few  
10 minutes.

11 Per the Stipulation, the company will  
12 record monthly the amount of \$2,566,667 on its books  
13 as a Utah specific regulatory asset, beginning on the  
14 later of July 1st, 2010, or the date that MPA  
15 projects are both in service. That is per paragraph  
16 9D. I would like to note at this point that both of  
17 the MPA projects are in service. The Ben Lomond to  
18 terminal transmission line went in service in March  
19 of this year. The DJ3 scrubber went in service last  
20 week. So both projects are currently in service,  
21 satisfying the conditions in paragraph 9D.

22 9E mentions how the company is authorized  
23 to record a carrying charge of .695 percent per month  
24 which is calculated simply as 1/12th of the  
25 8.34 percent, common weighted average cost of capital

1 as determined in Docket 0903523. The parties further  
2 agree that the Stipulation resolves and the parties  
3 agree not to contest in any other proceeding the  
4 monthly amount of the regulatory asset to be booked  
5 by the company or its ultimate recovery from  
6 customers in rates.

7 However, as noted in Paragraph 10, the  
8 Stipulation does not resolve six specific issues that  
9 are identified as Items A through F, which are the  
10 date the collection will beginning, the period of  
11 time over which the recovery will take place, the  
12 allocation of the deferred balance, recovery among  
13 Utah customers, the structure of the collection  
14 mechanism, the rate design of the collection  
15 mechanism, or the billing determinants to be used.

16 One last item I would like to mention is  
17 that the stipulating parties agreed to that \$200,000  
18 adjustment for SO2 omission allowances related to DJ3  
19 scrubber. For purposes of this settlement we are  
20 including that \$200,000 as an offset to the revenue  
21 requirement increase related to the major plant  
22 addition cases, and as a result we will not include  
23 it in the four-year amortization of SO2 allowances as  
24 done for all other SO2 allowances here in the state  
25 of Utah. As a result, that amount will be removed



1 from any future calculations of SO2 allowances as  
2 part of any future rate cases until such time as the  
3 amortization is completed.

4 The remaining paragraphs of the Stipulation  
5 are basically the general terms and conditions which  
6 are associated with most stipulations presented  
7 before this commission.

8 Q. Mr. McDougal, do you have any final  
9 comments on the Stipulation?

10 A. Yes. First off, I want to thank all the  
11 parties for working together to reach an agreement  
12 that works for all of us. The agreement lays out a  
13 reasonably known schedule for rate case filings over  
14 the next two years. I want to restate the company's  
15 support for the Stipulation. It was negotiated in  
16 good faith by the parties of the Stipulation. I  
17 believe the Stipulation is in the public interest  
18 and, therefore, recommend that the Commission approve  
19 it as filed. Thank you.

20 CHAIRMAN BOYER: Thank you, Mr. McDougal.

21 MS. HOGLE: Just one more item, Mr. Chairman, do  
22 you want to take the testimony into the record now or  
23 do you want to wait until everybody is done and we  
24 can move to have it entered into the record,  
25 everybody's testimony in the case?

1           CHAIRMAN BOYER:  Since no one seems to be  
2           opposing it, maybe we can admit all of the prehearing  
3           testimony at this time.  Will there be any objection  
4           to doing that?

5           MR. PROCTOR:  No objection.

6           MS. HOGLE:  No objection.

7           MR. DODGE:  (Inaudible response.)

8           MS. SCHMID:  (Inaudible response.)

9           CHAIRMAN BOYER:  All of the prefiled testimony  
10          of all of the parties, we'll identify them for the  
11          record here perhaps in a moment.  We have testimony  
12          from Mr. Peterson, Ms. Murray, Mr. McDougal.  I think  
13          that's it.

14          MR. DODGE:  Mr. Higgins.

15          CHAIRMAN BOYER:  Oh, Mr. Higgins.

16          MR. REEDER:  I think we may have prefiled  
17          testimony too.

18          MS. HOGLE:  Also, all of our testimony that  
19          supports our application needs to be admitted.

20          CHAIRMAN BOYER:  So we'll identify for the  
21          reporter later, but we'll admit it all at this point  
22          so it will be part of the record.  Thank you.

23                    I think the commissioners are going to  
24          reserve questions until we've heard from all of the  
25          witnesses.  Do you have something further, Ms. Hogle?

1 MS. HOGLE: I do not. Thank you.

2 CHAIRMAN BOYER: I was going to ask if there is  
3 any cross of Mr. McDougal, Ms. Schmid?

4 MS. SCHMID: None.

5 CHAIRMAN BOYER: We asked Ms. Schmid,  
6 Mr. Proctor, and Mr. Dodge, and Mr. Reeder if they  
7 had any cross-examination and all indicated they did  
8 not have cross-examination of Mr. McDougal. So now  
9 we're turning to Ms. Schmid and her witness  
10 Mr. Peterson.

11 MS. SCHMID: Thank you. The Division would like  
12 to note, of course, we have testimony from Slater  
13 Consulting, Mr. George Evans, and Mr. Croft as well.  
14 And we will, as you instructed, introduce later.  
15 However, at this point, the Division would like to  
16 present its witness in support of the Stipulation,  
17 Mr. Charles E. Peterson. Could Mr. Peterson please  
18 be sworn.

19 CHAIRMAN BOYER: Yes. Please stand and raise  
20 your right hand. Do you swear the testimony you're  
21 about to give in this proceeding shall be the truth,  
22 the whole truth and nothing but the truth?

23 MR. PETERSON: Yes.

24 CHAIRMAN BOYER: Please be seated.

25 ///

1 DIRECT EXAMINATION

2 BY MS. SCHMID:

3 Q. Mr. Peterson, do you have a statement you  
4 would like make in support of the Stipulation?

5 A. Yes, I do.

6 Q. Please proceed.

7 A. Thank you. I have a brief statement  
8 summarizing the Division's support for the  
9 Stipulation. As stated in my direct testimony, the  
10 Division contracted with an outside consultant,  
11 Slater Consulting, to advise the Division on the  
12 reasonableness of the plans and construction costs of  
13 the terminal Ben Lomond transmission line segment and  
14 the Dave Johnston Unit 3 environmental controls  
15 upgrade. The Dave Johnson Unit 3 upgrade was largely  
16 done to reduce sulfur dioxide emissions to meet  
17 stringent air quality standards.

18 The Division also performed its own  
19 internal analysis of various aspects of these two  
20 projects. In direct testimony the Division  
21 recommended an adjusted revenue requirement of  
22 31.6 million compared to the company's supplemental  
23 filed position of \$33 million. The Stipulation sets  
24 forth a revenue requirement impact of these two  
25 projects of \$30.8 million. The Division concluded

1 that these two projects are needed and with minor  
2 adjustments the costs were prudent. Subsequent to  
3 filing direct testimony, the Division and its  
4 consultant received additional information pertaining  
5 to adjustments the consultant was proposing in direct  
6 testimony. We also considered supporting a couple of  
7 adjustments proposed by the Office of Consumer  
8 Services.

9 In addition, the company updated the cost  
10 of its two projects which resulted in a reduction to  
11 the revenue requirement. The result of these  
12 post-direct testimony activities is that the Division  
13 believes that a slight reduction through its proposed  
14 direct testimony revenue requirement as represented  
15 in this Stipulation is appropriate. Based upon our  
16 analyses and the circumstances I outlined above, the  
17 Division supports the stipulation as just and  
18 reasonable and in the public interest, and this  
19 concludes my remarks. Thank you.

20 CHAIRMAN BOYER: Thank you, Mr. Peterson.

21 MS. SCHMID: I have one clarification. I also  
22 need to note that the information from Slater  
23 Consulting and Mr. Evans is attached as exhibits to  
24 Mr. Peterson's testimony, not independent testimony.

25 CHAIRMAN BOYER: Thank you for that

1 clarification, Ms. Schmid.

2 Does anyone wish to cross-examination  
3 Mr. Peterson?

4 Ms. Hogle?

5 MS. HOGLE: (Inaudible response.)

6 CHAIRMAN BOYER: Mr. Proctor?

7 MR. PROCTOR: No.

8 CHAIRMAN BOYER: Seeing none, let's move on now  
9 to the Office's witness, Ms. Murray.

10 Please raise your right hand. Do you swear  
11 the testimony you're about to give in this proceeding  
12 shall be the truth, the whole truth, and nothing  
13 but the truth?

14 MS. MURRAY: Yes.

15 CHAIRMAN BOYER: Thank you. Please be seated.

16 MR. PROCTOR: Go ahead.

17 MS. MURRAY: The Office is charged with  
18 representing the interests of residential, small  
19 commercial, and irrigation customers, and we believe  
20 the customer's interest encompass paying reasonable  
21 rates as well as receiving safe and reliable power  
22 service. Therefore, when we assess the  
23 appropriateness of the stipulation, we agree -- we  
24 considered the broader public interest, not just the  
25 rate impact of the cost associated with the projects.

1 The Office utilized experts in the fields of net  
2 power costs and accounting, and those experts  
3 analyzed the net power cost modeling as well as the  
4 costs that are included in the company's filing. The  
5 results of those analyses are reflected in our direct  
6 testimony.

7 Our investigation continued as we acquired  
8 additional information through responses to data  
9 requests. Following the submission of parties  
10 direct -- intervenors and DPU office direct  
11 testimony, the parties began to meet to discuss  
12 settlement and eventually reached the agreement that  
13 is represented in the Stipulation being considered by  
14 the Commission today.

15 The Office believes that the Stipulation  
16 overall represents a fair and reasonable settlement  
17 of the issues that have been addressed in this case  
18 and should be approved by the Commission. Thank you.

19 CHAIRMAN BOYER: Thank you, Ms. Murray.

20 MR. PROCTOR: Mr. Chairman, the Office has  
21 provided to the reporter copies of the testimony from  
22 Ms. Murray and Ms. Ramas and Mr. Falkenberg. Those  
23 would be the three that we would ask to be admitted.

24 CHAIRMAN BOYER: Thank you. They are admitted,  
25 and the record should reflect that.

1 Does anyone wish to cross-examine  
2 Ms. Murray?

3 Ms. Hogle?

4 MS. HOGLE: (Inaudible response.)

5 CHAIRMAN BOYER: Ms. Schmid?

6 MS. SCHMID: (Inaudible response.)

7 CHAIRMAN BOYER: Mr. Reeder?

8 MR. REEDER: No questions.

9 CHAIRMAN BOYER: Very well. Mr. Dodge, do you  
10 have any witnesses?

11 MR. DODGE: No. Mr. Chairman, Kevin Higgins  
12 filed testimony on behalf of UAE. You admitted his  
13 testimony, but the parties had no desire to  
14 cross-examine him. So we do support the Stipulation,  
15 a just and reasonable result, and urge that you  
16 approve it.

17 CHAIRMAN BOYER: Thank you, Mr. Dodge.

18 Mr. Reeder?

19 MR. REEDER: Mr. Chairman, we too filed  
20 testimony of Mr. Brubaker (phonetic) in this case,  
21 and we have signed the Stipulation and support it.  
22 We would call your attention to Paragraph 10 of the  
23 Stipulation. It's central to our support of the  
24 Stipulation. It contains a very broad no precedent  
25 clause and reservations that Mr. McDougal spoke about



1 earlier today. Because of the shape and form and  
2 content of the Stipulation, we support the  
3 stipulation. Thank you.

4 CHAIRMAN BOYER: Thank you, Mr. Reeder.

5 Let's turn now to the commissioners.

6 Commissioner Allen, do you have any  
7 questions?

8 COMMISSIONER ALLEN: No.

9 CHAIRMAN BOYER: Commissioner Campbell?

10 COMMISSIONER CAMPBELL: Could someone explain to  
11 me what's behind the allocation adjustment in 9C.  
12 What is that related to?

13 MR. MCDUGAL: There was a variety of issues  
14 raised in direct testimony of the other parties  
15 related to the fact that when we filed our direct  
16 testimony what we did as a company is look at the  
17 impact these plant additions would have on the  
18 current allocations, which is revised protocol with a  
19 rolled-in plus 1 percent cap.

20 As a result, we took the difference between  
21 the two on a rolled-in basis plus 1 percent, and that  
22 was the amount we were requesting. In their direct  
23 testimony, several parties questioned why we didn't  
24 just use the difference between rolled-in or the  
25 difference between revised protocol. In order to

1 remove the allocation issue from this proceeding, we  
2 agreed to that \$300,000 adjustment which is basically  
3 removing that 1 percent cap so that you can get this  
4 amount looking at either the difference in revised  
5 protocol or the difference in modified accord.

6 COMMISSIONER CAMPBELL: So if down the road the  
7 Commission were to consider interstate allocation on  
8 a rolled-in basis, does that make this number go up  
9 or down?

10 MR. MCDUGAL: That would be the correct number.

11 COMMISSIONER CAMPBELL: That would be the same  
12 number.

13 MR. MCDUGAL: Yes.

14 COMMISSIONER CAMPBELL: That's what I was trying  
15 to get at. My second question is -- perhaps the  
16 Division and Office -- I want to understand how you  
17 balance the objective of few rate increases where  
18 we're not increasing rates every three months for  
19 these major plant additions versus having a higher  
20 rate because you're deferring an amortization. How  
21 do you make that analysis whether to -- I guess the  
22 simple way to ask the question is why don't we put in  
23 rates now? Why are we deferring it and then we'll  
24 have more than whatever the percent increase is  
25 because we have a deferral to put on top of that?

1 MR. PETERSON: The Division's response to that  
2 is basically it alleviates the question raised by --  
3 or the issue raised by the Commission itself related  
4 to interstate allocation, and we felt -- and since  
5 the interstate allocation MSP process is still  
6 ongoing and perhaps reaching an end game, the  
7 Division felt it was appropriate to do it this way  
8 rather than to have a 2 or 3 percent rate increase at  
9 this time. So that was the main thinking of the  
10 Division in supporting the deferral of the amount at  
11 this time, and we expect that, generally speaking,  
12 that this will not happen.

13 COMMISSIONER CAMPBELL: Generally speaking, what  
14 you're saying is as these come along, as these major  
15 plant additions come along, putting the allocation  
16 issue aside, they would be implemented at the time  
17 that we hear them.

18 MR. PETERSON: That would be our understanding  
19 and expectation at this point, yes.

20 CHAIRMAN BOYER: I have one question, and I'll  
21 address it to Mr. McDougal but perhaps Mr. Peterson  
22 or Ms. Murray would also want to answer, and that has  
23 to do with rate impact. Do you have an estimate of  
24 what this will mean if this Stipulation is approved  
25 in terms of what kind of increase an average customer

1 would receive?

2 MR. MCDUGAL: I don't have the exact number,  
3 but we basically have around a billion and a half of  
4 revenues, so 30 million would be approximately  
5 2 percent. Then it will all depend upon the issue  
6 raised by Commissioner Campbell as far as that will  
7 be the impact of the 30 million but then we've also  
8 got the impact of the amortization of this deferral.

9 CHAIRMAN BOYER: Okay. Thank you. Ms. Murray?  
10 Mr. Peterson? Are there any -- I don't see anybody  
11 here opposing the Stipulation because I recognize all  
12 the faces here with us today. Is there anything  
13 further?

14 MS. HOGLE: Mr. Chairman, would now be the  
15 appropriate time for the company to move that our  
16 prefiled testimony --

17 CHAIRMAN BOYER: Right. I think all you need to  
18 do Ms. Hogle is identify the various pieces of  
19 written testimony for the record because we've  
20 already admitted it.

21 MS. HOGLE: Okay. Sure. Steve McDougal's  
22 direct testimony and exhibits and supplemental  
23 testimony and exhibits; John Cupparo's direct  
24 testimony and exhibits; Darrel Gerrad's direct  
25 testimony and exhibits; Mr. Chad Teply's direct

1 testimony and exhibits; Mr. Bruce Williams's direct  
2 testimony and exhibits; and Hui Shu's direct  
3 testimony and exhibits. And that's H-u-i S-h-u.

4 CHAIRMAN BOYER: Thank you. And I think for the  
5 record that we can just reflect that whatever has  
6 been prefiled is admitted.

7 MR. REEDER: Thank you.

8 MR. DODGE: Thank you.

9 CHAIRMAN BOYER: I didn't bring the testimony in  
10 either. I do notice we have a public witness hearing  
11 today at 5:00 for some reason, and so we will be in  
12 recess until 5:00 p.m. this afternoon. Thank you  
13 all.

14 (Whereupon the taking of this hearing was  
15 concluded at 9:26 a.m.)

16 \* \* \*

C E R T I F I C A T E

STATE OF UTAH                    )  
  )  
COUNTY OF UTAH                 )

THIS IS TO CERTIFY that the foregoing hearing was taken before me, Letitia L. Meredith, Registered Professional Reporter in and for the State of Utah and State of California.

That the hearing was reported by me in Stenotype, and thereafter transcribed by computer under my supervision, and that a full, true, and correct transcription is set forth in the foregoing pages.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

WITNESS MY HAND and official seal at Spanish Fork, Utah, this \_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Letitia L. Meredith, CSR/RPR