

Rocky Mountain Power
Docket No. 10-035-124
Witness: John A. Cupparo

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Revenue Requirement Surrebuttal Testimony of John A. Cupparo

FERC Transmission Rate Case

July 2011

1 **Q. Please state your name.**

2 A. My name is John A. Cupparo.

3 **Q. Are you the same John A. Cupparo who has previously filed testimony in this**
4 **proceeding?**

5 A. Yes.

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

7 A. The purpose of my testimony is to address the rebuttal testimony of Mr. Dennis E.
8 Peseau, on behalf of Utah Industrial Energy Consumers (“UIEC”), in regards to
9 the transmission rate adjustments proposed in Rocky Mountain Power’s (“RMP”
10 or the “Company”) current rate proceeding before the Federal Energy Regulatory
11 Commission (“FERC”), in docket number ER11-3643.

12 **Q. Mr. Peseau makes reference to \$105 million in proposed transmission rate**
13 **increases per the Company’s FERC rate case,¹ and recommends the Utah**
14 **Public Service Commission (“Commission”) require the Company to reflect**
15 **the resulting revenue requirement impact in this proceeding. Do you agree**
16 **with Mr. Peseau’s rationale?**

17 A. No, for two reasons. First, the rate case settlement process at FERC is often
18 lengthy and, to date, no procedural schedule for discovery, settlement or hearing
19 has been established for the rate case. The Company is unable to estimate when
20 new rates will be approved or what those rates will be. Because of this
21 uncertainty, and contrary to Mr. Peseau’s suggestion, neither the Company nor the
22 Commission is “in a position to set an accurate level of test year transmission

¹ Peseau, Rebuttal Testimony p. 1, lines 14-17.

23 revenues”² based on the Company’s proposed rates before FERC.

24 Second, while Mr. Peseau accurately describes the Company’s proposed
25 rate increases for network and point-to-point transmission service, he fails to
26 explain that the resulting potential revenues from the proposed rates are primarily
27 attributable to the Company’s own use of the transmission system to facilitate
28 load service. Importantly, the Company’s *own use* of the transmission system
29 does not result in actual revenues received by the Company that can be revenue-
30 credited in retail jurisdictions. Only third-party wholesale transmission revenues
31 result in such revenue credits. As such, Mr. Peseau overstates the potential FERC-
32 related revenues that may be revenue-credited in retail jurisdictions. In fact, based
33 on the same information referred to by Mr. Peseau in the Company’s FERC filing
34 (please refer to Exhibit RMP__(JAC-1SR)), PacifiCorp Energy is the largest user
35 (approximately 97 percent) of the PacifiCorp transmission system with that use
36 directly benefiting retail customers. Therefore, approximately 97 percent of the
37 total \$105 million proposed transmission rate increase referenced by Mr. Peseau
38 has a net zero impact on PacifiCorp’s retail customers. As Company witness Mr.
39 Steven R. McDougal addresses in his rebuttal testimony, the wholesale revenue
40 impact from the proposed transmission rates on a Utah-allocated basis is not
41 anticipated to be significant.

42 **Q. Beyond the \$105 million in proposed transmission rate increases referenced**
43 **by Mr. Peseau, are there additional transmission revenues the Company**
44 **anticipates?**

45 A. Yes. PacifiCorp is reviewing certain of its legacy transmission service contracts

² Peseau, Rebuttal Testimony p. 2, line 22 – p. 3, line 1.

46 with fixed rates and will pursue rate increases if feasible. The Company plans to
47 work with affected customers to adjust their contracted transmission rates
48 equivalent to those in the Company's Open Access Transmission Tariff
49 ("OATT"). These contract amendments would need to be filed separately and
50 adjudicated at FERC. However, as with any incremental wheeling revenue
51 resulting from the FERC transmission rate case, the exact timing and amount of
52 any increase resulting from contract amendments is unknown at this time. Please
53 see the rebuttal testimony³ of Mr. McDougal proposing to defer any test period
54 difference in this case, which he further elaborates on in his surrebuttal testimony.

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

56 A. Yes.

³ McDougal, Rebuttal Testimony p. 69, line 1510 – p. 70, line 1522.