

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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IDAHO PUBLIC  
UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION )  
OF ROCKY MOUNTAIN POWER FOR )  
APPROVAL OF CHANGES TO ITS )  
ELECTRIC SERVICE SCHEDULES AND )  
A PRICE INCREASE OF \$27.7 MILLION, )  
OR APPROXIMATELY 13.7 PERCENT )**

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**CASE NO. PAC-E-10-07**

**SUR-REBUTTAL TESTIMONY OF**

**DENNIS E. PESEAU**

**ON BEHALF OF**

**MONSANTO COMPANY**

1 **PESEAU SURREBUTTAL**

2

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Dennis E. Peseau. My business address is Suite 250, 1500  
5 Liberty Street, S.E., Salem, Oregon 97302.

6

7 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

8 A. I am President of Utility Resources, Inc. Since 1985 the firm has consulted  
9 on a number of economic, financial and engineering matters for various  
10 private and public entities.

11

12 **Q. ARE YOU THE SAME DENNIS E. PESEAU WHO FILED DIRECT AND**  
13 **REBUTTAL TESTIMONY IN THIS CASE?**

14 A. Yes.

15

16 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

17 A. PacifiCorp witness Mr. Gerrard attempts to rebut my and  
18 Staff witness Mr. Lobb's testimony on deferring and limiting the rate base  
19 treatment of the Populus to Terminal with essentially 5 points. My surrebuttal  
20 makes clear that 2 of the 5 points are not issues at all, and that his remaining  
21 3 points are not correct.

22

23 **Q. PLEASE LIST MR. GERRARD'S 5 REBUTTAL POINTS.**

24 a. As summarized on pages 1-3 of his rebuttal, Mr. Gerrard discusses that:

25 1. He disagrees that Gateway Central (or Populus to Terminal)  
26 transmission line is oversized at the outset of its initial  
27 energizing. (page 1, line 13-page 2 lines 1-2.)

28

29 2. He disagrees that the completed 8 segments making up the  
30 overall proposed Energy Gateway project would provide a major and

1 dominant transmission highway to western states and regions outside  
2 its retail service territory. (pg. 2, l 3-8).

3  
4 3. He explains that the proposed Energy Gateway project is  
5 the only proposed transmission project in the region that will connect  
6 the Company's load centers to the Company's existing and future  
7 resources. (page 2, l. 9-16).

8  
9 4. He argues that cost comparisons made by Mr. Lobb and me  
10 are overly simplified. (pg. 2, l. 20-22).

11  
12 5. He argues that the Populus to Terminal project will improve  
13 system reliability and reduce Path C constraints. (pg. 3, l. 1-8).

14  
15 **Q. WHAT 2 OF MR. GERRARD'S REBUTTAL POINTS DO YOU MAINTAIN**  
16 **ARE NOT REALLY AT ISSUE IN THESE PROCEEDINGS?**

17 **A.** Issues 3 and 5 identified above, as far as I have read, have not been raised  
18 by other parties anywhere in this case and is not really rebuttal but new direct  
19 testimony. Below I address the remaining 3 issues.

20  
21 **Populus to Terminal is Oversized at the Outset**

22 **Q. WHAT IS THIS REBUTTAL ISSUE THAT IS RAISED BY MR. GERRARD?**

23 **A.** Mr. Lobb and I explain in direct testimony that, unless and until the proposed  
24 Gateway South and Gateway West segments of Energy Gateway are  
25 completed, the capacity of Populus to Terminal would be severely limited as  
26 compared with ultimate capacity. According to PacifiCorp's response to  
27 Monsanto Data Request 4.4, Idaho would receive only 350 MW of  
28 incremental capacity of the 1400 MW of "when-completed" capacity on  
29 Energy Gateway, projected for 2019-2020. Capacity southbound to Utah is  
30 planned to be 700 MW initially. From this circumstance, as well as the  
31 project's costs being more than 10 times Company commitment costs made  
32 in 2006, I conclude that, for ratemaking and timing purposes, Populus to  
33 Terminal is vastly overbuilt at a price tag of \$801.5 million.

34

1 **Q. HOW DOES MR. GERRARD RESPOND?**

2 A. On pages 3-7 of his rebuttal testimony, Mr. Gerrard explains that Populus to  
3 Terminal was sized according to the present and expected future needs, and  
4 to overall regional WECC direction.  
5

6 **Q. IN YOUR OPINION IS THIS REALLY THE ISSUE?**

7 a. No, Mr. Gerrard misses the point. The issue is not whether, if completed in  
8 2019-2020, Energy Gateway would be a cost effective and useful system for  
9 the western U.S. The issue I raise and I believe Mr. Lobb does as well, is  
10 whether the retail customers of Idaho should today be required to carry the  
11 costs of this over \$6 billion investment for shareholders and potential OATT  
12 transmission customers until 2019-2020. The issue here is not an issue of a  
13 well-planned transmission project as portrayed by Mr. Gerrard, but one of  
14 appropriate and reasonable ratemaking for Idaho retail customers.  
15

16 **Energy Gateway as a Transmission Highway**

17 **Q. ON PAGE 7, LINES 4-14, MR. GERRARD TAKES EXCEPTION TO YOUR**  
18 **REFERENCE TO THE PROPOSED ENERGY GATEWAY PROJECT AS A**  
19 **POTENTIAL “HIGHWAY” TO CALIFORNIA AND SOUTHERN NEVADA.**  
20 **PLEASE RESPOND.**

21 A. First, my description in this regard is not to be taken as a criticism. As an  
22 economist I applaud the entrepreneurial spirit of MidAmerican and  
23 PacifiCorp. A careful reading of my direct testimony on this issue, page 7,  
24 lines 5-16, reveals that I am not criticizing the Company’s undertaking this  
25 vast project, but rather objecting to its attempt to immediately place this large  
26 \$801.5 million project into the rate base of Idaho retail customers. Again, this  
27 issue is a matter of the timing of investment recovery.  
28

1 **Q. ARE YOU THE FIRST PARTY TO RECOGNIZE THE PROPOSED**  
2 **ENERGY GATEWAY PROJECT AS A HIGHWAY FROM WYOMING WIND**  
3 **GENERATION TO LOAD CENTERS IN WESTERN STATES?**

4 **A. No. The Federal Energy Regulatory Commission (the "FERC"), as quoted in**  
5 **Mr. Cupparo's Exhibit No. 36, page 15 of 29, says of Energy Gateway**  
6 **Project:**

7 42. The Project is an enormous undertaking by PacifiCorp to  
8 construct approximately 2000 miles of new EHV transmission lines  
9 throughout six states (including 230 kV, 345 kV and 500 kV  
10 transmission lines). The Project will provide the first backbone 500 kV  
11 "superhighway" in this part of the Western Interconnection and may  
12 facilitate the addition of future 500 kV transmission lines in the area.

13  
14 Elsewhere in this exhibit (e.g. page 2 of 29) the FERC concludes that the  
15 Project will connect areas of strong potential for generation resource  
16 development "...for delivery to customers throughout the western  
17 United States."

18  
19 **Are the Monsanto and Staff Cost Comparision Overly Simplified?**  
20

21 **Q. ON PAGE 2, LINES 17-22 OF MR. GERRARD'S REBUTTAL TESTIMONY,**  
22 **HE STATES THAT HE DISAGREES WITH YOUR TRANSMISSION COST**  
23 **COMPARISONS AND "...As explained below, such comparisons are**  
24 **overly simplified and do not take into account the specific cost**  
25 **characteristics and requirements of the project." (l. 20-22). DOES MR.**  
26 **GERRARD IN FACT ADDRESS YOUR COST COMPARISONS AT ALL?**

27 **A. No. The section of my direct testimony that addresses the cost comparisons**  
28 **of the per-mile Populus to Terminal costs (\$5.94 million/mile) with the rest of**  
29 **the seven segments making up Energy Gateway (\$2.79 million/mile) and the**  
30 **SWIP "ON Line" project in Nevada (\$2.17 million/mile) is found on pages 13-**  
31 **15, and my Exhibit No. 225.**

1           Mr. Gerrard's discussion of "Project Cost" is found on his rebuttal  
2 testimony page 9, line 4 through page 11, line 6. Not a single aspect of my  
3 cost analyses and comparisons are addressed at all. Instead he refers to an  
4 example of a "Camp Williams" transmission line to which I do not refer.  
5

6 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

7 **A. Yes, it does.**  
8  
9  
10