

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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<b>In the Matter of the Voluntary</b>	)	<b>Docket No. 12-035-102</b>
<b>Request of Rocky Mountain Power</b>	)	<b>Direct Testimony of</b>
<b>For Approval of Resource Decision</b>	)	<b>Cheryl Murray</b>
<b>To Acquire Natural Gas Resources</b>	)	<b>For The Office of</b>
	)	<b>Consumer Services</b>

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March 5, 2013

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Cheryl Murray. I am a Utility Analyst for the Office of  
3 Consumer Services (Office). My business address is 160 East 300 South  
4 Salt Lake City, Utah 84111.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. The purpose of my testimony is to provide the recommendations of the  
7 Office of Consumer Services (Office) regarding Rocky Mountain Power's  
8 (Company) Voluntary Request for Approval to Acquire Natural Gas  
9 Resources (Application) as allowed under Utah Code Ann. § 54-17-401. I  
10 also introduce the testimony of Mr. Paul Wielgus, a consultant retained by  
11 the Office to examine the Company's Application and supporting  
12 documentation.

13 **Q. PLEASE BRIEFLY DESCRIBE THE COMPANY'S APPLICATION.**

14 A. In May 2012 the Company issued a natural gas resource Request for  
15 Proposals (RFP). The RFP provided parameters for bids that would be  
16 acceptable to the Company. The Company is now requesting approval to  
17 execute contracts resulting from those bids.

18 **Q. WHY IS THE COMPANY USING THIS VOLUNTARY PROCESS TO  
19 SEEK APPROVAL OF THIS APPLICATION?**

20 A. In her Direct Testimony, Ms. Stacey Kusters states that the transactions  
21 for which they seek approval "fall outside of the maximum forward contract  
22 period in the hedging guidelines that resulted from the hedging

23 collaborative workshops in Utah”.<sup>1</sup> Preapproval would remove the risk  
24 that in a future proceeding for rate recovery a Utah party could argue that  
25 the Company did not follow the hedging guidelines.

26 **Q. PLEASE PROVIDE A GENERAL OVERVIEW OF UTAH CODE ANN. 54-**  
27 **17-402.**

28 A. The Statute allows an energy utility, in this case Rocky Mountain Power,  
29 to voluntarily request that the Utah Public Service Commission  
30 (Commission) approve the utilities’ resource decision prior to  
31 implementing that decision. The Commission is required to make its  
32 decision on the application within 180 days of the request.<sup>2</sup> Approval of  
33 any portion of the request, with certain exceptions, also allows for cost  
34 recovery of the approved portion.

35 **Q. ON WHAT BASIS SHOULD THE COMMISSION MAKE ITS DECISION**  
36 **WHETHER OR NOT TO APPROVE THE COMPANY’S REQUEST?**

37 A. Utah Statute 54-17-402 (3) requires that the Commission determine that  
38 approval is in the public interest taking into consideration:

- 39 1) whether it will most likely result in the acquisition, production, and  
40 delivery of utility services at the lowest reasonable cost to the retail  
41 customers of an energy utility located in this state;  
42 2) Long-term and short-term impacts;  
43 3) risk;  
44 4) reliability;  
45 5) financial impacts on the energy utility; and  
46 6) other factors determined by the commission to be relevant.  
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<sup>1</sup> Direct Testimony of Stacey J. Kusters, page 3, lines 57 – 59.

<sup>2</sup> The Commission may make the determination that additional time to analyze a resource decision is warranted and in the public interest.

48 **Q. HAS THE COMPANY PREVIOUSLY USED THIS STATUTE FOR**  
49 **APPROVAL OF ANY OF ITS RESOURCE DECISIONS?**

50 A. Yes. The Company recently filed for approval of its resource decision to  
51 construct selective catalytic reduction systems of Jim Bridger Units 3 and  
52 4 using the voluntary request for resource decision statute.<sup>3</sup>

53 **Q. HAS THE COMMISSION ISSUED AN ORDER IN THAT CASE?**

54 A. No, the hearing in that case is scheduled for March 6 and 7, 2013,  
55 therefore the Commission has not issued any orders in dockets filed using  
56 this statute.

57 **Q. WHAT IS THE OFFICE'S POLICY REGARDING VOLUNTARY**  
58 **APPROVAL OF A RESOURCE DECISION?**

59 A. The Office asserts that the benefits to be derived from the resource must  
60 be clear or pre-approval must be denied. The Office also asserts that  
61 uncertainties associated with the evaluation of benefits must be low in  
62 order for pre-approval associated with this kind of proceeding to be found  
63 in the public interest. Commission denial of the request would not  
64 necessarily mean that the resource is imprudent it could mean that the  
65 evidence presented in the case did not adequately demonstrate sufficient  
66 benefits with sufficient certainty. If pre-approval is denied the Company  
67 can proceed with the project and has a further opportunity to present  
68 adequate evidence in a rate proceeding to justify cost recovery. However,  
69 pre-approval must be based on a clear demonstration of benefits.

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<sup>3</sup> Docket No. 12-035-92.

70 **Q. IS THIS THE SAME POLICY POSITION THE OFFICE TOOK IN THE**  
71 **AFOREMENTIONED JIM BRIDGER DOCKET?**

72 A. Yes it is. The Office intends to use this standard of review in developing  
73 its recommendations in dockets of this type where the issue is a voluntary  
74 request for approval for a resource decision

75 **Q. YOU STATED THAT MR. WIELGUS EXAMINED THE COMPANY'S**  
76 **APPLICATION AND ANALYSIS. WHAT WERE THE RESULTS OF**  
77 **THAT EXAMINATION?**

78 A. His assessment is that the Company conducted a robust and reasonable  
79 process. He also recommends some changes to improve the process if it  
80 is used again.

81 **Q. PLEASE SUMMARIZE THE OFFICE'S RECOMMENDED CHANGES.**

82 A. The Office recommends that: 1) the method the Company used to develop  
83 the cost of credit be revisited in future RFPs of this nature; and 2) the  
84 Company should take a longer term, more fundamental view that strict  
85 reliance on its modeling. In his Direct Testimony Mr. Wielgus more fully  
86 explains the reasoning behind these recommendations. Since the  
87 Company indicates its intention to submit more RFPs of this nature, the  
88 Office will advocate for these changes in subsequent proceedings.<sup>4</sup>

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90 **Q. DOES THE OFFICE SUPPORT THE COMPANY'S APPLICATION TO**  
91 **ACQUIRE NATURAL GAS RESOURCES?**

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<sup>4</sup> Confidential Response to OCS D.R. 3.5.

- 92 A. The Office supports the acquisition of natural gas resources but not  
93 precisely as proposed in the Company's Application. Mr. Wielgus  
94 describes several adjustments to the Company's proposed acquisitions  
95 that the Office asserts will provide greater benefit to customers than the  
96 Company's current proposal. With those changes, the Office asserts the  
97 Company has adequately demonstrated sufficient benefit to customers to  
98 warrant Commission approval of the Application.
- 99 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**
- 100 A. Yes it does.