

**BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH**

**In the Matter of the Rocky Mountain Power
Proposed Schedule 94, Energy Balancing
Account (EBA) Pilot Program Tariff**

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)** **Docket No. 11-035-T10**

Rebuttal Testimony of

Maurice Brubaker

On behalf of

Utah Industrial Energy Consumers

Project 9535
March 15, 2012



BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

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In the Matter of the Rocky Mountain Power)
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Rebuttal Testimony of Maurice Brubaker

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 Q ARE YOU THE SAME MAURICE BRUBAKER WHO PROVIDED DIRECT
5 TESTIMONY ON FEBRUARY 23, 2012?

A Yes, I am.

6 Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

7 A I am appearing on behalf of the Utah Industrial Energy Consumers ("UIEC").
8 Members of UIEC purchase substantial quantities of electricity from Rocky Mountain
9 Power Company ("RMP") in Utah, and are vitally interested in the outcome of this
10 proceeding.

11 Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

12 A In my rebuttal testimony, I will respond to the Direct Testimony of Office of Consumer
13 Services ("Office") witness Daniel E. Gimble with respect to the spread of EBA cost to

14 rate schedules; and to the Direct Testimony of Division witness Charles E. Peterson
15 with respect to the application of carrying charges and the calculation of EBA
16 accruals.

17 **Response to Office Witness Daniel E. Gimble**

18 **Q WHAT IS MR. GIMBLE'S PROPOSAL FOR SPREADING THE EBA COSTS**
19 **AMONG RATE SCHEDULES?**

20 A He develops what he calls a "Composite NPC Allocator." He develops this factor by
21 allocating each of the elements of NPC the same way RMP allocated these costs and
22 revenue credits in its class cost of service study.

23 **Q HE ARGUES THAT THIS IS A COST BASED ALLOCATOR. DO YOU AGREE?**

24 A No, I do not. In the last GRC (Docket No. 10-035-124), there was no agreement on
25 how costs would be allocated among rate schedules, nor did the Commission make
26 findings in that regard. Instead, the Commission adopted a revenue spread among
27 schedules as part of a stipulation entered into by the parties. As a result, there is no
28 basis to claim that any cost was allocated in a manner different from the overall rate
29 spread.

30 **Q IN THIS CASE, HAS RMP PROPOSED TO FOLLOW THE OVERALL RATE**
31 **SPREAD THAT WAS INCLUDED IN THE STIPULATION THAT WAS ADOPTED**
32 **BY THE COMMISSION?**

33 A Yes, and as I indicated in my direct testimony, its approach is correct.

34 **Q WHAT OTHER COMMISSION DECISIONS ARE RELATED TO THIS POINT?**

35 A At pages 76-77 of its March 3, 2011 Corrected EBA Order (Docket No. 09-035-15),
36 the Commission stated:

37 “As we noted earlier, collection or refund of any EBA balance must
38 also be based on cost of service. Therefore, we will rely on our most
39 recent general rate case **revenue spread** and rate design decisions
40 for the spread of the deferred balance to rate schedules and rate
41 elements.” (emphasis added)

42 These are the only findings by the Commission with respect to revenue
43 allocation, and thus is the approach that should be used to spread EBA costs to rate
44 schedules.

45 **Application of Carrying Charges**

46 **Q AT PAGE 5 OF HIS TESTIMONY, DIVISION WITNESS PETERSON SAYS THAT**
47 **THE DIVISION BELIEVES THAT THE PROPOSED TARIFF SPECIFIES**
48 **CARRYING CHARGES THAT ARE CONSISTENT WITH THE COMMISSION’S**
49 **ORDER. DO YOU AGREE?**

50 A Not exactly. All the Commission’s Order states about carrying charges is that it
51 approves an annual carrying charge of 6%. But, the Commission certainly can’t
52 mean that ratepayers should pay the Company carrying charges on amounts RMP
53 has not yet even expended. As I indicated in my direct testimony, RMP enjoys
54 certain payment lags, which means that application of carrying charges should not
55 commence at the end of a calendar month, but rather should commence to be
56 applied 20 days following the end of the calendar month in order properly to account
57 for the lags in payment that RMP enjoys. Applying carrying charges at an earlier
58 point in time would compensate RMP for carrying costs that it had not incurred.

59 **Q DO YOU HAVE ANY OTHER COMMENTS CONCERNING THE LEVEL OF THE**
60 **CARRYING CHARGES?**

61 A Yes. As I indicated on page 15 of my direct testimony, in today's capital market, the
62 6% annual interest charges are very high. It exceeds RMP's short-term cost of
63 borrowing, and also exceeds the rate of interest available to customers in the market.

64 Furthermore, to the extent that this high rate of interest on deferred balances
65 reduces RMP's incentive to calculate final monthly costs and to clear monthly
66 balances through billings, customers wind up paying more interest expense than they
67 should.

68 **EBA Accruals**

69 **Q HAVE YOU REVIEWED THE TESTIMONY OF DIVISION WITNESS PETERSON AT**
70 **PAGES 16-20 WHERE HE DISCUSSES EBA ACCRUALS?**

71 A Yes. At the bottom of page 18 of his testimony, he suggests that the monthly EBA
72 accruals should be revised to reflect the application of the calendar year-end updates
73 of the Utah jurisdictional allocation factor values to each month's data.

74 **Q DO YOU AGREE WITH THIS SUGGESTION?**

75 A No. I believe that it is important to, as much as possible, preserve the monthly
76 allocation of costs. As Mr. Peterson notes, preservation of the monthly identity of
77 EBA costs is important for the proper application of carrying charges.

78 More importantly, a monthly collection of EBA costs from customers (which I
79 recommended in my direct testimony as a goal) depends upon having accurate

80 monthly data. There is no question that fuel and purchased power costs are not
81 uniform across seasons. Costs during the summer months are typically the highest,
82 followed by costs during peak winter months, and finally the costs during the spring
83 and fall months tend to be lower. Because customer classes have different monthly
84 patterns of consumption, it is important to preserve this monthly identity of costs.
85 Performing these calculations and allocations on a monthly basis will improve the
86 accuracy of the price signals provided to customers and reduce the amount of
87 carrying charges customers must pay on these deferred EBA balances. Accordingly,
88 it is important to preserve the integrity of the monthly calculations of EBA costs.

89 I, therefore, disagree with the suggestion of Mr. Peterson to recalculate the
90 SG and SE factors at the end of each EBA accumulation period.

91 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

92 **A** Yes.