

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of The Nevada) Application 10-07-001
Hydro Company for a Certificate of Public) (Filed July 6, 2010)
Convenience and Necessity for the Talega-)
Escondido/Valley-Serrano 500 kV Interconnect.)
_____)

Direct Testimony of James H. Drzemiecki

on behalf of

The Nevada Hydro Company

November 30, 2010

Direct Testimony of James H. Drzemiecki

on behalf of The Nevada Hydro Company

1 Q. Please state your name.

2 A. My name is James H. Drzemiecki.

3 Q. Please state your place of employment, address and title.

4 A. I am employed by FTI Consulting, Inc. as a senior managing Director. Our office
5 address is 1101 K Street, Washington, DC 20005.

6 Q. Have you testified in regulatory proceedings before?

7 A. Yes, Exhibit 1 provides my resume, which contains the list of proceedings in which I
8 have submitted testimony.

9 Q. What is the subject of your testimony in this proceeding?

10 A. I have been asked by The Nevada Hydro Company (TNHC) to evaluate the revenue
11 requirements to be associated with its investment in the Talega Escondido/Valley Serrano
12 Interconnect project (TE/VS) along with the revenue requirements associated with the
13 necessary upgrades anticipated to be needed on the Southern California Edison (SCE)
14 and San Diego Gas & Electric Company (SDG&E) systems. I also was asked to
15 determine a revenue requirement for the reconductoring of the Path 42 line since the
16 benefits forthcoming from the TE/VS for the transmission of renewable energy require
17 the reconductoring of Path 42.

18 Q. What do you conclude from your analysis?

19 A. Exhibit 2 shows the summary and the individual components of the revenue requirements
20 calculations. I estimate the first year revenue requirements associated with the TE/VS
21 project alone to be \$126.3 million. I estimate the first year revenue requirement for the
22 SCE/SDG&E upgrades associated with the project to be \$15.3 million. I estimate the

1 revenue requirement for the Path 42 reconductoring to be \$11.4 million. The total
2 revenue requirement for the complete project is \$153.0 million.

3 Q. Are each of the investments ultimately the responsibility of TNHC?

4 A. No, they are not. The TE/VS project is clearly the responsibility of the TNHC project
5 sponsors. The SCE/SDG&E upgrades are investments that need to be undertaken and
6 financed initially by TNHC, but ultimately become the responsibility of SCE and
7 SDG&E. The Path 42 reconductoring is investment necessary to accommodate the
8 project's ability to be able to deliver elements of the benefits anticipated to be
9 forthcoming from this project. The Project Description, found in Chapter 3 of the
10 Proponent's Environmental Assessment, provides the support for the need for the
11 SCE/SDG&E investment, and the testimony of witness Bergman provides the support for
12 the need for the Path 42 reconductoring.

13 Q. Please describe the methodology used to develop the revenue requirements for each of
14 these investments.

15 A. I employed standard ratemaking methodology in developing the revenue requirements. A
16 rate base was developed against which an overall cost of capital was applied. This
17 resulting return is then added to operation and maintenance expenses, along with income
18 and other taxes, along with depreciation expense to calculate the revenue requirement.

19 Q. How did you determine the rate base associated with each of these projects?

20 A. The rate base for each project contains three elements: gross and net plant, cash working
21 capital and accumulated deferred income taxes.

22 Gross plant was projected by the project team and includes the "hard" costs (the
23 costs associated with the construction of physical plant, including all project labor, along

1 with the acquisition of all rights-of-ways and easements necessary for construction). It
2 also includes all of the “soft” costs associated with the incurrence of financing costs
3 during the construction period. I have reviewed each of these elements of the project
4 team estimates and support their use in this proceeding. I also agree and support the
5 decision of the project team to employ a 35 year depreciable life for the project. This
6 depreciable life is consistent with that used by other projects in California (e.g., Atlantic
7 Path 15) and therefore is reasonable to use in this case.

8 Cash working capital is estimated at 45 days of Operation and Maintenance
9 expense, consistent with standard ratemaking practice.

10 Accumulated deferred income taxes reflect the first year difference tax savings
11 associated with accelerated depreciation. As utility rates are set on the basis of tax, rather
12 than book, depreciation, this adjustment to rate base is necessary to ensure that the
13 customers receive the benefits of this tax depreciation.

14 Q. How did you determine net plant for purposes of including in rate base?

15 A. I used the average rate base concept for purposes of determining net plant. This is
16 calculated using the average of the beginning and end of the year net plant.

17 Q. Please describe the methodology used to calculate the remaining elements of the revenue
18 requirement.

19 A. The elements of the revenue requirement shown on the Exhibit are calculated as follows:
20 The total return is calculated based on the following inputs provided to me by witness
21 Medla. The utility capital structure is assumed to be financed with 50% debt and 50%
22 equity. The debt rate of 5.5%, along with the equity rate of 13.5% was assumed to be the
23 rates to be in effect at the time of commercial operation of the facilities.

1 Operation and maintenance expenses were built up by the TNHC project team. I
2 have reviewed these costs and found that they were developed by evaluating the costs of
3 each of the business functions that need to be undertaken in order to operate the facility
4 along with the enterprise that is being created to own the investment.

5 Other taxes include not only the property taxes associated with the investment,
6 but also the taxes associated with the staff that will be employed by the enterprise.

7 Depreciation expense is calculated using the 35 year convention described above.

8 Income taxes were calculated by applying both the California state income tax
9 rate of 8.84%, along with the Federal tax rate of 35%.

10 Q. How did you calculate the revenue requirements for the SCE/SDG&E upgrades along
11 with that for the Path 42 reconductoring?

12 A. The methodology that was used was identical to that employed in calculating the TE/VS
13 revenue requirement. The gross plant calculations were developed by the project team
14 and reflect an appropriate estimate of the costs. The same 35 year depreciable life was
15 used to calculate the annual depreciation expense. Operation and maintenance expenses
16 were calculated by scaling the expenses projected for TE/VS in proportion to gross plant.

17 Q. Did you employ the same debt and equity rates as used for TE/VS in calculating the
18 return requirement?

19 A. No, I did not. At Mr. Medla's direction, I employed the same 5.5% debt rate described
20 earlier, along with a 12% equity rate. The equity rate reflects a slightly lower return
21 available to entities that do not qualify as independent transcos under the Federal Energy
22 Regulatory Commission (FERC) determination.

23 Q. What are your estimates of the revenue requirements for each of these two projects?

1 A. The first year revenue requirements for the SCE/SDG&E upgrades are estimated to be
2 \$15.5 million, while the first year revenue requirements for the Path 42 reconductoring
3 are estimated to be \$11.5 million.

4 Q. Are the costs of each of these upgrades considered to be project costs for the TE/VS
5 project?

6 A. No, they are not. While TNHC will provide the upfront financing for the SCE/SDG&E
7 upgrades, these are project investments that ultimately will be part of the Transmission
8 Revenue Requirement (TRR) for SCE/SDG&E. The Path 42 reconductoring will also be
9 part of the TRR of other transmission owners.

10 Q. Does this conclude your testimony?

11 A. Yes, it does.

Exhibit 1



James H. Drzemiecki

Managing Director and Co-Founder – Electricity Consulting Group

james.drzemiecki@fticonsulting.com

1101 K Street, NW
Suite B100
Washington, DC 20005
Tel: (202) 312-9179
Fax: (202) 312-9101

Education

M.A in Economics, Ohio
State University

B.A. in Economics, The
Ohio State University

James Drzemiecki is a senior managing director of FTI's Electricity Consulting Group practice and is based in Washington, DC. Mr. Drzemiecki is a recognized expert at the senior executive and board levels in the electric power and natural gas industries. He is also recognized as one of the premier advisors to private equity and other sponsors of electric transmission project development.

With more than twenty-five years in the consulting and utility industry, his areas of recognized expertise include electric generation, transmission, and distribution market strategy and assessments, including regulatory strategy; merger target identification for electric and natural gas companies; generation, transmission, and distribution asset valuation; generation, transmission, and distribution cost and price analysis; development of strategic business and marketing plans for electric and natural gas companies; utility cost reduction efforts; development of new product and service offerings; benchmarking of utility business functions; regional natural gas market assessments; load forecasting and fuel procurement analysis for electric power companies; and development of energy procurement strategies for large commercial and industrial customers. He was also an executive with Trans-Elect, Inc., which was the first independent transmission company established in the U. S.

Professional Experience

Business Strategy

- Advised a variety of private equity firms, affiliates of regulated utilities and engineering and construction firms regarding entry into the electric transmission business in the U. S.
- Directed the marketing of the Trans-Elect business model to prospective sellers of transmission and all regulatory stakeholders. Assisted in development of purchase price proposals and negotiations as the technical lead on the development of the utility cash flows embedded in same. Also, was responsible for achieving regulatory approval for all transactions. Additional responsibilities included serving as regulatory lead and case matter for all material rate cases filed by affiliates of the company.
- For a large consortium of municipal electric utilities, served as the lead technical advisor to the board of directors to develop strategic options for the board to employ to remain viable, including the acquisition of all transmission assets owned by investor-owned utilities within the state. Advised the board as to the strategic and tactical steps to employ to implement its strategy.
- For a consortium of electric generation and transmission cooperatives, served as the lead advisor for the consortium's investigation of the merits of entering the energy services business. Part of the advisory role involved the development of the critical success factors for business and an assessment of the capabilities possessed by the consortium in this area.
- On behalf of the president and the board of directors and involved direct interaction with the board, developed the strategic business plan for a large electric generation and

transmission cooperative and electric power supplier. Included in this analysis was the development of a valuation estimate for its generation assets. Part of this analysis involved a detailed market assessment of the transmission business in both the Midwest and the Southern U.S., with particular emphasis on the issues surrounding the formation of Regional Transmission Organizations within this region.

Asset Valuation and Acquisition Strategy

- Sold and led the successful effort on the part of the first independent for-profit transmission company to obtain the assets of a system in the U.S. Midwest. The work involved leading a multidisciplinary team of experts in the areas of pricing, financial analysis, organizational structure, accounting, legal, and regulatory issues.
- For a global Fortune 500 electric utility, served as an advisor to the client in the areas of (1) valuation of six potential acquisition candidates, (2) organizational structure to be employed for subsequent acquisitions and/or dispositions, primarily in the areas of generation and transmission, and (3) ongoing regulatory strategy to ensure cost recovery.
- For a Fortune 500 electric and natural gas utility, served as an expert antitrust advisor regarding the merger between two U.S. utilities. Developed an expert opinion regarding the market impacts of the merger in a variety of areas, including both existing and future markets, to be used as expert testimony to secure approval of the transaction.

Regulatory Strategy

- For an independent wind developer, testified on projected business impact to the regulated utility of the utility's request for pre-approval of 1,000 MW of wind.
- For a Fortune 500 electric power company, led a team of analysts to develop forecasted costs of service for a functionally separated electric transmission and distribution electric utility for use in regulatory proceedings. Cost forecasts (both capital expenditure and O&M costs) were developed for each activity that will be undertaken by the wires company upon the introduction of retail competition. Particular emphasis was placed on ensuring that the recommended functional activities were properly costed and that the transmission market structure that the client would operate in was properly reflected in the analysis.

The efficacy of the resulting costs were benchmarked against similarly situated electric companies. The results of the analysis were submitted to state regulatory authorities in the form of testimony.

- For a global Fortune 500 electric utility, served as the lead advisor on procuring state regulatory approval of a cross-border acquisition of an electric utility. Developed the state regulatory approval strategy to be used by the client. This effort involved leading a team of ten staff, none of whom had ever been involved in this process, to develop and deliver the requisite information necessary to implement the strategy for regulatory approval. This required training the team in all of the relevant aspects of U.S. regulation as it impacts the acquisition of a utility. The effort also included preparing client staff to address all concerns raised by hostile parties during the process. The efforts were successful, as the client received approval for the transaction in 1999.
- Served as the lead advisor on procuring state regulatory approval for another cross-border acquisition for another client. Developed the state regulatory approval strategy to be used by the client. This effort involved leading a team of five staff to develop and deliver the

requisite information necessary to implement the strategy for regulatory approval. This required training the team in all of the relevant aspects of U.S. regulation as it impacts the acquisition of a utility. The effort also included preparing client staff to address all concerns raised by hostile parties during the process. The efforts were successful, as the client received approval for the transaction in 2000.

Market Analysis and Benchmarking

- Sold and led the team of experts to assist two utilities in developing improved means of forecasting electric loads to support their respective energy trading strategy.
- For a Fortune 500 electric utility, led a team of analysts in a benchmarking analysis of utility functions for the CEO. The purpose of the analysis was to determine how the company compared to others in its market in all functional areas, including generation, transmission, and distribution. Subsequent to the completion of the first phase of the analysis, developed a set of pricing strategies for both the generation and transmission businesses.

Expert Testimony

Served as an expert witness in over fifty proceedings before sixteen state regulatory authorities, the Federal Energy Regulatory Commission, U.S. Bankruptcy Court, and the Bonneville Power Administration. Subjects include:

- Generation, transmission and distribution cost, and price analysis
- Stranded cost analysis
- Regional gas market assessments
- Utility load forecasting
- Utility fuel procurement
- Power supply planning
- Utility performance

Before the U.S. Bankruptcy Court for the District of Delaware

Case No. 91-804; In Re Columbia Gas Transmission Corporation; the long-term market for natural gas produced in Appalachia.

Before the Federal Energy Regulatory Commission

Docket No. ER10-253-000; Primary Power LLC; return on equity and ratemaking incentives under Order No. 679.

Docket No. ER08-413-000; Startrans IO LLC; test-year cost-of-service and return on equity

Docket No. ER08-374-000; Atlantic Path 15; ratepayer benefits.

Docket No. EL08-39-000; New York Regional Interconnect; return on equity and ratemaking incentives under Order No. 679.

Docket No. ER06-56-000; Michigan Electric Transmission Company; return on equity and affiliated company transactions.

Docket No. ER05-17-000; NTD Path 15 LLC; test-year cost-of-service.

Docket No. ER03-1341-000; Michigan Electric Transmission Company; return on equity.

Docket No. EC03-30, et al.; Illinois Power Company, et al.; proposed ratemaking methodologies.

Docket No. CP89-634-001, et al.; Iroquois Gas Transmission System; pipeline rate design.

Docket Nos. ER88-630-000 and ER88-630-001; New England Power Company; electric utility load forecasting and purchased power costs.

Before the Arizona Corporation Commission

Docket No. E-1032-86-020, et al.; Citizens Utilities Company; electric power supply, natural gas supply, cost allocation and rate design.

Docket No. E-1933-86-036; Tucson Electric Power Company; power plant performance.

Docket No. E-1345-83-155; Arizona Public Service Company; electric rate design.

Before the Connecticut Department of Public Utility Control

Docket No. 89-08-12; United Illuminating Company; electric cost allocation and rate design.

Docket No. 87-07-01 (Phase II); Connecticut Light and Power Company; electric and natural gas cost allocation and rate design.

Before the Delaware Public Service Commission

Docket No. 99-457; Delaware Electric Cooperative, Inc.; stranded cost exposure and mitigation of above-market generation costs.

Before the Public Service Commission of the District of Columbia

Formal Case No. 787; Washington Gas Light Company; cost allocation.

Formal Case No. 737; Chesapeake & Potomac Telephone Company; utility productivity.

Before the Georgia Public Service Commission

Docket No. 3770-U; Georgia Power Company; test-year fuel costs.

Docket No. 3673-U; Georgia Power Company; cost allocation and rate design.

Before the Hawaii Public Utilities Commission

Docket No. 6431; Hawaiian Electric Company; cost allocation and rate design.

Docket No. 6432; Hawaii Electric Light Company; cost allocation and rate design.

Docket No. 6378; Hawaiian Electric Company; avoided costs for qualifying facility purchases and power supply contract issues.

Docket No. 6177; Hawaiian Electric Company; avoided costs for qualifying facility purchases and power supply contract issues.

Before the Illinois Commerce Commission

Docket No. 90-0169; Commonwealth Edison Company; cost allocation and rate design.

Docket No. 90-0006; Illinois Power Company; cost allocation and rate design.

Docket No. 90-0007; Peoples Gas Light and Coke Company; cost allocation and rate design.

Docket Nos. 89-0001 and 89-0011; Commonwealth Edison Company; rate refunds for residential customers.

Docket No. 87-0427; Commonwealth Edison Company; cost allocation and rate design.

Docket No. 86-0128; Commonwealth Edison Company; rate design.

Before the Iowa Board of Public Utilities

Docket No. RPU-2009-0003; Mid-American Energy Company; ratemaking principles for deregulated generation investment.

Docket No. RPU-87-6; Iowa Public Service Company; cost allocation and rate design.

Before the Maine Public Service Commission

Docket No. 85-209; Bangor Hydro-Electric Company; rate design.

Before the Maryland Public Service Commission

Case No. 8201; Delmarva Power & Light Company; affiliate relations in the Integrated Resource Planning process.

Case No. 8245; Potomac Edison Company; avoided costs for qualifying facility purchases and power supply contract issues.

Case No. 8191; Maryland Natural Gas Company; cost allocation and rate design.

Case No. 8011; Conowingo Power Company; incentive rates for electric utilities.

Case No. 7982; Conowingo Power Company; rate design.

Before the Minnesota Public Utilities Commission

Docket No. E015/GR-80-277; Otter Tail Power Company; rate design and PURPA ratemaking standards.

Docket No. E999/GR-80-560; PURPA Section 210 rulemaking.

Before the Public Service Commission of the State of Montana

Docket No. 90.6.39; Montana Power Company; statistical analysis of hydroelectric production and electric cost allocation and rate design.

Docket No. 90.1.1; Montana Power Company; natural gas cost allocation and rate design.

Docket No. 88.11.53; Montana-Dakota Utilities Company; natural gas cost allocation and rate design.

Docket No. 88.6.15; Montana Power Company; avoided costs for qualifying facility purchases and power supply contract issues.

Docket No. 87.12.80; Pacific Power & Light Company; cost allocation and rate design.

Docket No. 87.8.38; Montana Power Company; natural gas cost allocation and rate design.

Docket No. 87.8.37; Great Falls Gas Company; cost allocation and rate design.

Docket No. 87.4.21 et al.; Montana Power Company; electric cost allocation and rate design.

Docket No. 86.12.76; Pacific Power & Light Company; cost allocation and rate design.

Docket No. 86.5.28; Montana-Dakota Utilities Company; electric cost allocation and rate design.

Docket No. 85.7.30; Montana-Dakota Utilities Company; electric cost allocation and rate design.

Docket No. 83.9.68; Montana-Dakota Utilities Company; treatment of post-test period adjustments to operating expenses and electric cost allocation and rate design.

Docket No. 83.8.58; Montana-Dakota Utilities Company; treatment of post-test period adjustments to operating expenses and natural gas cost allocation and rate design.

Docket No. 82.6.40; Montana-Dakota Utilities Company; treatment of post-test period adjustments to operating expenses.

Before the North Carolina Utilities Commission

Docket No. E-7, Sub 408; Duke Power Company; power supply planning and power plant performance.

Before the Public Utilities Commission of Ohio

Case No. 89-1001-EL-AIR; Ohio Edison Company; treatment of excess capacity costs.

Before the South Dakota Public Utilities Commission

Docket No. F-3371; Nebraska Public Power District Application for Construction of the MANDAN Facility; forecasting transmission system requirements.

Before the Texas Public Utility Commission

Docket No. 34611; Kelson Transmission Company LLC; financing requirements for new transmission companies.

Docket No. 9300; Texas Utilities Electric Company; interruptible rate design.

Docket No. 8480; City of Austin Electric Utility; cost allocation and rate design issues.

Publications

- "New Directions for T&D Policy." EnergyBiz, Vol. 2, No. 5, September/October 2005.
- "The Coming Electric 'Wal-Mart': Preparing for Competitive Electric Markets." Public Utilities Fortnightly, Vol. 131, No. 14, July 15, 1993.
- "California Gas Market Competitive Study: Evaluation of the Competitive Benefits of the Pacific Gas and Electric Company Pipeline Expansion." Prepared for Pacific Gas and Electric Company, March 1993.
- "Evaluation of the Economics of Supply Basins Serving California and the Impacts of the Pacific Gas and Electric Company Pipeline Expansion." Prepared for Pacific Gas and Electric Company, March 1993.

Presentations and Speaking Engagements

- "Power Dealmaking Summit: M&A, Financing & Refinancing", Infocast, September 2010
- "Options for Raising Capital," Moderator of a Panel at the Electric Light & Power Executive Conference, Tampa Bay, FL, March 22, 2010.
- "Stranded Cost Recovery: No Need to be an Impediment to Competition." Electricity Regulation: Resolving Impediments to a More Competitive Industry, Pasha Publications, October 1998.
- "Negotiating the Operating Guidelines for Your Energy Convergence Alliance." Building Successful Energy Convergence Alliances, Infocast, June 1998.
- "How Retail Customer Choice Should Affect Your Energy Purchase Decisions." The Southeast Energy Buyers Summit, Infocast, May 1998.
- "Convergence and Contiguous Mergers and Their Positive Impact on Market Competition." Antitrust & Anticompetitive Behavior, Infocast, May 1998.
- "Stranded Costs: The Need for a Theory of Deregulation in the Debate—The FERC Agenda." Pasha Publications, October 1997.
- "Alternative Ways to Package an Energy Outsourcing Program—Energy Outsourcing." Infocast, October 1997.

Employment History

FTI Consulting, Washington DC

- Senior Managing Director, 2010

Charles River Associates, Inc. (CRA International), Washington, DC

- Vice President, 2007 to 2010

Trans-Elect, Inc., Washington, DC

- Vice President of Acquisitions, Rate and Regulation, 2003-2007
- Director of Acquisitions, 2001-2003

PricewaterhouseCoopers, LLP

- Director, 1996-2001

ICF Kaiser

- Director, 1994-1996

DRI/McGraw-Hill

- Senior Consultant, 1991-1994

J. W. Wilson and Associates, Inc.

- Economist, 1980-1991

Exhibit 2

**TE/VS
Utility Cost of Service
(\$000)
Total Project Cost Summary**

<u>Category</u>	<u>\$</u>
TEVS	\$126,329
Upgrades	\$15,264
P42	\$11,374
Total	\$152,967

TE/VS
Utility Cost of Service
(\$000)
Base Project Costs

<u>Category</u>	<u>\$</u>
1 Rate Base	
2 Gross Plant BOY	\$ 684,158
3 Depreciation	\$ (19,547)
4 Net Plant EOY	\$ 664,611
5 Average Net Plant	\$ 674,385
6 Cash Working Capital	\$ 667
7 Accumulated Deferred Income Taxes	\$ (5,974)
8 Total Rate Base	\$ 669,077
9 Debt Capital	\$ 334,539
10 Equity Capital	\$ 334,539
11 Debt Rate	5.50%
12 Equity Return	13.50%
13 Debt Costs	\$ 18,400
14 Equity Costs	\$ 45,163
15 Total Return	\$ 63,562
16 Revenue Requirement	
17 Operation and Maintenance Expenses	\$ 5,334
18 Other taxes (Including Property)	\$ 6,824
19 Depreciation Expense	\$ 19,547
20 Return	\$ 63,562
21 Income taxes	\$ 31,061
22 Total revenue requirement	\$ 126,329

**TE/VS Upgrades
Utility Cost of Service
(\$000)
Base Project Costs**

	<u>Category</u>	\$
	1 Rate Base	
	2 Gross Plant BOY	\$ 85,779
2a	Capitalized Interest	\$ 2,788
	3 Depreciation	\$ (2,530)
	4 Net Plant EOY	\$ 86,037
	5 Average Net Plant	\$ 85,908
	6 Cash Working Capital	\$ 112
	7 Accumulated Deferred Income Taxes	\$ (735)
	8 Total Rate Base	\$ 85,285
	9 Debt Capital	\$ 42,643
	10 Equity Capital	\$ 42,643
	11 Debt Rate	5.50%
	12 Equity Return	12.00%
	13 Debt Costs	\$ 2,345
	14 Equity Costs	\$ 5,117
	15 Total Return	\$ 7,462
	16 Revenue Requirement	
	17 Operation and Maintenance Expenses	\$ 896
	18 Other taxes (Including Property)	\$ 856
	19 Depreciation Expense	\$ 2,530
	20 Return	\$ 7,462
	21 Income taxes	\$ 3,519
	22 Total revenue requirement	\$ 15,264

**TE/VS Path 42 Reconductoring
Utility Cost of Service
(\$000)
Base Project Costs**

<u>Category</u>		<u>\$</u>
1 Rate Base		
2 Gross Plant BOY	\$	65,000
3 Depreciation	\$	(1,857)
4 Net Plant EOY	\$	63,143
5 Average Net Plant	\$	64,071
6 Cash Working Capital	\$	85
7 Accumulated Deferred Income Taxes	\$	(557)
8 Total Rate Base	\$	63,599
9 Debt Capital	\$	31,800
10 Equity Capital	\$	31,800
11 Debt Rate		5.50%
12 Equity Return		12.00%
13 Debt Costs	\$	1,749
14 Equity Costs	\$	3,816
15 Total Return	\$	5,565
16 Revenue Requirement		
17 Operation and Maintenance Expenses	\$	679
18 Other taxes (Including Property)	\$	649
19 Depreciation Expense	\$	1,857
20 Return	\$	5,565
21 Income taxes	\$	2,624
22 Total revenue requirement	\$	11,374

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of

**“DIRECT TESTIMONY OF JAMES H. DRZEMIECKI ON BEHALF OF THE NEVADA
HYDRO COMPANY”**

on all known parties to A.10-07-001 by transmitting an electronic mail message with the document attached to each person named in the official service list who provided an electronic mail address.

Executed this 30th day of November, 2010 at Washington, D.C.

/s/ Patrick L. Morand
Patrick L. Morand
Wright & Talisman, P.C.
(202) 393-1200
morand@wrightlaw.com

**Service List
A.10-07-001**

Last Updated November 23, 2010

Parties

ARNOLD B. PODGORSKY
WRIGHT & TALISMAN, P.C.
1200 G STREET, N.W., SUITE 600
WASHINGTON, DC 20005
FOR: WRIGHT & TALISMAN, P.C.

PATRICK L. MORAND
WRIGHT & TALISMAN, P.C.
1200 G STREET NW, SUITE 600
WASHINGTON, DC 20005
FOR: THE NEVADA HYDRO COMPANY

ROBERT KANG
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WLNUT GROVE AVE., PO BOX 800
ROSEMEAD, CA 91770
FOR: SOUTHERN CALIFORNIA EDISON COMPANY

PAUL A. SZYMANSKI
ATTORNEY AT LAW
SAN DIEGO GAS & ELECTRIC COMPANY
101 ASH STREET HQ 12
SAN DIEGO, CA 92101
FOR: SAN DIEGO GAS & ELECTRIC COMPANY

CHARITY SCHILLER
BEST BEST & KRIEGER LLP
3750 UNIVERSITY AVENUE
RIVERSIDE, CA 92502-1028
FOR: ELSINORE VALLEY MUNICIPAL WATER
DISTRICT

GENE FRICK
4271 BAGGETT DR
RIVERSIDE, CA 92505
FOR: SANTA ANA MOUNTAINS TASK FORCE OF
THE SIERRA CLUB/FRIENDS OF THE FOREST
(TRABUCO DISTRICT)/THE SANTA ROSA
PLATEAU

JACQUELINE AYER
40701 ORTEGA HIGHWAY
LAKE ELSINORE, CA 92530
FOR: FOREST RESIDENTS OPPOSING NEW
TRANSMISSION LINES (FRONTLINES)

JOHN PECORA
16336 GRAND AVENUE
LAKE ELSINORE, CA 92530
FOR: JOHN PECORA

GREGORY HEIDEN
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 5039
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DIVISION OF RATEPAYER ADVOCATES

JONATHAN EVANS
CENTER FOR BIOLOGICAL DIVERSITY
351 CALIFORNIA ST., SUITE 600
SAN FRANCISCO, CA 94104
FOR: CENTER FOR BIOLOGICAL DIVERSITY

Information Only

MRW & ASSOCIATES, LLC
EMAIL ONLY
EMAIL ONLY, CA 00000

CAL. INDEPENDENT SYSTEM OPERATOR CORP.
EMAIL ONLY
EMAIL ONLY, CA 00000

JENNIFER M. HALEY
BEST BEST & KRIEGER LLP
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

JUDITH SANDERS
CAL. INDEPENDENT SYSTEM OPERATOR CORP.
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

NATHAN JACOBSEN
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

RUSS KANZ
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

SOPHIE A. AKINS
BEST BEST AND KRIEGER, LLP
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

JOHN BUSE
CENTER FOR BIOLOGICAL DIVERSITY
5656 S. DORCHESTER AVE. NO 3
CHICAGO, IL 60637

MAYA LOPEZ GRASSE
4209 E. VERMONT ST.
LONG BEACH, CA 90814

FRED MOBASHERI
CONSULTANT
ELECTRIC POWER GROUP, LLC
201 SOUTH LAKE AVE., SUITE 400
PASADENA, CA 91101

LUPE GARCIA
ELECTRIC POWER GROUP
201 S. LAKE AVENUE, STE. 400
PASADENA, CA 91101

CASE ADMINISTRATION
SOUTHERN CALIFORNIA EDISON COMPANY
2244 WALNUT GROVE AVENUE, ROOM 370
ROSEMEAD, CA 91770

DAVID KATES
THE NEVADA HYDRO COMPANY
2416 CADES WAY
VISTA, CA 92083
FOR: THE NEVADA HYDRO COMPANY

DON LIDDELL
DOUGLASS & LIDDELL
2928 2ND AVENUE
SAN DIEGO, CA 92103

KEVIN O'BEIRNE
REGULATORY CASE MGR.
SAN DIEGO GAS & ELECTRIC COMPANY
8330 CENTURY PARK COURT, CP32D
SAN DIEGO, CA 92123

CENTRAL FILES
SAN DIEGO GAS AND ELECTRIC COMPANY
8330 CENTURY PARK CT, CP32D, RM CP31-E
SAN DIEGO, CA 92123-1530

JOHN E. BROWN
BEST BEST & KRIEGER LLP
3750 UNIVERSITY AVENUE, SUITE 400
RIVERSIDE, CA 92502
FOR: ELSINORE VALLEY MUNICIPAL WATER
DISTRICT

KRISTIN ESTENGER
RANCHO CAPISTRANO PROPERTY OWNERS ASS
34655 ARROYO ROAD
LAKE ELSINORE, CA 92530

LINDA LOU RIDENOUR
33628 BRAND ST.
LAKE ELSINORE, CA 92530
FOR: LAKE ELSINORE HISTORICAL SOCIETY

MARTIN RIDENOUR
33628 BRAND ST.
LAKE ELSINORE, CA 92530
FOR: BUTTERFIELD MULTIUSE TRAILS

RONALD E. YOUNG
DISTRICT GEN. MANAGER
ELSINORE VALLEY MUNICIPAL WATER DISTRICT
3131 CHANEY STREET / PO. BOX 3000
LAKE ELSINORE, CA 92531-3000

PETER LEWANDOWSKI
THE NEVADA HYDRO COMPANY
26051 VIA CONCHA
MISSION VIEJO, CA 92691

CALIFORNIA ENERGY MARKETS
425 DIVISADERO ST. STE 303
SAN FRANCISCO, CA 94117-2242

STEPHEN E. VEVLVIS
ATTORNEY AT LAW
MILLER, STARR & REGALIA
1331 N. CALIFORNIA BLVD., 5TH FL.
WALNUT CREEK, CA 94596
FOR: FRIESIAN FOCUS, LLC, THE FERNANDEZ
TRUST, AND JOSEPH AND JOAN FERNANDEZ

State Service

ANDREW BARNSDALE
CALIF PUBLIC UTILITIES COMMISSION
ENERGY DIVISION
AREA 4-A
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

ANGELA K. MINKIN
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
ROOM 5017
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

MICHAEL YEO
CALIF PUBLIC UTILITIES COMMISSION
ELECTRICITY PLANNING & POLICY BRANCH
ROOM 4103
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

NICHOLAS SHER
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 4007
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214