

Rocky Mountain Power
Docket No. 17-035-39
Witness: Joelle R. Steward

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Supplemental Direct Testimony of Joelle R. Steward

February 2018

1 **Q. Please state your name, business address, and current position with Rocky**
2 **Mountain Power (“Company”), a division of PacifiCorp.**

3 A. My name is Joelle R. Steward. My business address is 1407 West North Temple, Suite
4 330, Salt Lake City, Utah 84116. My title is Vice President of Regulation for Rocky
5 Mountain Power.

6 **QUALIFICATIONS**

7 **Q. Please describe your education and professional background.**

8 A. I have a Bachelor of Arts degree in Political Science from the University of Oregon and
9 a Masters of Public Affairs from the Hubert Humphrey Institute of Public Policy at the
10 University of Minnesota. Between 1999 and March 2007, I was employed as a
11 Regulatory Analyst with the Washington Utilities and Transportation Commission.
12 I joined the Company in March 2007 as the Regulatory Manager responsible for all
13 regulatory filings and proceedings in Oregon. From February 2012 through May 2016,
14 I was a Director in charge of the work for the cost of service, pricing, and regulatory
15 operations groups for the Company. In 2016, I became the Director of Rates and
16 Regulatory Affairs and added responsibilities for regulatory affairs for Rocky Mountain
17 Power. In November 2017, I assumed my current position as Vice President of
18 Regulation for Rocky Mountain Power.

19 **Q. Have you testified in previous regulatory proceedings?**

20 A. Yes. I have filed testimony in proceedings before the public utility commissions in
21 Idaho, Oregon, Utah, Wyoming, and Washington.

22 **Q. Are you adopting the direct and rebuttal testimonies of Mr. Jeffrey K. Larsen in**
23 **this case?**

24 A. Yes.

25 **PURPOSE OF TESTIMONY**

26 **Q. What is the purpose of your supplemental direct testimony?**

27 A. My testimony supports the Company's request for approval of its energy resource
28 decision for wind repowering. I update the expected costs and benefits proposed to be
29 recovered through the Resource Tracking Mechanism ("RTM"), to reflect the updated
30 economic analysis presented by Company witness Mr. Rick T. Link. The Company
31 updated its economic analysis for the effects of federal tax reform, as described by
32 Company witness Ms. Nikki L. Koblaha. The updated analysis continues to show that
33 the repowering project is beneficial to customers under all price-policy scenarios. My
34 exhibits show, however, that federal tax reform, and in particular the corresponding
35 decrease in the gross-up factor for production tax credits ("PTCs"), results in a lower
36 value for PTCs, producing a net revenue requirement increase from 2019-2021, with
37 rate benefits now starting in 2022. If the repowering project is reflected in rates through
38 the RTM for 2019-2021, however, the RTM's rate cap will operate to ensure that
39 customers see no net increase in rates prior to a general rate case.

40 **SUPPLEMENTAL**

41 **Q. Have you updated the exhibits from your direct and rebuttal testimony to reflect**
42 **the updated economic analysis for the wind repowering project, as described by**
43 **Mr. Link?**

44 A. Yes. My exhibits have been updated and are presented as Exhibit RMP____(JRS-1SD),

45 Exhibit RMP____(JRS-2SD), Exhibit RMP____(JRS-3SD) and Exhibit RMP____(JRS-
46 4SD).¹ These exhibits are revised with the updated economic analysis in Mr. Link’s
47 supplemental direct testimony. The exhibits are in the same format as in the initial
48 filing, and calculate the monthly and annual revenue requirements and the overall
49 impact of the wind repowering projects that would be reflected in rates, assuming
50 operation of the RTM.

51 **Q. Please provide a summary of the updates in your revised exhibits.**

52 A. The updates include changes in Utah’s allocated share of the updated repowering
53 projects’ wind construction cost, return, depreciation, PTCs, taxes, and operating costs
54 and benefits. The updated net power cost changes associated with an updated load
55 forecast, system dispatch and revised wind generation projections have been included
56 in the Energy Balancing Account (“EBA”) pass-through calculation. Figure 1 is a
57 summary of the estimated repowering revenue requirement found in the revised
58 exhibits. Figure 1 shows that the repowering project now reflects rate benefits to
59 customers beginning in 2022. As a result of the cap proposed for the RTM in this
60 proceeding, customers would see no net change in rates for the repowering project for
61 costs through 2021, absent a general rate case, as discussed in my testimony below.

¹ Exhibit RMP____(JRS-1SD), which provides a revenue requirement overview of the RTM, is changed to reference Mr. Hemstreet's revised exhibit, Confidential Exhibit RMP__(TJH-1SD), in the NPC Savings Base calculation.

Figure 1

Repowering Estimated Revenue Requirement Cost (Benefit)				
\$thousands				
	2019	2020	2021	2022
1 Total Company	\$2,233	\$21,449	\$8,626	-\$2,266
2 Utah Allocated	\$952	\$9,132	\$3,664	-\$978
3 Utah EBA	\$406	-\$4,453	-\$5,568	-\$5,944
4 Utah Deferral	-\$406	\$4,453	\$5,568	\$4,965
5 Net Customer Benefit	\$0	\$0	\$0	-\$978

63 **Q. Does the updated revenue requirement analysis incorporate the federal income**
 64 **tax rate change from 35 percent to 21 percent, as passed under the Tax Act of**
 65 **2017?**

66 A. Yes. As shown in Exhibit RMP____(JRS-4SD), line 5, the consolidated federal and state
 67 income tax rate has changed from the 37.951 percent used in my direct testimony to
 68 24.587 percent. Also, on line 6 of Exhibit RMP____(JRS-4SD), the PTC tax gross-up
 69 factor has been updated from 1.6116 in my direct testimony to 1.3260. These changes
 70 are incorporated in the revenue requirement results shown in Exhibit RMP____(JRS-
 71 2SD) and Exhibit RMP____(JRS-3SD).

72 **Q. In addition to the updated economic analysis, are there any additional changes to**
 73 **the original exhibits?**

74 A. Yes. Exhibit RMP____(JRS-2SD) and Exhibit RMP____(JRS-3SD) incorporate a revised
 75 carrying charge rate to be applied to the RTM Deferral Balance.

76 **Q. Please explain.**

77 A. The RTM deferral balance carrying charge presented in my direct testimony was 6.0
 78 percent—the same carrying charge rate used in the Company’s EBA filings, in

79 accordance with Electric Service Schedule No. 94. The Company has revised the
80 carrying charge rate to be consistent with the Commission's Carrying Charge Order in
81 Docket No. 17-035-T02 and Docket No. 15-035-69, which is currently 4.19 percent.
82 Exhibit RMP____(JRS-2SD) and Exhibit RMP____(JRS-3SD) have been updated to
83 incorporate the revised carrying charge. The Company recently made this same change
84 to the RTM proposed in Docket No. 17-035-40.

85 **Q. What is the updated estimated rate impact of the wind repowering project, which**
86 **would be reflected in rates through the RTM, in conjunction with the EBA?**

87 A. There would be no net rate change for customers, absent a general rate case, with the
88 RTM through 2021 as a result of the cap proposed by the Company in the initial filing.
89 Without the cap, the RTM would show a net increase to customers of \$0.9 million in
90 2019, \$9.6 million in 2020, and \$4.1 million in 2021, with a net decrease thereafter.

91 **Q. In the initial and rebuttal filings, the Company projected net benefits to customers**
92 **in every year in the RTM. Why has that changed?**

93 A. The change is mainly due to the effects of the change in the federal corporate income
94 tax rate and, in particular, the corresponding decline in the PTC gross-up factor. While
95 there is a small increase in the capital investment reflected in the filing, as described by
96 Company witness Mr. Timothy J. Hemstreet, the overall change in the total plant
97 revenue requirement between this supplemental filing and the rebuttal filing is small—
98 from \$55.8 million in rebuttal to \$56.6 million in this filing in 2020.² The more
99 significant driver is the decline in the PTC revenue requirement, shown on line 18 in
100 Exhibit RMP____(JRS-2SD), which decreases from \$51.8 million in rebuttal to \$43.0

² See line 12, column h in Exhibits RMP__(JKL-2R) and RMP__(JRS-2SD).

101 million in this filing due to the decline in the gross-up factor.

102 **Q. As a result of this filing and the change in near-term rate impacts due to changes**
103 **in the corporate tax rate, is the Company proposing changes in the RTM for**
104 **interim ratemaking treatment?**

105 A. No. The Company is not proposing changes to the RTM for the repowering project.
106 However, in light of the changes in the near-term rate impacts due to tax reform, the
107 Company proposes to separately defer the net costs in excess of the cap associated with
108 tax law changes, and seek recovery through an offset to the deferral for the impacts
109 from tax reform, pending in Docket No. 17-035-69.

110 **Q. Why would recovery of the net costs in excess of the RTM cap associated with tax**
111 **law changes be reasonable as an offset to tax reform impacts?**

112 A. Mr. Link's updated economic analysis shows that the repowering project remains
113 beneficial to customers in all price-policy scenarios, even after taking into account the
114 reduction in value in the PTCs due to tax reform. The Company continues to be
115 committed to smoothing rate impacts and minimizing the number of general rate cases.
116 The RTM and the cap proposed by the Company for the RTM for repowering remain
117 an integral part of this effort. In light of the potential near-term impacts from the
118 reduction the PTC value, in 2020 in particular, it is reasonable to offset the costs in
119 excess of the cap that are related to tax law changes against the expected savings for
120 overall tax reform impacts. Customers would continue to see no net rate change for the
121 repowering project, and the Company would be able to continue to align rate pressures
122 into one general rate case without adverse consequences.

123 **Q. Why is the RTM still necessary?**

124 A. The RTM is designed to match costs and benefits over a short period of time. The RTM
125 will allow the Company to track costs and deliver benefits to customers until the next
126 rate case, while also allowing the Company to include the wind repowering assets in
127 base rates in a single general rate case filing. The RTM enables the Company to align
128 near-term cost drivers into one general rate case, rather than rate cases over a multiple-
129 year period. Without the RTM, all of the zero-fuel cost energy would flow to customers
130 through the EBA, without recovery of the benefits of the PTCs or the costs that enable
131 those benefits.

132 **Q. Is the RTM intended to provide rate recovery over the life of the new resources?**

133 A. No. The RTM is a short-term tracking mechanism that matches all benefits and costs
134 until they are included in rates in the next general rate case. The RTM is not intended
135 to be a permanent mechanism in place for the life of the wind repowering projects.

136 **Q. Does this conclude your supplemental direct testimony?**

137 A. Yes.