

1 **Introduction and Purpose of Testimony**

2 **Q. Are you the same Douglas N. Bennion who submitted direct testimony in this**
3 **proceeding on behalf of PacifiCorp dba Rocky Mountain Power (“the**
4 **Company”)?**

5 A. Yes.

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. The purpose of my rebuttal testimony is to respond to proposed Transmission and
8 Distribution (“T&D”) plant addition adjustments recommended by Utah Division
9 of Public Utilities (“DPU”) witness Mr. Richard S. Hahn, of La Capra Associates,
10 in his direct testimony. Specifically, I will respond to six of his proposed
11 adjustments, as follows:

- 12 • *FC 200 to FC 300 Replacement Project;*
- 13 • *NI - Residential New Connects - Utah, distribution plant additions in the*
14 *state of Utah;*
- 15 • *Casper Outer Loop - New 115 kV line from Red Butte to WAPA;*
- 16 • *West Point: New 138 kV Line and 40 MVA substation;*
- 17 • *EMS/SCADA Replacement / Upgrade; and*
- 18 • *City Creek Center - New 40 MW Development*

19 I will demonstrate that, with one exception, the DPU’s proposed plant addition
20 adjustments for these projects are inappropriate and thus should be rejected.

21 **Q. Do you have any general observations regarding the testimony filed by Mr.**
22 **Hahn?**

23 A. Yes. Although Mr. Hahn filed testimony and exhibits outlining analyses that he

24 concludes is reasonable justification for the proposed adjustments to T&D plant
25 additions, with one exception, the analyses and conclusions supporting these
26 adjustments do not accurately reflect the status of the projects or the circumstances
27 and cost requirements for these plant additions.

28 **Q. Do you concur with any adjustments proposed by Mr. Hahn?**

29 A. Yes. Mr. Hahn proposes adjusting the portion of the FC200 to FC300 Meter
30 Handheld replacement project allocated to Utah to \$279,100 from \$480,500. This
31 project involved the replacement of handheld meter reading hardware devices
32 across the PacifiCorp service territory and was included in the case filing as an
33 “allocated” project utilizing the SG allocation methodology. Actual costs for this
34 project were collected on an individual state basis and Mr. Hahn proposes that
35 actual costs be charged to the state of Utah, per project cost records, in lieu of
36 allocating them on a total project cost basis. Rocky Mountain Power accepts this
37 adjustment.

38 **Q. Please summarize Mr. Hahn's adjustment on the Company's proposed N-1
39 Residential New Connections expense in Utah and the basis of his adjustment.**

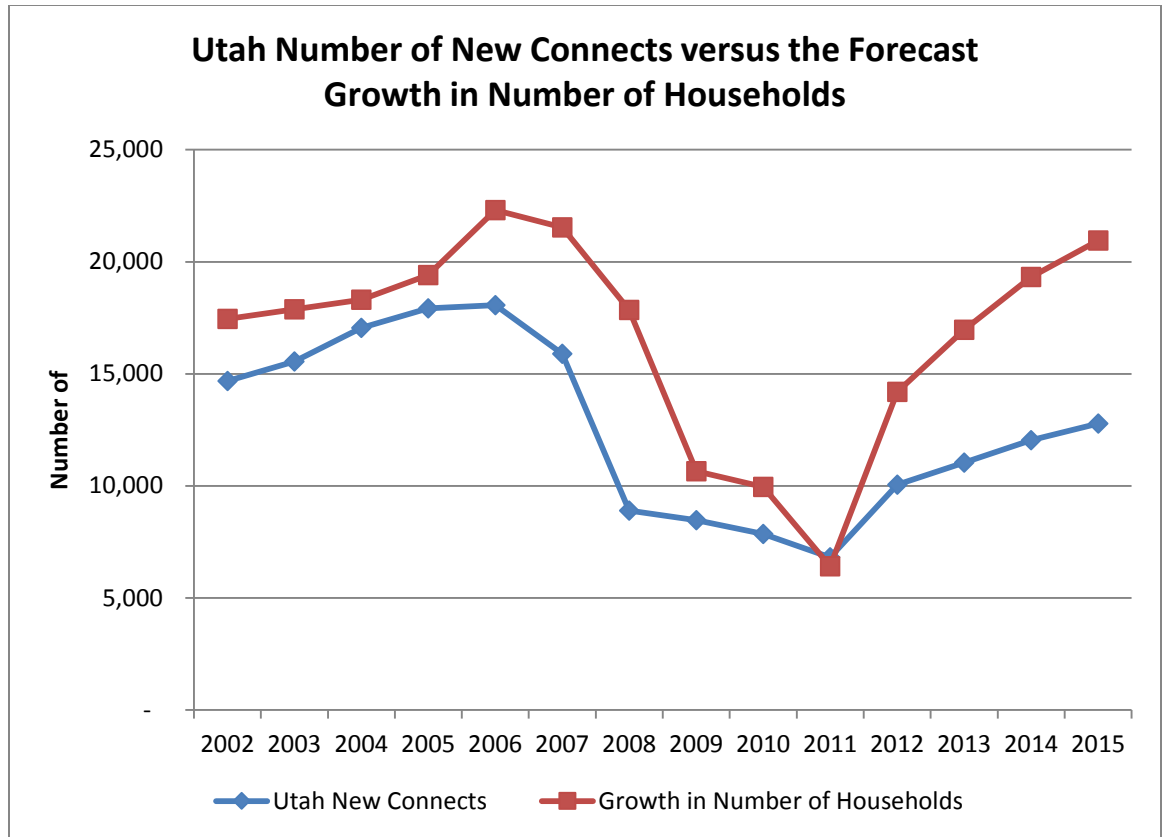
40 A. Mr. Hahn proposes a \$6.7 million reduction of plant in-service additions for
41 residential new connections in Utah based on his conclusion that the Company has
42 overstated the number of New Connections that will occur during the test period.
43 Mr. Hahn states that the Company has not provided sufficient evidence as to why
44 the growth in New Connect expense is reasonable and cites the forecasted growth
45 in number of households provided in the testimony of company witness Ms. Kelcey
46 A. Brown as "quite steady" and not supportive of the expense.

47 **Q. Do you agree with Mr. Hahn's proposed reductions and the methods he**
48 **utilized in developing his recommendations?**

49 A. No. Mr. Hahn's calculation of the spending amounts required for extending electric
50 service infrastructure to connect new residential customers (i.e. new structures) in
51 2014 and 2015 utilized a simple trend methodology that did not take into
52 consideration the increasing trend in new customers that is driven by the increased
53 number of households. Mr. Hahn cited the Company's IHS Global Insight forecast
54 of number of households, but disregarded the increase in the projected number of
55 households that is forecast for the test period.

56 **Q. What is the projected forecast growth in number of households relative to the**
57 **number of New Connects forecast by the Company?**

58 A. The following graph shows the growth in number of households relative to the
59 number of New Connects forecast by the Company.



60 **Q. Does this graph show that the forecast number of New Connects is lower than**
 61 **the forecast number of households?**

62 A. Yes. The Company utilizes a historical average of number of New Connects relative
 63 to the number of customers or households. Looking at the growth in number of
 64 households relative to the Company's forecast number of New Connects the
 65 Company's forecast is very reasonable if not conservative.

66 **Q. Did Mr. Hahn also provide a graph showing forecast household growth**
 67 **relative to the Company's forecast of New Connects for the test period?**

68 A. No. Mr. Hahn utilized a graph that showed the growth in households on one axis
 69 and forecast New Connect expense on a secondary axis, skewing the comparison
 70 of the two categories to look as though Rocky Mountain Powers forecast number
 71 of New Connects was higher than the forecast growth in households.

72 **Q. Can you point out a specific flaw in Mr. Hahn's calculation of the total plant**
73 **additions for residential new connects in Utah?**

74 A. Yes. Mr. Hahn's approach is not well documented, but it appears he has taken a
75 very simplified approach of trending historical spending from 2012 through 2013
76 against the projected increases in new households for this same period and then
77 utilizes this to determine projected spending amounts for 2014 and 2015. This
78 approach is not appropriate. A flaw in this logic can easily be pointed out by just
79 moving the starting point of this analysis back one year to 2011. The number of
80 new households in 2011 were approximately 6,000 versus 21,000 additions
81 predicted in 2015. This would result in an increase in new connect spending of 350
82 percent from 2011 to 2015. Rocky Mountain Power's estimated residential new
83 connects spending in 2015 is approximately \$26 million vs. \$14.6 million in 2011
84 which is only an increase of approximately 180 percent.

85 **Q. How does Rocky Mountain Power determine annual plant in service additions**
86 **for the residential new connect amounts included in the filing?**

87 A. The plant additions for 2013 are based upon actual additions recorded prior to the
88 case filing and forecasted plant additions based upon ongoing work for the balance
89 of the year. The 2014 and 2015 plant additions are determined by multiplying the
90 forecasted new connect volumes discussed above by the estimated net cost per
91 connection.

92 **Q. How is the net cost per connection utilized above determined?**

93 A. The net cost per connection is determined by dividing total net costs incurred on an
94 annual basis to connect residential customers by the annual amount of new

95 connections recorded. These amounts have been tracked on a long term basis and
96 the trends are evaluated in determining the annual amounts to be utilized. The
97 amounts do vary year to year driven by many factors. Recent years have seen a
98 decrease in the average net costs due to the housing market recovery and existing
99 or partially developed lots with installed electric infrastructure that are now being
100 connected. The net average cost to connect these customers is typically less than
101 new construction. These lower costs are not reflective of historical average costs or
102 projected costs that are more likely to occur in green field situations which are now
103 occurring at a higher frequency.

104 **Q. What is your overall conclusion with regard to Mr. Hahn's proposed**
105 **adjustment for N1 residential New Connects?**

106 A. Mr. Hahn's adjustment ignores the IHS Global Insight forecast increase in number
107 of households, which is the driver of the forecast number of New Connects, and, in
108 making his adjustment, trended costs from a recent historical period which is not
109 representative of the time period included in the filing. Rocky Mountain Power's
110 forecast number of residential New Connects is reasonable, if not conservative, and
111 reflects a reasonable cost per New Connect that is consistent with the historical
112 average and is expected to occur in the future.

113 **Q. Can you summarize the basis Mr. Hahn utilizes in developing his**
114 **recommendation for the following projects: Casper Outer Loop - New 115 kV**
115 **line from Red Butte to WAPA; West Point-New 138 kV Line and 40 MVA**
116 **substation, and EMS/SCADA Replacement/Upgrade?**

117 A. Mr. Hahn recommends that the capital spending for these projects be either totally

118 or significantly reduced. His recommendation is based on his opinion that the
119 projects will not be completed prior to the end of the test period, or the
120 documentation provided does not support the costs included in the rate case filing
121 for these projects.

122 **Q. Do you agree with Mr. Hahn's recommendations?**

123 A. No, I do not. I will address Mr. Hahn's recommendations for each of these projects.

124 **Q. Please discuss your concerns regarding Mr. Hahn's recommendation for the**
125 **Casper Outer Loop - New 115 kV line from Red Butte to WAPA Project.**

126 A. Mr. Hahn recommends the Casper Outer Loop - New 115 kV line from Red Butte
127 to WAPA project spending amount be reduced to \$267,000 from the \$6.5 million
128 included in the filing based upon the documentation provided for the project's
129 authorized amount. Rocky Mountain Power's business practices allow for the
130 authorization of partial funding for a project for design, permitting and other
131 activities. This allows for development work to proceed as the project costs and
132 scope are detailed and finalized. An APR authorizing the total cost of the project
133 will then be approved as the costs become more defined. The APR provided with
134 the approved amount of \$267,000 was written to authorize the budget for the initial
135 design and permitting efforts and is not reflective of the total project cost. The total
136 amount of \$6.5 million included in the filing is the total budgeted amount for the
137 project. The project is currently in the final design phase and is scheduled for an in-
138 service date of June 30, 2015. The detailed design is near completion, with a total
139 project cost estimate of \$4.85 million that has been prepared and is proceeding
140 through the authorization process. A copy of the project change notice ("PCN") is

141 attached as Exhibit RMP____(DNB-1R). A project schedule confirming the June 30,
142 2015 in-service date is attached as Exhibit RMP____(DNB-2R).

143 **Q. What is your project cost recommendation for this project?**

144 A. I recommend that the Casper Outer Loop - New 115 kV line from Red Butte to
145 WAPA project spending be reduced to \$4.85 million with a scheduled in-service
146 date of June 30, 2015.

147 **Q. Please discuss your concerns regarding Mr. Hahn's recommendation for the**
148 **West Point: New 138 kV Line and 40 MVA substation project.**

149 A. Mr. Hahn raises concerns over the ability of Rocky Mountain Power to deliver this
150 project by the end of the test period and differences between the authorized project
151 amount and the amount included in the rate case filing. Therefore, he recommends
152 reducing \$15.4 million from the rate case. He also recommends that, "If the
153 Company can provide a schedule reasonably showing the project completion to fall
154 within the test year, I recommend allowing the project's inclusion at the \$13.9
155 million figure in the currently approved APR unless an updated APR is also
156 properly completed that shows a different and reasonable expenditure." This
157 project was initiated in 2011 to address load growth in this area. The design and
158 some materials acquisition were completed after the project was initially approved.
159 However, as a result of the economic and housing market downturns, the project
160 was delayed. The approved APR amount for this project referenced in Mr. Hahn's
161 testimony was developed prior to the economic and housing market downturns.
162 Once the economy rebounded and local demand increased, the project was
163 refreshed to serve customer requirements. The previous project estimate has been

164 updated to reflect current market conditions and the project now has a total
165 estimated cost of \$15.4 million which is reflected in the case. The detail design for
166 this project is nearing completion and construction is scheduled to start in the fall
167 of 2014. A project schedule with a scheduled completion date of April 2015 is
168 attached as Exhibit RMP____(DNB-3R).

169 **Q. What is your project cost recommendation for this project?**

170 A. I recommend that the West Point: New 138 kV Line and 40 MVA substation project
171 be included in the rate case using the updated project estimate cost of \$15.4 million
172 with a completion date of April 30, 2015.

173 **Q. Please discuss your concerns regarding Mr. Hahn's recommendation for the**
174 **EMS/SCADA Replacement / Upgrade project.**

175 A. Mr. Hahn recommends that the entire proposed \$27.8 million for this project be
176 removed based on his opinion that the project will not be placed in-service prior to
177 June 30, 2015. His concerns are based upon vendor project schedule updates
178 provided in response to DPU 27.1. As discussed by Mr. Hahn, these schedule
179 updates can be interpreted to show a slippage of the project schedule over time.
180 However, these schedules are not indicative of the status of the project as a whole.
181 The individual tasks were not being continuously updated as the project team was
182 focused on the delivery of major project milestones and, in fact, all project
183 milestones have been met to date. An example of how the schedule data can be
184 misinterpreted is evident in Mr. Hahn's testimony noting the slippage of the
185 Software Design and Development activity from July 2, 2014 to September 16,
186 2014. With further analysis, Mr. Hahn would have learned that the status of a single

187 custom function, Transmission Monitor and Control (“TMC”) was delayed as the
188 vendor finalized its implementation plans. Basically, this function is dependent
189 upon installing a newer version of the vendor software which is not scheduled until
190 July 2014. Subsequently, it was learned there was a schedule update error in the
191 schedule provided to Mr. Hahn in data request DPU 27-1. This updated schedule
192 moved the overall Software Design and Development to September 16, 2014. This
193 update error was corrected in the April 15, 2014 schedule revision, attached hereto
194 as Exhibit RMP__(DNB-4R), which now shows this custom function will be
195 completed by July 18, 2014. The current schedule for overall Software Design and
196 Development shows a completion on July 21, 2014. Even if this one custom
197 function had been delayed further, the project team was positioned to test the
198 balance of the system functionality and the overall project would remain on track.
199 Mr. Hahn incorrectly states that factory acceptance testing was originally scheduled
200 to start in July 2014. The factory acceptance testing has always been scheduled to
201 commence on August 4, 2014. The timely completion of this project is extremely
202 important to Rocky Mountain Power and the vendor is totally committed and on
203 track to meet the scheduled in-service date of May 22, 2015.

204 **Q. Please discuss your concerns regarding Mr. Hahn’s recommendation for the**
205 **City Creek Center - New 40 MW Development.**

206 A. Mr. Hahn recommends that the plant in-service additions for this project, which
207 was placed in-service in 2012, be reduced by \$10.85 million based upon his
208 interpretation of how much CIAC should have been paid by the developer. Rocky
209 Mountain Power maintains the validity of the plant additions requested in prior rate

210 cases for the City Creek project. Figure 1 below indicates that approximately
 211 \$10.96 million of the \$43.7 million project total was identified as the responsibility
 212 of the developer ("PRI"), not the \$32.1 million as stated in Mr. Hahn's testimony.

Figure 1.

	PRI Non-Allowable ¹	PRI Allowable ²	RMP ³	Total
Phase 1 & 2	\$3.00	\$2.81	\$3.69	\$9.50
Phase 3	\$4.00	\$1.15	\$29.05	\$34.20
Total	\$7.00	\$3.96	\$32.74	\$43.70
PRI Commercial Revenue		\$7.82		
Commercial Allowance		\$10.43		
#Residential units		550		
Residential Allowance		\$0.61		
		Residential	Commercial	Total
PRI Allowable Project Costs ⁴		\$0.49	\$3.47	\$3.96
PRI Extension Allowance (min of allowance vs cost)		\$0.49	\$3.47	\$3.96
CIAC Requirement		\$0.00	\$0.00	\$0.00
1 PRI Non-Allowable costs include the work and equipment associated with the installation of vaults and conduits performed by PRI. RMP is given ownership of these assets upon completion.				
2 PRI Allowable costs include the work and equipment associated with installation of the facilities directly assignable to PRI excluding the trenching and vault costs contributed by PRI via the Non-Allowable costs.				
3 RMP costs include the work and equipment for the infrastructure considered as overall system improvements/upgrades.				
4 PRI allowable project costs were allocated between residential and commercial based on their respective loading portion of the total load.				

213 The \$10.96 million is associated with the facilities needed to directly serve the
 214 requested 27.5 MW of the City Creek development. \$7.0 million of the \$10.96
 215 million was the estimate for non-allowable trenching/vault costs (see footnote 1 in
 216 Figure 1). The remaining \$3.96 million of costs was directly assigned to PRI (see
 217 footnote 2 in Figure 1), with the ability for this activity to be funded by revenue
 218 allowance in accordance with the Rocky Mountain Power Line Extension Policy,
 219 Regulation 12. Since the revenue allowance for the City Creek development
 220 exceeded \$3.96 million, there was no requirement to collect CIAC from PRI. The
 221 remaining \$32.74 million of the total \$43.7 million project costs was to fund
 222 substation, transmission, and other distribution facilities in the downtown Salt Lake

223 City area that were to be utilized as part of the integrated electrical system (see
224 footnote 3 in Figure 1). In his testimony, Mr. Hahn erroneously assumes that the
225 \$32.4 million in costs should be included in the PRI line extension and therefore
226 recommends a portion of those costs be allocated to PRI. However, these costs were
227 not included as part of the line extension policy towards PRI since these facilities
228 provide service and capacity, including back-up capacity in the downtown Salt
229 Lake City area, to other customers in the area due to the network design of the
230 electrical infrastructure. In addition, the cost allocation practice in 2008 for
231 customers taking 480 V delivery treated all transmission and substation costs as
232 network upgrades funded by Rocky Mountain Power.

233 As Mr. Hahn states, the project was initially approved with \$7.0 million to
234 be paid by PRI as CIAC. This \$7.0 million estimate was the best estimate at the
235 time for the cost of trenching and vaults that PRI was responsible to fund. Per tariff,
236 these costs are considered a 'non-allowable' contribution and, therefore, are not
237 eligible for revenue allowance. However, as noted in the PRI document from DPU
238 20.10 under APR 94001866, PRI chose to perform this work and transfer the
239 ownership of these facilities to Rocky Mountain Power upon completion. This
240 portion of the project was completed by PRI for approximately \$1.45 million,
241 which was \$5.55 million less than the original estimate. The difference between the
242 actual \$1.45 million and the estimated \$7.0 million shows up ultimately as a
243 reduction to the overall project cost.

244 A point of clarification to Mr. Hahn's testimony: The PRI describes City
245 Creek Center's load additions as 27.5 MVA, and an additional 4.7 MVA of 7.2 kV

246 load serving City Creek Center facilities for a total demand of 32.2 MVA. The 4.7
247 MVA of load was existing load. As part of the project, at Rocky Mountain Power's
248 discretion, the 4.7 MVA existing load was converted from 7.2 kV to 12.47 kV. The
249 costs associated with this work were considered Company betterment and as such
250 were not allocated to PRI.

251 **Q. What is your recommendation?**

252 A. Rocky Mountain Power has demonstrated the appropriateness of the costs related
253 to the City Creek Center Development project. I recommend that the Commission
254 reject Mr. Hahn's adjustment.

255 **Q. Do you have any final comments regarding the costs for plant in service the
256 Company seeks in this case?**

257 A. Yes. Mr. Hahn challenged project costs and in-service dates for specific projects
258 included in this rate case. In my rebuttal I have provided additional evidence that
259 defends my position to include these projects with associated costs. Mr. Hahn
260 incorrectly assumes that initial approved APR's represent the total cost of a project.
261 Rather, initial APR's release money for project teams to initiate a project to
262 determine a full scope, detail and design, implementation schedule, and refined
263 total project costs. Subsequently, a revised APR will be prepared for final project
264 approval per the Company's capital governance policy. The projects in this rate case
265 are expected to be completed on-time and within approved budgets. Mr. Hahn's
266 recommendation to make adjustments related to the City Creek project at this time
267 is inappropriate as described in my response above. For these reasons, the

268 Commission should approve the Company's plant in service budget and reject Mr.
269 Hahn's recommendations.

270 **Q. Does this conclude your rebuttal testimony?**

271 A. Yes.