

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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<b>In the Matter of the Rocky Mountain</b>	)	<b>Docket No. 11-035-T10</b>
<b>Proposed Schedule 94, Energy</b>	)	<b>Surrebuttal Testimony of</b>
<b>Balancing Account (EBA) Pilot</b>	)	<b>Daniel E. Gimble</b>
<b>Program Tariff</b>	)	<b>For the Office of</b>
	)	<b>Consumer Services</b>

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April 5, 2012

1 I. INTRODUCTION

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

3 A. My name is Daniel E. Gimble. I am a special projects manager with the Office of  
4 Consumer Services. My business address is 160 E. 300 S. Rm. 201, Salt Lake  
5 City, Utah.

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7 Q. DID YOU PRE-FILE DIRECT AND REBUTTAL TESTIMONY EARLIER IN THIS  
8 PROCEEDING?

9 A. Yes.

10

11 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

12 A. My surrebuttal testimony responds to the critique of the Office's EBA rate spread  
13 proposal contained in the rebuttal testimony of Mr. Brubaker (UIEC) and Mr.  
14 Higgins (UAE). I also respond to Mr. Taylor's (Company) rebuttal testimony on  
15 the issue of establishing EBA filing requirements.

16

17 II. EBA RATE SPREAD

18 Q. AT THIS POINT IN THE EBA PROCEEDING, WHAT ARE PARTY POSITIONS  
19 ON THE ISSUE OF EBA RATE SPREAD FOR FUTURE EBA FILINGS?

20 A. The Office, Division and Company all support using the Composite NPC  
21 Allocator as the long-term method for spreading EBA costs. These parties  
22 recommend this method because it is consistent with the manner in which a  
23 distinct set of NPC elements are functionally allocated to rate schedules in the  
24 class cost-of-service model. Conversely, UAE proposes a Total Revenue  
25 Requirement Allocator (and variation), while UIEC recommends using the  
26 revenue spread from the most recent general rate case (GRC).

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32           **Response to UIEC Witness, Mr. Brubaker**

33       Q.     MR. BRUBAKER ASSERTS THAT THE COMPOSITE NPC ALLOCATOR IS  
34           NOT A COST-BASED METHOD. ON WHAT BASIS DOES HE SUBSTANTIATE  
35           THAT CLAIM?

36       A.     Mr. Brubaker does not provide any evidence in support of his assertion that the  
37           Composite NPC Allocator is not cost-based. Instead, he continues to argue that  
38           EBA costs should be spread according to the decision in the Commission's  
39           March 3, 2011 Corrected EBA Order.

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41       Q.     SINCE ISSUING THAT ORDER BACK ON MARCH 3, 2011, HAS THE  
42           COMMISSION RECENTLY CLARIFIED WHAT IT MEANS BY SPREADING EBA  
43           COSTS BASED ON COST OF SERVICE?

44       A.     Yes. In its January 20, 2012 Prehearing Order on EBA Implementation, the  
45           Commission stated:

46  
47           Rate case cost of service analysis identifies cost causation by function. Thus,  
48           the spread of deferred EBA amounts to rate schedules must be consistent with  
49           the approved spread of the base EBA costs to rate schedules in the general rate  
50           case.<sup>1</sup>

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52           The Office, Division and Company all agree the Composite NPC Allocator  
53           properly reflects the manner in which base NPC is functionally allocated to rate  
54           schedules in GRCs.

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56       Q.     DOES MR. BRUBAKER ACCURATELY PORTRAY THE COMPANY'S  
57           POSITION ON EBA RATE SPREAD, AS IT PERTAINS TO PROPOSED  
58           SHORT-TERM AND LONG-TERM METHODS?

59       A.     No. On page 2, lines 30-33 of his Rebuttal testimony Mr. Brubaker states that  
60           the Company proposes to use the stipulated rate spread from the last GRC. This  
61           statement is only partly accurate. The Company only proposes that the revenue

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<sup>1</sup>Commission's Prehearing EBA Order, January 20, 2012, pg. 5.

62 spread from the last GRC (10-035-124) be used for the limited purpose of  
63 spreading EBA costs in connection with its initial, March 15, 2012 EBA filing. In  
64 EBA filings thereafter, the Company recommends using the Composite NPC  
65 Allocator. This represents an important distinction to recognize in terms of EBA  
66 spread methods and resulting impacts on rate schedules.

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68 **Response to UAE Witness, Mr. Higgins**

69 Q. IN REBUTTAL, MR. HIGGINS STATES THAT THE COMPOSITE NPC  
70 ALLOCATOR PROPOSED BY THE OFFICE FAILS TO REFLECT VOLTAGE  
71 DIFFERENTIATION IN SPREADING EBA COSTS. DID MR. HIGGINS  
72 SUBSEQUENTLY CLARIFY HIS POSITION ON THIS ISSUE IN  
73 SUPPLEMENTAL REBUTTAL TESTIMONY?

74 A. Yes. The issue of voltage differentiation can be explained as differences in line  
75 losses among rate schedules. These differences in line losses need to be  
76 appropriately reflected in setting rates. In supplemental rebuttal testimony, Mr.  
77 Higgins acknowledges that class loads measured at input were adjusted for line  
78 losses in the Composite NPC Allocator. Thus, the Composite NPC Allocator  
79 includes line losses and no further adjustment is necessary.

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81 Q. MR. HIGGINS STATES THAT THE COMPOSITE NPC ALLOCATOR IS A  
82 "SMALL MODIFICATION" TO THE ENERGY ALLOCATOR INITIALLY  
83 PROPOSED BY THE COMPANY. WHAT IS THE OFFICE'S RESPONSE TO  
84 THIS TESTIMONY?

85 A. In both theory and practice, the Composite NPC Allocator is much more than a  
86 "small modification" to the energy allocator proposed by the Company. This  
87 allocator differs from a simple energy allocator in a number of important ways.  
88 First, the Composite NPC Allocator reflects the way base NPC is allocated to rate  
89 schedules in the Company's class cost-of-service model. Second, the  
90 Composite NPC Allocator includes NPC components that are spread on the  
91 basis of both energy and demand. Third, the relative energy-demand weighting  
92 in this Allocator appropriately tracks changes in the test year composition of base

93 NPC. As the composition of base NPC relating to projected fuel expense,  
94 purchase power expense, wheeling expense, wholesale sales revenue, etc.  
95 varies from one GRC to the next, the Composite NPC Allocator will incorporate  
96 these changes.

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98 Q. MR. HIGGINS CRITICIZES THE COMPOSITE NPC ALLOCATOR FOR HAVING  
99 RATE IMPACTS SIMILAR TO A SIMPLE ENERGY ALLOCATOR. WHAT IS  
100 THE OFFICE'S RESPONSE?

101 A. Since fuel expense is currently the largest single component of the base NPC,  
102 the Commission must recognize that a cost-based EBA allocator will necessarily  
103 be dominated by energy considerations. The superiority of the Composite NPC  
104 Allocator over a simple energy allocator is that it properly reflects both demand  
105 and energy components of NPC and is consistent with the manner in which NPC  
106 is functionally allocated to rate schedules in base rates. Three parties  
107 recommend the Commission adopt the Composite NPC Allocator as the long-  
108 term method for spreading EBA costs.

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110 Q. MR. HIGGINS STATES THAT IF THE COMMISSION ADOPTS THE OFFICE'S  
111 PROPOSED METHOD FOR SPREADING EBA COSTS, IT SHOULD NOT BE  
112 APPLIED TO THE \$60 MILLION IN EBA DEFERRAL COSTS. WHAT IS THE  
113 OFFICE'S RESPONSE?

114 A. Only the \$60 million in deferral EBA costs explicitly identified within the  
115 settlement of past deferral EBA costs should be subject to the rate spread terms  
116 of the settlement in Docket 09-035-15. As I stated in my rebuttal testimony, these  
117 settlement terms have no precedential value and proposals to use them in other  
118 contexts should be disregarded by the Commission. It would be inappropriate to  
119 use a settlement rate spread methodology for EBA costs (i.e., EBA costs from  
120 October 1, 2011 forward) that were not identified within the terms of the  
121 settlement.

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124 Q. BASED ON THE ABOVE RESPONSE, HOW DO THE OFFICE'S RATE  
125 SPREAD RECOMMENDATIONS RELATE TO THE MARCH 15, 2012 EBA  
126 FILING WHEREIN THE COMPANY SEEKS TO RECOVER A COMBINED \$29.3  
127 MILLION?

128 A. The \$20 million in past EBA deferrals should be spread to rate schedules  
129 according to the settlement terms in Docket 09-035-15.<sup>2</sup> The \$9.3 million in  
130 current EBA deferrals should be spread to rate schedules using the NPC  
131 Composite Allocator.

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133 Q. PLEASE SUMMARIZE THE ISSUE OF EBA RATE SPREAD.

134 A. The paramount issue in this implementation proceeding is to determine a rate  
135 spread method that results in a fair and cost-based allocation of NPC elements  
136 included in the EBA. In the context of general rates, NPC represents a distinct  
137 subset of costs and revenues that are spread to rate schedules in the Company's  
138 class COS model using a specific allocator. This specific allocator is the  
139 Composite NPC Allocator. The Office's proposal is to use the same Composite  
140 NPC Allocator for spreading approved EBA costs to rate schedules. The Office,  
141 Division and Company all recommend the Composite NPC Allocator be used as  
142 the long-term method for spreading EBA costs.

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144 III. EBA FILING REQUIREMENTS

145 Q. IN RESPONSE TO THE OFFICE'S PROPOSAL THAT EBA FILING  
146 REQUIREMENTS BE DEVELOPED THROUGH A RULEMAKING PROCESS,  
147 WHAT IS THE COMPANY'S POSITION?

148 A. Mr. Taylor states that reasonable filing requirements could be developed through  
149 a less formal process based on experience gained during the initial EBA cycle.  
150 He also indicates the DPU, with input from interested parties, has already taken a  
151 first step in delineating appropriate EBA filing requirements in its EBA Evaluation

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<sup>2</sup>The \$20 million represents the first of three installments to recover the \$60 million of past EBA deferrals that were approved by the Commission in connection with the settlement in Docket 09-035-15.

152 Plan (Docket 09-035-15). Lastly, Mr. Taylor states EBA filing requirements  
153 should not be included as part of the EBA Tariff.<sup>3</sup>

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155 Q. WHAT IS THE OFFICE'S POSITION ON THE ISSUE OF FILING  
156 REQUIREMENTS?

157 A. As long as the principal goal is to develop a comprehensive set of EBA filing  
158 requirements to enable parties to effectively review EBA filings, a process  
159 other than a rulemaking docket could be established. In recent comments on the  
160 Division's proposed EBA Evaluation Plan (Docket 09-035-15), the Office  
161 recommended augmenting the Division's list with detailed information the  
162 Company is already required to supply in response to the Wyoming  
163 Commission's 2011 ECAM Order. UIEC also recommended additions to the  
164 Division's list of information. The Commission could use the process already  
165 underway in Docket 09-035-15 to order an appropriate set of EBA filing  
166 requirements or it could establish a rulemaking docket.

167

168 Q. SHOULD THESE FILING REQUIREMENTS BE INCLUDED IN THE EBA  
169 TARIFF?

170 A. Yes. The Office continues to recommend that EBA filing requirements either be  
171 included in or attached to the EBA Tariff to ensure transparency of available  
172 information and compliance by the Company. These EBA filing requirements  
173 should not be confined to the Division's EBA Evaluation Plan but rather should  
174 be included as part of the published EBA Tariff.

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176 Q. IF THE COMMISSION'S DECISION IS NOT TO ESTABLISH A PROCESS FOR  
177 DEVELOPING EBA FILING REQUIREMENTS, WHAT ARE THE POSSIBLE  
178 IMPLICATONS?

179 A. EBA cases will represent the only major ratemaking activity involving Rocky  
180 Mountain Power without some type of minimum filing requirement.<sup>4</sup> Parties will

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<sup>3</sup>Taylor Rebuttal, page 3, lines 57-64.

181 inevitably seek to acquire necessary information through formal discovery; a  
182 process that can be time-consuming and less efficient than having a  
183 standardized set of filing requirements.

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185 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

186 A. Yes it does.

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<sup>4</sup>Minimum filing requirements are currently in place for the Company's GRC and Major Plant Addition proceedings.