

1 I. INTRODUCTION

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

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

7
8 Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THE
9 MAJOR PLANT ADDITION (MPA) PROCEEDING?

10 A. My testimony presents the Office's spread recommendations for the \$15.7
11 million in deferred costs relating to MPA I that the Company proposes to
12 collect through Schedule 97 and the \$69.8 million in remaining costs for
13 MPA I and MPA II that the Company proposes to recover through
14 Schedule 40.¹ The Office's spread recommendations are based on the 1)
15 COS studies and data from the last rate case, and 2) the Commission's
16 spread decision in the last rate case (09-035-23) as appropriately adjusted
17 to reflect the generation and transmission plant additions at issue in the
18 MPA proceeding.

19

20 II. RECOMMENDATIONS

21 Q. PLEASE SUMMARIZE THE OFFICE'S RECOMMENDATIONS.

22 A. The Office's recommendations are as follows:

- 23 • MPA COS – Applying the rate spread from the last rate case to costs at
24 issue in the MPA docket will inappropriately over-allocate costs to Rate
25 Schedules 1, 10 and 23. The Commission's spread decision from the last
26 rate case should be adjusted to reflect only generation and transmission
27 factors to produce a fair and reasonable spread result.
- 28 • Office Rate Spread – The Office's rate spread proposal appropriately
29 differs from a strict application of the Commission's spread decision in the
30 last rate case to the costs at issue in the MPA proceeding. It more

¹While the Commission has approved a settlement relating to MPA I costs, the disposition of MPA II costs has yet to be decided by the Commission.

31 properly reflects costs associated with generation and transmission as
32 compared to all costs contained in a general rate case. The Office's
33 spread proposal also differs from the Company's proposal because we
34 relied on the Commission's guidance in its October 13, 2010 MPA Order
35 and the Direct and Rebuttal COS Methods for allocating MPA costs. The
36 Company used only the Rebuttal Method as the basis for allocating MPA
37 costs. The Office's proposed rate spread for Schedule 40 and Schedule
38 97 are presented in Tables 1 and 2 of my direct testimony.

- 39 • Special Contract Customers – The Office supports the Company's
40 proposal to allocate a share of MPA costs approved for recovery to
41 Special Contract Customers (Customers) A and D. The Office also
42 recommends a share of MPA costs approved for recovery be allocated to
43 Customer B.
- 44 • Billing Determinants – The Commission should direct the Company to
45 update billing determinants so that the Company does not over-collect
46 revenue from the tariffed rate schedules and Customers A, B and D.
47 Updated billing determinants should be filed by the Company as soon as
48 reasonably possible and no later than in its rebuttal testimony.

49

50 III. COMMISSION ORDER ON UIEC MOTION

51 Q. IN RESPONDING TO UIEC'S MOTION TO DEFER RECOVERY OF MPA
52 COSTS, WHAT DID THE COMMISSION CONCLUDE REGARDING THE
53 BASIS FOR ALLOCATING COSTS IN THE MPA CASE?

54 A. Despite concerns relating to the reliability of data and COS methods
55 presented by the Company in the last rate case, the Commission directed
56 parties to rely on the non-uniform rate spread from the last rate case as
57 the basis for allocating costs among classes and adjusting rates in the
58 current MPA case.² In the last rate case, the Commission gave some

²In Docket 09-035-23, the Commission adopted a non-uniform rate spread where Schedules 1, 6, 8, and 23 received the jurisdictional average increase of 2.2% and Schedules 9 and 10 received an increase of 3.52%, which was 1.6 times higher than the jurisdictional average increase.

59 consideration to the COS methods and data in making its spread decision.

60 .

61 Q. DOES THE COMPANY'S METHOD FOR ALLOCATING MPA COSTS
62 COMPLY WITH THE GUIDANCE PROVIDED IN THE COMMISSION'S
63 MPA ORDER?

64 A. No. There were essentially two COS methods (Company Direct and
65 Rebuttal methods) and attendant data used by parties in developing their
66 respective spread proposals and by the Commission in making its rate
67 spread decision in the last general rate case. Since the Company
68 exclusively relied on the "Rebuttal" COS Method from the last rate case as
69 the basis for allocating MPA costs, the Company's approach does not
70 adhere to the direction provided by the Commission in its October 13,
71 2010 MPA Order.

72

73 Q. DOES THE OFFICE'S SPREAD PROPOSAL REFLECT THE GUIDANCE
74 PROVIDED BY THE COMMISSION IN ITS OCTOBER 13, 2010 MPA
75 ORDER?

76 A. Yes, with proper recognition of the fact that the MPA proceeding
77 addresses a decidedly more limited and distinct set of costs related to
78 generation and transmission plant additions. Since all cost categories
79 (e.g., distribution investment, net power costs, O&M expense, A&G
80 expense, miscellaneous expense, etc) are included in a general rate
81 case, an adjustment to the Commission's ordered spread in the last
82 general rate case is required to avoid over-allocating MPA costs to certain
83 rate schedules.

84

85 Q. IS THIS ADJUSTMENT TO THE RATE CASE SPREAD NECESSARY TO
86 ENSURE THAT THE RESULTING RATES ARE JUST AND
87 REASONABLE?

88 A. Yes. For example, absent an adjustment to the rate spread in the last rate
89 case, Schedules 1 and 23 would receive the jurisdictional average rate

90 change of 4.81% (per Schedule 40). However, these customer classes
91 are responsible for less than the average percentage portion of generation
92 and transmission costs, as measured both by the methods used in the last
93 rate case and the resulting spread percentages. Even the Company's use
94 of the Rebuttal Method from the last rate case produces a relatively lower
95 increase of 4.35% for Schedule 1 and 4.57% for Schedule 23.³ Thus, the
96 Commission needs to adjust the rate spread ordered in the last rate case
97 to appropriately fit that spread to the more limited and distinct set of
98 generation and transmission costs in the MPA case. Without an
99 adjustment, the resultant rate increase for Schedules 1, 10 and 23 would
100 not be just and reasonable.

101

102 Q. WHAT DOES THE OFFICE RECOMMEND BE USED FOR RATE
103 SPREAD PURPOSES IN THE MPA CASE?

104 A: Since the Commission provided no explicit spread formula which could be
105 modified and applied to the MPA case⁴, the Office recommends that the
106 spread in the MPA case be based on an average of the F10 allocators
107 from the Company's Direct and Rebuttal COS studies in the last case. The
108 Office's proposal meets the needs of an MPA proceeding for the following
109 reasons:

- 110 • The proposal is based on the allocation methods and data relied on
111 by the Commission in the last rate case;
- 112 • The proposal appropriately relies on the F10 allocation factor,
113 which applies directly to the generation and transmission plant
114 additions at issue in this MPA proceeding rather than
115 inappropriately including all other utility cost components;
- 116 • The proposal uses a simple and transparent calculation.

117

³Griffith MPA Direct, Exhibit WRG-1, pg. 1 of 1.

⁴On page 148 of the Order in Docket 09-035-23, the Commission stated that it relied on the position of the parties, the principle of gradualism and the historical class return information provided by the Office in making its rate spread decision.

118 III. OFFICE SPREAD PROPOSAL

119 Q. WHAT SPREAD PROPOSAL DOES THE OFFICE RECOMMEND THE
120 COMMISSION ADOPT FOR THE MPA COSTS THAT ARE TO BE
121 RECOVERED THROUGH SCHEDULES 40 AND 97?

122 A. Tables 1 and 2 below present the Office's spread proposals for Schedules
123 40 and 97, based on my OCS Exhibit (DEG-3.1).⁵ These tables also
124 include a comparison of the Office's and Company's spread proposals.
125 The Office's spread proposal for both schedules is based on the method
126 of weighting the F10 factor as discussed above. The relative share of
127 costs spread to the tariffed rate schedules and certain special contract
128 customers (see discussion in next section) is the same in both tables.⁶

129 The Office also notes the Company proposes to spread costs to
130 Special Contract Customers A and D, which reflects a change from the
131 spread in the last general rate case. As discussed in the next section, the
132 Office supports the Company's proposal relating to Customers A and D.
133 We also recommend that an appropriate share of MPA costs be spread to
134 Customer B.

135

136

137

138

139

140

141

142

143

144

145

146

⁵The workpapers associated with this exhibit can be provided upon request.

⁶The revenue numbers from Mr. Griffith's Exhibits WRG-1 and WRG-2 were relied on for purposes of comparison.

147

Table 1 - Schedule 40

148

Rate Schedule	% Increase based on OCS Spread	% Increase based on RMP Spread
Sch. 1	3.90%	4.35%
Sch. 6	5.11%	5.05%
Sch. 23	4.43%	4.57%
Sch. 8	5.27%	5.11%
Sch. 9	6.41%	5.63%
Sch. 10	4.87%	5.12%
Customer A	7.12%	6.65%
Customer D	4.72%	6.73%
Customer B	6.15%	NA

149

150

Table 2 - Schedule 97

151

Rate Sch.	% Increase based on OCS Spread	% Increase based on RMP Spread
Sch. 1	0.88%	1.46%
Sch. 6	1.15%	1.69%
Sch. 23	1.00%	1.51%
Sch. 8	1.19%	1.74%
Sch. 9	1.44%	1.96%
Sch. 10	1.10%	1.84%
Customer A	1.60%	2.31%
Customer D	1.06%	2.34%
Customer B	1.38%	NA

152

153

154 IV. SPECIAL CONTRACTS

155 Q. WHAT IS THE COMPANY'S PROPOSED TREATMENT FOR
156 CUSTOMERS A AND D?

157 A. The Company assumes these customers will be on tariffed rate schedules
158 after December 31, 2010. Consequently, the Company has allocated a
159 portion of the MPA cost increase to these customers based on the COS
160 results in the MPA Case. The Company proposes a Schedule 40 increase
161 of 6.63% for Customer A and 6.73% for Customer D.

162

163 Q. WHAT IS THE OFFICE'S POSITION RELATING TO THESE TWO
164 CUSTOMERS?

165 A. The Office supports the Company's proposal to spread a portion of the
166 MPA cost increase to these customers. New or existing large customers
167 that are expected to take service under tariffed schedules should not be
168 immune to rate increases ordered in MPA cases. The Office's proposed
169 rate increases for Customers A and D are presented in Tables 1 and 2
170 above.

171

172 Q. ARE CUSTOMERS B AND C INSULATED FROM RATE CHANGES
173 OCCURRING IN SINGLE ITEM CASES?

174 A. According to the Company's response to OCS DR 7.2, rate adjustment
175 mechanisms are included in each of these contracts that govern when and
176 how rate changes will be applied to these customers. Regarding
177 Customer B, the contract rate is expected to be adjusted January 1, 2011
178 to reflect the average percentage rate increase for Schedule 9 resulting
179 from either a general rate case or single item case during the prior
180 calendar year. Regarding Customer C, the contract rate is expected to be
181 adjusted again January 1, 2011 to reflect the average percentage increase
182 in base revenues for the Utah jurisdiction. Thus, Customer B's current
183 rate will be increased on January 1, 2011 and a portion of that increase
184 will reflect the increase for Schedule 9 in the MPA case. Conversely, it

185 appears that Customer C is exempt from rate increases resulting from
186 MPA cases.

187

188 Q. WHAT IS THE OFFICE'S POSITION ON CUSTOMER B?

189 A. Using the Office's proposed rate spread method, the Commission should
190 allocate an appropriate share of MPA costs to Customer B in accordance
191 with that customer's contract terms. The Office's proposed rate increase
192 for Customer B is presented in Tables 1 and 2 above.

193

194 Q. AS A MATTER OF GENERAL POLICY, SHOULD THE COMMISSION
195 REQUIRE THE COMPANY TO NEGOTIATE A COMPREHENSIVE SET
196 OF RATE ADJUSTMENT TERMS INTO ALL NEW SPECIAL
197 CONTRACTS AND EXISTING CONTRACTS THAT COME UP FOR
198 RENEWAL?

199 A. Yes. From a policy standpoint, a uniform approach should be applied to
200 special contracts to ensure that new and existing special contract
201 customers receive an appropriate allocation of costs at issue for recovery
202 in general rate, major plant addition (single item) and pass-through (if an
203 ECAM is implemented) proceedings. We also recommend that any rate
204 changes ordered by the Commission in these proceedings be swiftly
205 applied to special contracts rather than delaying rate impacts for a period
206 of up to 12 months.⁷

207

208 V. BILLING DETERMINANTS

209 Q. DID THE COMPANY UPDATE ITS BILLING DETERMINANTS AS PART
210 OF MR. GRIFFITH'S DIRECT TESTIMONY?

211 A. No. For purposes of the MPA proceeding, the Company relied on the
212 billing determinants from the last rate case.

213

⁷For example, Customers B and C both benefit from delayed impacts of applying general rate increases to contract rate elements that in 2010 extended out over 10 months (i.e., February 18, 2010 to January 1, 2011).

214 Q. AS A MATTER OF POLICY SHOULD RATE RECOVERY BE BASED
215 UPON CURRENT BILLING DETERMINANTS IN MPA CASES?

216 A. Yes. The number of customers and customer loads (MWh) invariably
217 change over time and proper policy would be to reflect the increase in
218 customer numbers and loads (MWh) in the billing determinants in MPA
219 cases. In his Exhibit RMP (WRG-1), Company Witness Griffith neither
220 updated customer numbers nor energy usage in calculating the
221 Company's proposed rates for Schedules 40 and 97. While the
222 Commission may not want to rely on a new COS study for purposes of
223 spreading MPA costs approved for recovery, it should as a matter of
224 sound public policy require that billing determinants be updated in MPA
225 cases to reflect changes in customer numbers and loads. To do otherwise
226 inappropriately allows the Company to over-recover MPA costs.

227

228 VI. CONCLUSIONS

229 Q. PLEASE PROVIDE THE OFFICE'S CONCLUSIONS RELATING TO COS
230 AND RATE SPREAD IN THE MPA PROCEEDING.

231 A. The Office submits the following conclusions:

- 232
- 233 • The Commission's rate spread decision from the last rate case
234 cannot be strictly applied to the generation and transmission costs
235 at issue in the MPA proceeding. The rate case spread must be
236 appropriately adjusted to avoid over-allocating MPA costs to Rate
237 Schedules 1, 10 and 23.
 - 238 • The Direct and Rebuttal COS Methods and data from the last rate
239 case should be used to develop a weighted F10 factor to use for
240 purposes of allocating MPA costs. The Office's proposed rate
241 spread is appropriately based on an F10 factor that is equally
242 weighted between the Direct and Rebuttal COS Methods.
 - 243 • Customers A, B and D should be allocated an appropriate share of
MPA costs in order to achieve a fair and reasonable spread of MPA

244 costs. The Office proposes spreading costs to these customers
245 using its proposed F10 factor.

- 246 • Absent the Company updating billing determinants to account for
247 increases in the number of customers and loads (MWh), the
248 Company will over-collect revenue from the tariffed rate schedules
249 and Customers A, B and D for MPA costs. The Commission should
250 order the Company to update billing determinants to more
251 accurately reflect customer numbers and loads (MWh) so that the
252 authorized spread is fair, reasonable and in the public interest.

253

254 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY IN THE MPA I
255 AND II PROCEEDING?

256 A. Yes it does.

257