

Exhibit No.____(MRT-2T)
Docket UE-130043
Witness: Mark R. Tallman

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP d/b/a
Pacific Power & Light Company

Respondent.

Docket UE-130043

PACIFICORP

REBUTTAL TESTIMONY OF MARK R. TALLMAN

August 2, 2013

1 **Q. Are you the same Mark R. Tallman that previously submitted direct testimony**
2 **on behalf of PacifiCorp d/b/a Pacific Power & Light Company (Company or**
3 **PacifiCorp) in this case?**

4 A. Yes.

5 **PURPOSE OF TESTIMONY**

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

7 A. The purpose of my testimony is to provide the Washington Utilities and
8 Transportation Commission (Commission) with a status update on construction of the
9 Company's Merwin Fish Collector. My testimony also rebuts the recommendations
10 of Commission Staff and the Public Counsel Division of the Washington Attorney
11 General's Office (Public Counsel) that the Commission reject the Company's
12 inclusion of the operation and maintenance (O&M) costs associated with the Merwin
13 Fish Collector and Swift Fish Collector.

14 **MERWIN FISH COLLECTOR UPDATE**

15 **Q. Please summarize Staff's and Public Counsel's recommendations regarding the**
16 **Company's proposed pro forma rate base adjustment for the Merwin Fish**
17 **Collector.**

18 A. Both Staff and Public Counsel recommend that the Company's pro forma rate base
19 adjustment for the Merwin Fish Collector be rejected because the project is not
20 anticipated to be placed into service until after a proposed "cut-off" date for capital
21 additions.¹ Staff's recommended cut-off date is January 11, 2013, which is the date

¹ Exhibit No.__(CRM-1T) at pages 11-12; Exhibit No.__(SC-1CT) at page 7.

1 the Company filed its initial case.² Public Counsel’s recommended “cut-off” date is
2 the end of February 2013.³ Company witness Mr. Steven R. McDougal responds to
3 the substance of Staff’s and Public Counsel’s recommendations in his rebuttal
4 testimony;⁴ in this testimony, I provide an update on the project’s status.

5 **Q. Does Staff or any other party to this proceeding contest the prudence of the**
6 **Merwin Fish Collector?**

7 A. No.

8 **Q. What is the projected in-service date for the Merwin Fish Collector?**

9 A. The current projected in-service date for the Merwin Fish Collector is February 2014.

10 **Q. What is the projected in-service date based on?**

11 A. The Company’s contractor is contractually obligated to achieve substantial
12 completion by February 10, 2014, and final completion by May 12, 2014.⁵ Recent
13 projections indicate the project will be substantially complete and used and useful in
14 February 2014. Accordingly, the Company is currently projecting an in-service date
15 during February 2014.

16 **Q. Is the Merwin Fish Collector required by a governmental agency?**

17 A. Yes. The Company is constructing the Merwin Fish Collector to implement and
18 comply with the requirements of the Merwin hydroelectric project license issued by
19 the Federal Energy Regulatory Commission (FERC).⁶

² Exhibit No.__(CRM-1T) at page 3.

³ Exhibit No.__(SC-1CT) at page 7.

⁴ See Exhibit No.__(SRM-6T).

⁵ Confidential Exhibit No.__(MRT-3C).

⁶ FERC Project No. 935, License Ordering Paragraphs E and F and Article 401; *PacifiCorp*, 123 FERC ¶ 62,258 at Ordering Paragraphs E and F, Article 401 (June 26, 2008) (FERC Project No. 935).

1 **Q. Is the Merwin Fish Collector an environmental requirement?**

2 A. Yes. The Merwin Fish Collector is one of the environmental requirements contained
3 in the Merwin hydroelectric FERC license.⁷

4 **Q. Did resource agencies review and approve the fish collector design of the
5 Merwin Fish Collector?**

6 A. Yes. The National Oceanic and Atmospheric Administration (NOAA), the U.S. Fish
7 and Wildlife Service (USFWS), and the Washington Department of Fish and Wildlife
8 reviewed the design, and the design was approved by NOAA and the USFWS.

9 Although the Company provides input, these agencies have final authority over the
10 design of the Merwin Fish Collector.⁸

11 **Q. What is the Company's current cost projection for the Merwin Fish Collector?**

12 A. The current cost projection is \$56.58 million on a total-company basis, which is a
13 slight reduction from the \$56.80 million reflected in the Company's initial filing.

14 **MERWIN FISH COLLECTOR AND**
15 **SWIFT FISH COLLECTOR O&M**

16 **Q. Please summarize Staff's recommendation.**

17 A. Staff recommends that the Company's O&M adjustments for the Merwin Fish
18 Collector (\$282,000 on a total-company basis) and Swift Fish Collector (\$756,000 on
19 a total-company basis) not be included in the Company's revenue requirement.⁹ Staff
20 contends that neither project has sufficient operational data, and therefore, the O & M
21 expense does not meet the "known and measurable" standard.¹⁰

⁷ *Id.*

⁸ *See* Exhibit No.____(MRT-1T) at pages 5-6.

⁹ Exhibit No.____(CRM-1T) at page 4.

¹⁰ *Id.* at 12.

1 **Q. Does Staff or any other party argue that there are no incremental O&M**
2 **expenses associated with the Merwin Fish Collector or the Swift Fish Collector?**

3 A. No party disputes that these Company investments require additional O&M expense.

4 **Q. When was the Swift Fish Collector project placed into service?**

5 A. The final phase of the project was placed into service in November 2012.

6 **Q. Does the Company have operational data for the Swift Fish Collector?**

7 A. Yes. The Company has operational data through June 2013 to inform its pro forma
8 calculation of approximately \$344,000 per year (on a total-company basis) of O&M
9 costs for the Swift Fish Collector.¹¹ This O&M expense level is reduced from
10 \$756,000 in my direct testimony due to reduced costs associated with the electricity
11 required for water pumps located on the floating fish collector. Electricity is used to
12 pump a high volume of water to create flow for the purpose of attracting fish into the
13 collector. The Swift Fish Collector is unique to PacifiCorp in this regard.

14 **Q. What is the basis for the Company's calculated annual O&M expense associated**
15 **with the Merwin Fish Collector project?**

16 A. The basis for the Company's O&M expense is the Company's extensive experience
17 in projecting operational costs associated with contract maintenance, fish monitoring
18 supplies, general supplies, and periodic assistance from the Washington Department
19 of Fish and Wildlife.

¹¹ See Confidential Exhibit No.__(MRT-4C).

1 **Q. If operational history shows the O&M expenses for the Swift Fish Collector are**
2 **lower than originally anticipated, then does the Company's pro forma**
3 **calculation of O&M expenses associated with the Merwin Fish Collector remain**
4 **valid?**

5 A. Yes. Unlike the Swift Fish Collector, the Merwin Fish Collector does not require
6 electricity to create fish attraction flow. As described above, the lower O&M costs
7 for the Swift Fish Collector are primarily due to actual electricity costs being lower
8 than expected. The annual O&M expenses associated with the Merwin Fish Collector
9 in my direct testimony of \$282,000 per year (on a total-company basis) remains valid.

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

11 A. Yes.