

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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<b>In the Matter of the Application</b>	)	<b>Docket No. 13-035-184</b>
<b>Of Rocky Mountain Power for</b>	)	
<b>Authority to Increase Its Retail</b>	)	<b>Direct Revenue Requirement</b>
<b>Electric Utility Service Rates in Utah</b>	)	<b>Testimony of</b>
<b>and for Approval of Its Proposed</b>	)	<b>Cheryl Murray</b>
<b>Electric Service Schedules and</b>	)	<b>for the</b>
<b>Electric Service Regulations</b>	)	<b>Office of Consumer Services</b>

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May 1, 2014

1 **Q. WHAT IS YOUR NAME, TITLE, 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.

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

6 A. I introduce the witnesses who provide revenue requirement testimony on  
7 behalf of the Office of Consumer Services in this case and provide the  
8 Office's overall revenue requirement recommendation based on our  
9 analysis. I will also present the Office's policy recommendations regarding  
10 Net Power Cost updates in future rate cases and the treatment of Energy  
11 Imbalance Market (EIM) costs as proposed by Rocky Mountain Power  
12 (Company) in this rate case.

13 **Q. PLEASE IDENTIFY THE WITNESSES FOR THE OFFICE AND THEIR  
14 GENERAL AREA OF TESTIMONY.**

15 A. In the revenue requirement phase of this docket the Office has three  
16 witnesses, in addition to myself, who offer direct testimony. The first  
17 witness is Daniel J. Lawton of the Lawton Law Firm. His direct testimony,  
18 previously filed on April 17, 2014, presented the Office's recommended  
19 cost of capital and return on equity (ROE) of 9.2% for Rocky Mountain  
20 Power. Next is Donna Ramas, a certified public accountant with the firm,  
21 Ramas Regulatory Consulting, LLC. Ms. Ramas recommends a number  
22 of rate base and net operating income (revenue requirement) adjustments.  
23 Ms. Ramas also recommends the Office's proposed treatment of Energy

24 Imbalance Market (EIM) capital and labor costs and provides the analysis  
25 behind the Office's recommendation related to the Company's proposal to  
26 include net prepaid pension/PBOP asset in rate base. Finally, Philip  
27 Hayet, Hayet Power Systems Consulting, will identify and describe  
28 recommended adjustments concerning Rocky Mountain Power's net  
29 power costs (NPC), including some recommendations regarding the NPC  
30 modeling and Company NPC updates to rate cases. Each of these  
31 witnesses provide a description of their adjustments, the reasons for the  
32 adjustments and the dollar impact. Ms. Ramas provides the results of  
33 running all of the Office's recommended adjustments, including our  
34 recommended ROE, through the Company's jurisdictional allocation  
35 model (JAM).

36 **Q. WHAT AMOUNT OF REVENUE REQUIREMENT INCREASE DID**  
37 **ROCKY MOUNTAIN POWER REQUEST IN THIS DOCKET?**

38 A. Rocky Mountain Power requested an increase in revenue requirement of  
39 \$76,252,000 million in its original filing. On April 10, 2014, the Company  
40 provided updates to net power costs which reduced the Company's  
41 requested increase to \$71,304,000.

42 **Q. BASED ON THE OFFICE'S ANALYSIS OF ROCKY MOUNTAIN**  
43 **POWER'S FILING, WHAT IS THE OFFICE'S RECOMMENDED**  
44 **CHANGE TO THE CURRENT LEVEL OF UTAH REVENUE**  
45 **REQUIREMENT?**

46 A. Based on our analysis the Office recommends a reduction to Rocky  
47 Mountain Power's current level of Utah revenue requirement of \$4.6M.  
48 This amount also incorporates the Office's recommended 9.2% ROE as  
49 presented in Mr. Lawton's April 17, 2014, testimony.

50 **Q. ARE THERE ANY OUTSTANDING ISSUES THAT MAY IMPACT THE**  
51 **OFFICE'S RECOMMENDED REVENUE REQUIREMENT?**

52 A. Yes. There were only three weeks between the time of the Company's  
53 NPC updates filing and the filing of our direct testimony which did not  
54 allow adequate time to thoroughly analyze all issues presented in that  
55 update. Therefore, the Office may provide additional analysis in rebuttal  
56 testimony on June 4, 2014.

57 ***Net Power Cost Updates***

58 **Q. YOU INDICATED THAT YOU WILL ALSO OFFER A POLICY**  
59 **RECOMMENDATION RELATED TO NPC UPDATES IN FUTURE RATE**  
60 **CASES. WHAT IS THE OFFICE'S RECOMMENDATION ON NPC**  
61 **UPDATES?**

62 A. In this docket the Company updated its net power costs on a date certain  
63 (April 10, 2014) with a limited number of issues<sup>1</sup>. As we stated in prior  
64 testimony the Office does not view this as Commission approval for the  
65 Company to include NPC updates in all future rate cases. However it

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<sup>1</sup> The Company proposed to provide updates in five NPC categories plus BAL-002-WECC-2. Duvall direct testimony page 33, lines 686 – 692 and page 35, lines 742-743.

66 appears that updating the filing is becoming standard practice for the  
67 Company.

68

69 The Office has previously expressed its general concern related to  
70 updates, specifically the symmetry of adjustments. The Company controls  
71 the information related to its case. If unlimited updates are allowed the  
72 potential to cherry pick what information is updated is significant.  
73 Adjustments or updates favorable to the Company may have offsetting  
74 adjustments but unless the Company provides that information as well  
75 parties may not have time to determine appropriate offsets. Therefore, the  
76 Office recommends limits to the scope and timing of any updates the  
77 Commission may allow in future cases. Mr. Hayet further discusses NPC  
78 updates in his testimony.

79

80 **Q. WHAT SPECIFIC RESTRICTIONS ON UPDATES DOES THE OFFICE**  
81 **PROPOSE?**

82 A. As a matter of policy the Office recommends that if net power cost  
83 updates are permitted they should be subject to the following process and  
84 limitations:

- 85 • Limited to a one-time update during the case at a minimum six weeks  
86 prior to the filing of intervenors' direct testimony.
- 87 • The scope of updates should be limited to items that are readily  
88 verifiable.

- 89           • A list of items to be updated should be provided in the Company's  
90           initial filing.
- 91           • All supporting documentation, including confidential information, should  
92           be provided with the update. In the event the Company provides  
93           partial updates prior to the scheduled date, either in response to data  
94           requests or for other reasons, that information should be identified as  
95           an update, and as much information as possible should be provided at  
96           the time it is first identified. Whether or not some updates are provided  
97           early, a comprehensive update package, including full documentation  
98           for all adjustments should be provided at the time the final update is  
99           supplied.

100 **Q.   WHAT TYPES OF NPC UPDATES SHOULD OR SHOULD NOT BE**  
101 **ALLOWED?**

- 102 A.   In general, the Office recommends that allowed updates should be limited  
103   to items such as: changes in third-party contracts for fuel, power and  
104   transmission services. The Company should also be required to correct  
105   filing errors it has identified and those identified by other parties.

106

107   Types of updates that should not be allowed include:

- 108           •time frames;
- 109           •methodologies or assumptions relied upon in developing NPC  
110   inputs; and
- 111           •escalation rates or inflation rates (that are not specified by  
112   contract).

113 Without limiting the type of updates allowed the extent of the information  
114 parties would have to investigate could be overwhelming and significantly  
115 compromise parties' ability to effectively present their case.

116 **Q. DOES THE COMPANY ADDRESS THE ISSUE OF UPDATES IN ITS**  
117 **FILING?**

118 A. Yes. In Direct Testimony Mr. Duvall discusses the timing  
119 recommendations advocated by the Division and Office in the last rate  
120 case, 6 weeks and 10 weeks, respectively; but still Mr. Duvall proposed to  
121 file the update in this case one month prior to the date that other parties  
122 file direct testimony. He stated that the Company would periodically  
123 provide new information in the categories that would be included in the  
124 update filing. He also notes that "the update process must balance the  
125 inclusion of the most recently available information against the need for  
126 verification by other parties." We agree that it is important for intervenors  
127 to be provided sufficient time to be able to verify the Company's  
128 corrections and updates.

129 **Q. WHEN DID THE COMPANY FILE UPDATES IN THIS CASE?**

130 A. The Company filed NPC updates on April 10, 2014; however, as Mr.  
131 Duvall mentioned in Direct Testimony, the Company periodically filed  
132 updated information prior to that date. The support for all of the updates,  
133 including an additional set of 6 updates related to NPC was provided on  
134 April 10, three weeks prior to the due date of intervenor testimony. With  
135 direct testimony due on May 1, 2014, this allowed only 21 calendar days,

136 15 working days, for parties to review, verify, ask discovery questions,  
137 analyze data and incorporate any necessary adjustments into direct  
138 testimony. The time for responses to discovery related to the NPC update  
139 was set at 10 days from April 10 to May 1, effectively providing for only  
140 one round of discovery.

141 **Q. DOES THE OFFICE AGREE THAT THREE TO FOUR WEEKS**  
142 **PROVIDES ADEQUATE TIME FOR UPDATES?**

143 A. No. The Office asserts that a minimum of six weeks between the receipt  
144 of updated NPC information and the filing of direct testimony is more fair  
145 and reasonable. Further, the Company's time to respond to data requests  
146 related to updated information should be held at the ten (10) days required  
147 in this case. The combination of six weeks for analysis and a 10-day  
148 discovery period will allow more opportunity for parties to conduct  
149 thorough discovery and to analyze the data provided.

150  
151 Although six weeks may not be necessary in every case, until the updates  
152 are identified and the documentation produced parties cannot determine  
153 the extent of the analysis required. Therefore, in order to balance the  
154 Company's desire to update NPC and in fairness to other parties, the  
155 Office recommends a minimum of six weeks between updates and  
156 intervenor direct testimony.

157 **Q. DID THE COMPANY OFFER ANY RECOMMENDATIONS RELATED TO**  
158 **NPC UPDATES?**



159 A. Yes. Mr. Duvall, at page 34, lines 719-721 of his direct testimony  
160 requested “that the Commission establish a fixed schedule of when NPC  
161 updates will occur over the course of a rate case proceeding and what  
162 particular NPC items will be updated”.<sup>2</sup>

163 **Q. DOES THE OFFICE AGREE WITH THE COMPANY’S**  
164 **RECOMMENDATION REGARDING NPC UPDATES?**

165 A. If the Commission determines that it is in the public interest to allow NPC  
166 updates in rate cases the Office submits that our recommendations as  
167 discussed above should be adopted. It should be noted that the Company  
168 seems to be proposing multiple updates e.g. “when NPC *updates* will  
169 occur *over the course of* a rate case proceeding...” [emphasis added]  
170 The Office asserts that the Company should be allowed no more than one  
171 complete NPC update filing<sup>3</sup> in a rate case proceeding. Information for  
172 individual NPC updates that have been specified in the Company’s direct  
173 testimony could be provided prior to the scheduled complete NPC filing  
174 update being made, as the Company did in this case. However, only one  
175 complete NPC filing update should be permitted in the proceeding, to  
176 occur by a predetermined date that should be set, at a minimum, six  
177 weeks prior to the deadline for intervenor direct testimony.

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<sup>2</sup> Duvall Direct Testimony Page 34, lines 719-721.

<sup>3</sup> The Office defines a complete NPC update filing as one containing all documentation for all updates in one comprehensive package, including a GRID run and database with all updates included in that database. The GRID results and NPC report associated with that GRID run would also be included.

178 **Q. DID THE COMPANY UPDATE ITS OFFICIAL FORWARD PRICE**  
179 **CURVE (OFPC) IN THIS CASE?**

180 A. Yes. The OFPC was one of the items included in the April 10, 2014 NPC  
181 updates.

182 **Q. ARE THERE PROBLEMS RELATED TO AN UPDATE OF THE OFPC?**

183 A. Yes. In past cases the Office has struggled to obtain the necessary  
184 backup workpapers and spreadsheets that support the Company's OFPC  
185 because they have been designated as highly confidential.

186 **Q. DOES THE OFFICE HAVE A RECOMMENDATION REGARDING OFPC**  
187 **UPDATES IN GENERAL RATE CASES?**

188 A. Yes. The Office recommends that if, in future cases, the Commission  
189 allows an update to the OFPC it require the Company to provide all  
190 underlying workpapers and documents with the update filing under the  
191 existing confidentiality rule. Parties should not have to request the  
192 information in a data request, which further delays our ability to analyze  
193 the information by at least ten days, and should not be required to make a  
194 site visit to obtain supporting documentation.

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196 ***Energy Imbalance Market-Related Costs and Issues***

197 **Q. WHAT IS THE ENERGY IMBALANCE MARKET?**

198 A. The Company describes the proposed EIM as ...”a balancing market that  
199 optimizes generator dispatch every five minutes within and between the

200 PacifiCorp and CAISO balancing authority areas...<sup>4</sup> Ms. Ramas more  
201 fully describes the EIM in her testimony.

202 **Q. DID THE COMPANY PROVIDE A COST BENEFIT ANALYSIS**  
203 **JUSTIFYING ITS PARTICIPATION IN THE EIM?**

204 A. The Company does not include any costs or benefits related to the EIM in  
205 this rate case rather it proposes to track and recover the EIM related costs  
206 through the energy balancing account (EBA) until the next rate case.

207 **Q. DOES THE OFFICE AGREE THAT IT IS APPROPRIATE TO ACCOUNT**  
208 **FOR ALL EIM RELATED COSTS IN THE EBA?**

209 A. No, we do not agree that all EIM costs should be accounted for in the  
210 EBA. Only those costs that would fall under the FERC accounts already  
211 considered in the EBA mechanism should be considered in the EBA. This  
212 is addressed further in Ms. Ramas' testimony. The EBA was not  
213 established as a mechanism to include items such as capital costs, labor  
214 costs and O&M expenses that fall outside of the net power cost accounts  
215 that are considered in the EBA mechanism. Those items are  
216 appropriately included in base rates and considered as part of the rate  
217 base and net operating costs in rate cases where costs and benefits can  
218 be analyzed to determine the prudence of Company expenditures.

219 **Q. ARE THERE OTHER REASONS WHY THE OFFICE OPPOSES**  
220 **INCLUDING THOSE COSTS IN THE EBA?**

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<sup>4</sup> Gregory N. Duvall Direct Testimony Page 30, lines 625 – 627.

221 A. Yes. At this time the Company has not provided a cost benefit analysis  
222 demonstrating that customers will receive value from the Company's  
223 participation in the EIM.

224 **Q. IS THE OFFICE AWARE OF ANY REPORTS OR STUDIES THAT**  
225 **PURPORT TO SHOW BENEFITS FROM PACIFICORP'S**  
226 **PARTICIPATION IN THE EIM?**

227 A. Yes, Mr. Duvall references a March 13, 2013 report from Energy and  
228 Environmental Economics, Inc. which projects annual benefits for  
229 participation starting in 2017 and forward. While there is currently  
230 uncertainty around the EIM costs and benefits the Office is optimistic that  
231 benefits will accrue to rate payers at a level that will offset the costs.  
232 However, the Company must be required to fully identify the benefits and  
233 demonstrate that benefits exceed the costs before any costs are allowed  
234 to be recovered.

235 **Q. IF THE COMPANY IS NOT ALLOWED TO INCLUDE EIM CAPITAL AND**  
236 **EIM-RELATED EXPENSES THAT FALL OUTSIDE OF THE FERC**  
237 **ACCOUNTS CONSIDERED IN THE EBA WOULD THAT RESULT IN**  
238 **DISALLOWANCE OF THOSE COSTS?**

239 A No, it would not. As explained in the testimony of Ms. Ramas, at page 72,  
240 the Company could appropriately present and justify those costs in a  
241 future rate case along with the benefits to accrue to rate payers for the  
242 Commission's consideration. If the Company is able to justify the  
243 expenditures and demonstrate that the benefits outweigh the costs, then

244 the costs could be factored into base rates at that time. In the interim, the  
245 Commission could allow the Company to establish a regulatory asset for  
246 the EIM-related costs with recovery to be considered in a future rate case  
247 proceeding. Ms. Ramas further describes and explains the Office's  
248 recommendation related to the establishment of a regulatory asset to  
249 account for EIM costs not included in the EBA.

250

251 In any case, the Office asserts that for all EIM-related costs for which  
252 recovery is requested the Company must demonstrate net benefits accrue  
253 to ratepayers as a result of its participation in the EIM prior to Commission  
254 approval of recovery.

255 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

256 A. Yes, it does.

257