

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF UTAH**

\_\_\_\_\_)  
In the Matter of the Application of )  
Rocky Mountain Power for Authority )  
to Increase its Retail Electric Utility )  
Service Rates in Utah and for ) **Docket No. 11-035-200**  
Approval of its Proposed Electric )  
Service Schedules and Electric )  
Service Regulations )  
\_\_\_\_\_)

**REDACTED**  
Prefiled Supplemental Direct Testimony of  
**J. Robert Malko**  
**on Revenue Requirement**

On behalf of  
**Utah Industrial Energy Consumers**

July 13, 2012

**Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A J. Robert Malko. My business consulting address is 245 North Alta Street, Salt Lake City, Utah 84103.

**Q ARE YOU THE SAME J. ROBERT MALKO WHO FILED DIRECT TESTIMONY ON JUNE 11, 2012, ON BEHALF OF UTAH INDUSTRIAL ENERGY CONSUMERS (“UIEC”) IN THIS PROCEEDING?**

A Yes.

**Q PLEASE SUMMARIZE YOUR SUPPLEMENTAL DIRECT TESTIMONY.**

A Though we did not receive the responsive information from RMP in time to include this information in my direct testimony, the responses to UIEC Request Nos. 30.3 and 32.1<sup>1</sup> demonstrate that the shortfall in the amount the Company has earned compared to the amount the Company was authorized to earn over the last three years corresponds in some respects to the losses the Company has incurred as a result of its imprudence in failing to actively manage its natural gas fixed for variable swaps.

**Q PLEASE EXPLAIN.**

A Table 1 is based on information the Company provided to us in response to UIEC Request Nos. 9.5, 30.3 and 32.1. The Difference Column of Table 1 shows the difference between the dollars the Company would have earned under the

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<sup>1</sup> We were finally able to get the information we needed in response to UIEC 32.1, which was received the afternoon of July 12, 2012.

authorized rate of return and the dollars the Company actually earned. The column to the far right of Table 1 shows the Company's losses due to its natural gas fixed for variable swaps on a Utah basis for those same years.

**TABLE 1**

	Actual	Authorized	Difference	Nat'l Gas Swap Losses - Utah
	(a)	(b)	(b)-(a)	
2011	361,981,013	422,803,993	60,822,980	(██████████)
2010	372,058,919	407,271,351	35,212,432	(██████████)
2009	324,927,516	373,577,260	48,649,745	(██████████)

**Q DO YOU HAVE ANY ADDITIONAL COMMENTS?**

A. Yes. The authorized regulatory return on common equity is certainly not a guaranteed return. RMP managers need to perform in an efficient and prudent manner in order to earn the allowed return. Risk sharing between ratepayers and investors needs to be considered in this process. Given the Company's failure to earn its authorized rate of return despite all the recent regulatory concessions made to reduce the Company's risk, the regulators should examine closely through keen observation the reasons behind this failure, and the Commission should be prepared to take decisive action.

**Q DOES THIS CONCLUDE YOUR TESTIMONY?**

A Yes.

**CERTIFICATE OF SERVICE**

Docket No. 11-035-200

I hereby certify that on this 13th day of July 2012, I caused to be e-mailed, a true and correct copy of the foregoing **REDACTED** Prefiled Supplemental Direct Testimony of **J. Robert Malko on**

**Revenue Requirement** On behalf of Utah Industrial Energy Consumers to:

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