

BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH

_____)
In the Matter of the Application of)
Rocky Mountain Power for)
Authority to Increase its Retail)
Electric Utility Service Rates in)
Utah and for Approval of its)
Proposed Electric Service)
Schedules and Electric Service)
Regulations)
_____)

Docket No. 11-035-200

Surrebuttal Testimony and Exhibit of

Michael P. Gorman

on Cost of Capital Issues

On behalf of

The Federal Executive Agencies (FEA)

July 18, 2012



11 **Response to Mr. Williams**

12 **Q WHAT ISSUES DOES MR. WILLIAMS TAKE THAT CONCERN YOU IN HIS**
13 **REBUTTAL TESTIMONY?**

14 A Mr. Williams takes issue with my proposed adjustments to the common equity
15 balance supporting utility operations. Mr. Williams outlines at pages 5 and 6 of his
16 testimony, non-utility investments and subsidiary investments, which he claims
17 actually are included in the utility rate base. Specifically, Mr. Williams claims that the
18 Bridger mine investment is included in rate base, therefore the capital supporting this
19 investment should not be excluded from the regulatory capital structure.

20 **Q PLEASE RESPOND TO MR. WILLIAMS.**

21 A To the extent the investments categorized as non-utility or subsidiary investments are
22 included in rate base, then I agree with Mr. Williams that it is not appropriate to
23 remove the capital supporting the investments from the regulatory capital structure. I
24 confirmed that the Bridger mine and the Trapper mine investments are included in the
25 Company's rate base. These two investments represent the bulk of my proposed
26 capital structure adjustment. Including the remaining common equity balances in my
27 capital structure does not have a significant impact on the Company's proposed
28 capital structure.

29 As a result, I am no longer recommending adjustments to the Company's
30 proposed capital structure.

31 **Q DOES MR. WILLIAMS TAKE ISSUE WITH YOUR CREDIT METRIC ANALYSIS?**

32 A Yes. Mr. Williams states that my credit metric analysis is inappropriate because it
33 does not reflect all the liabilities considered by credit rating agencies, excludes a