

Rocky Mountain Power
Docket No. 20-035-04
Witness: Joelle R. Steward

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Joelle R. Steward

October 2020

1 **Q. Are you the same Joelle R. Steward that submitted direct testimony on behalf of**
2 **PacifiCorp, d/b/a Rocky Mountain Power (“Rocky Mountain Power” or the**
3 **“Company”) in this proceeding?**

4 A. Yes.

5 **I. PURPOSE OF REBUTTAL TESTIMONY**

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

7 A. In my rebuttal testimony, I summarize the Company’s rebuttal case reflecting certain
8 corrections and updates, respond to various intervenor positions in direct testimony,
9 and provide recommendations to the Public Service Commission of Utah
10 (“Commission”) for their consideration in this proceeding. Specifically, I respond to
11 intervenor positions regarding certain capital investments, the Company’s renewable
12 energy credits (“REC”) balancing account (“RBA”), the Company’s rate mitigation
13 proposals, and the Company’s Subscriber Solar Program expansion proposal. I also
14 discuss the proposal to delay a portion of the revenue requirement increase to July 1,
15 2021, for recovery of the Company’s investments in its TB Flats II Wind Project, which
16 is part of Energy Vision 2020, and Pryor Mountain Wind Project that have in-service
17 dates affected by the COVID-19 pandemic.

18 **Q. Please provide a summary of the Company’s case as updated in its rebuttal filing.**

19 A. In rebuttal, the Company is requesting an overall base rate increase of \$72.0 million,
20 which the Company is requesting to be phased in through two rate changes in 2021.
21 Further, the Company continues to propose to offset the base rate increase, in part, for
22 two years by refunding a portion of the deferred tax savings associated with the Tax
23 Cuts and Jobs Act (“TCJA”). Specifically, the Company proposes to pass back

24 approximately \$62.7 million of the TCJA deferred tax balance over two years. After
25 consideration of interest, \$38.2 million will be returned in 2021 and \$26.8 million in
26 2022. This will result in a 1.1 percent increase in 2021, another 1.1 percent increase in
27 2022 when the credit is reduced, and a 1.3 percent increase in 2023 when the remaining
28 tax deferral is fully refunded and the credit is eliminated. Further, the Company would
29 align the credit in 2021 with the two-step base rate change such that the credit would
30 be increased in the latter half of the year to fully offset the second base rate increase.
31 However, as I explain later in my testimony, the Company is not opposed to refunding
32 the TCJA deferred tax balance over a longer period of time provided the balance is
33 used to offset the overall proposed base rate increase.

34 The Company's rebuttal filing continues to reflect the mitigation proposals that
35 reduce the requested revenue requirement increase through (1) the use of the balance
36 in the Sustainable Transportation and Energy Plan ("STEP") regulatory liability
37 account to buy-down the undepreciated plant balances of certain coal-fired generation
38 units, as agreed to in the TCJA proceeding,¹ which reduces the revenue requirement
39 approximately \$30.3 million; (2) use of a portion of the TCJA deferred tax benefits to
40 pay off certain regulatory assets; (3) further depreciate the Dave Johnston plant balance,
41 which lowers on-going depreciation expense of \$6.1 million; and (4) creation of a
42 regulatory asset to extend the recovery for Jim Bridger Units 1 and 2 to reduce
43 depreciation expense approximately \$5.2 million until future STEP funds are
44 accumulated to buy-down the plant balances when the units are retired. Additionally,

¹ *Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018"*, Docket No. 17-035-69 (Dec. 21, 2017).

45 the Company is accepting an OOCS proposal to use the TCJA to offset an additional
46 regulatory asset related to the acquisition of the Craig and Hayden plants. Altogether
47 these combined actions reduce the requested revenue requirement increase by
48 approximately \$71.1 million, or 3.6 percent.

49 **Q. Do you have any comments regarding the Company’s updated rebuttal case in**
50 **this proceeding?**

51 A. Yes. This rate case reflects a number of major capital investments made since the
52 Company’s last rate case filed in 2014 (“2014 Rate Case”),² such as Energy Vision
53 2020, that allows the Company to continue meeting its core principle of providing
54 energy solutions in the form of safe, reliable, and affordable energy to customers. To
55 this end, the Company is investing approximately \$3.6 billion in renewable energy
56 projects and related transmission through calendar year 2021.³ Notably, the costs
57 associated with this investment are included in the general rate case while the customer
58 benefits of the zero-fuel cost energy and the production tax credits (“PTCs”) are
59 proposed to be included in the energy balancing account (“EBA”). Despite the
60 significant investment in this case, the minimal overall net impact to customers is
61 evidence of the Company’s commitment to its customers for energy solutions in the
62 form of safe, reliable, and affordable energy.

63 **Q. Please summarize the recommendations you make in your rebuttal testimony.**

64 A. In addition to approving the updated revenue requirement, I recommend that the

² *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. 13-035-184 Report and Order Approving the Settlement Stipulation dated June 25, 2014. (Aug. 29, 2014).

³ Direct Testimony of Nikki L. Kobliha at lines 59-60.

65 Commission allow a partial delay of the January 1, 2021 base rate increase to July 1,
66 2021 (or 30 days after the last wind project fully goes into service) as a result of the
67 impacts that the COVID-19 pandemic has on the construction of certain large capital
68 investments. I also recommend approval of the Company’s rate mitigation proposals as
69 modified in rebuttal testimony.

70 **Q. How is your rebuttal testimony structured?**

71 A. My testimony is structured as follows: Section II provides an overview of the
72 Company’s rebuttal position and a summary of the positions in intervenors’ testimony;
73 Section III addresses certain capital investments; Section IV addresses the Company’s
74 RBA; Section V addresses the Company’s rate mitigation proposals; Section VI
75 addresses the Company’s Subscriber Solar Program; and Section VII introduces
76 Company witnesses providing supporting testimony in the revenue requirement phase
77 of this proceeding.

78 **II. ROCKY MOUNTAIN POWER’S REBUTTAL POSITION**

79 **Q. What is the purpose of this section of your rebuttal testimony?**

80 A. In this section of my testimony, I provide an overview of the direct testimony filed by
81 the intervenors and an overview of the Company’s rebuttal position in this proceeding.

82 **Q. Which intervenors filed direct testimony in the revenue requirement phase of this
83 proceeding?**

84 A. Direct testimony in the revenue requirement phase of this proceeding was filed by the
85 following intervenors: Division of Public Utilities (“DPU”), Office of Consumer
86 Services (“OCS”), and Utah Association of Energy Users (“UAE”). I will refer to these
87 parties as the “Filing Parties.”

88 **Q. Please provide a comparison of the revenue change proposed by the Filing Parties**
89 **in their direct testimony.**

90 A. The revenue change proposed by each of the parties' as stated in their testimonies is
91 indicated in Table 1 below.

92 **Table 1: Filing Parties' Revenue Requirement Change**

| Filing Party | Proposed Revenue Change (in millions) |
|---------------------------|--|
| Company – <i>as filed</i> | \$95.8 |
| Company – <i>rebuttal</i> | \$72.0 |
| DPU ⁴ | \$34.1 |
| OCS ⁵ | (\$59.3) |
| UAE ⁶ | \$14.9 |

93 The DPU's recommended revenue change does not reflect its recommendation to
94 disallow the Company's investment in Pryor Mountain Wind Project.⁷ Further, to
95 calculate its proposed revenue change, UAE used a placeholder return on equity
96 ("ROE") of 9.5 percent in its calculation of proposed revenue requirement change, even
97 though in testimony it deferred to the recommendations of the DPU and OCS.⁸
98 Furthermore, Walmart Inc. did not specify an overall proposed revenue requirement
99 change but filed testimony in the cost of capital phase of this proceeding recommending
100 an ROE of no greater than 9.8 percent, which is the Company's currently authorized
101 ROE.⁹

⁴ Direct Testimony of Brenda Salter at line 60.

⁵ Direct Testimony of Alyson Anderson at line 55.

⁶ Direct Testimony of Kevin C. Higgins at line 173.

⁷ Direct Testimony of Joni S. Zenger at lines 21-25.

⁸ Direct Testimony of Kevin C. Higgins at lines 950-960.

⁹ Direct Testimony of Steve W. Chriss at lines 166-183.

102 **Q. What are the major drivers causing the divergence between the Filing Parties’**
103 **positions and the Company’s direct testimony?**

104 A. The delta between the positions of the Company and the Filing Parties is attributable
105 to several key drivers: the calculation of ROE, capital structure, and a number of
106 proposed adjustments.¹⁰ These adjustments include the regulatory treatment of the
107 prepaid pension and post-retirement welfare asset, prudence of certain capital
108 investments, calculation of property tax, and amortization period of the remaining
109 TCJA balances.

110 **Q. What are the Filing Parties’ positions on ROE and the equity portion of capital**
111 **structure?**

112 A. The Filing Parties’ positions on ROE and the equity portion of capital structure are
113 reflected in Table 2 below.

114 **Table 2: Filing Parties’ Positions on ROE and Capital Structure**

| Filing Party | ROE | Capital Structure - Equity |
|---------------------------|--------------------------|-----------------------------------|
| <i>Company – as filed</i> | 10.2% | 53.67% |
| <i>Company - rebuttal</i> | 9.8% | 53.67% |
| DPU ¹¹ | 9.25% | 53.67% |
| OCS – primary | 9.0% | 50.00% |
| OCS – secondary | 8.75% | 53.67% |
| Walmart ¹² | No greater than 9.8 % | N/A |

¹⁰ Company witnesses Mr. Gary W. Hoogeveen, Ms. Ann E. Bulkley and Ms. Nikki L. Koblaha addressed intervenor recommendations regarding ROE and capital structure in their Phase I testimony. Company witnesses submitting revenue requirement rebuttal testimony address the various adjustments proposed by the Filing Parties.

¹¹ Direct Testimony of Casey J. Coleman at lines 76-86.

¹² Direct Testimony of Steve W. Chriss at lines 166-183.

115 Company witnesses Mr. Gary W. Hoogeveen, Ms. Ann E. Bulkley, and
116 Ms. Nikki L. Kobliha address the Filing Parties' positions regarding ROE and capital
117 structure in rebuttal testimony filed during the cost of capital phase of this proceeding.

118 **Q. UAE witness Mr. Kevin C. Higgins states that UAE is not specifically**
119 **recommending an ROE and is deferring to the recommendations of DPU and OCS**
120 **but to calculate UAE's revenue requirement uses an ROE of 9.5 percent based on**
121 **the Company's recent stipulation to in its Washington general rate case.¹³ How do**
122 **you respond?**

123 A. Mr. Higgins is referring to the rate case filed in Washington by PacifiCorp d/b/a Pacific
124 Power ("Pacific Power") on December 13, 2020, Docket UE-191024.¹⁴ On July 20,
125 2020, a stipulation was entered into by the parties of that proceeding resolving all
126 disputed issues, including ROE. As part of that negotiated stipulation, the parties agreed
127 to maintain Pacific Power's currently authorized return on equity of 9.5 percent that
128 was approved in Pacific Power's last Washington rate case filed in 2015, Docket UE-
129 152253.¹⁵

130 Mr. Higgins claims that by using this placeholder in this proceeding in order to
131 provide "a more realistic depiction of UAE's proposed revenue requirement," he does
132 not intend to supplant the Commission's consideration of traditional cost of capital
133 analysis offered by other parties in this proceeding. However, instead of using the ROE
134 proposed by either DPU or OCS, which I assume would not provide a "realistic
135 depiction of UAE's proposed revenue requirement," Mr. Higgins reaches to the recent

¹³ Direct Testimony of Kevin C. Higgins at lines 957-960.

¹⁴ *WUTC v. PacifiCorp d/b/a Pacific Power & Light Company*, Docket Nos. UE-191024, UE-190750, UE-190929, UE-190981, UE-180778 (cons.).

¹⁵ Docket Nos. UE-191024, Settlement Stipulation at 5 (filed July 20, 2020).

136 stipulation entered into by Pacific Power in its Washington general rate case. The
137 Commission should reject any implication that an ROE from a stipulation in another
138 jurisdiction is appropriate to set ROE in this proceeding. While I did not participate in
139 the settlement of Pacific Power’s Washington rate case, it was the result of a
140 compromise among the parties in that case. As explained in the stipulation, “[t]he
141 parties have entered into the Stipulation to avoid further expense, inconvenience,
142 uncertainty, and delay of continuing litigation. The Parties recognize that the
143 Stipulation represents a compromise of the Parties’ position.”¹⁶ Thus, the 9.5 percent
144 accepted by Pacific Power is part of a negotiated stipulation resolving issues in its
145 general rate case does not set precedent.

146 Please see the cost of capital rebuttal testimony of Mr. Hoogeveen and
147 Ms. Bulkley that support the Company’s requested 9.8 percent ROE.

148 **Q. Please summarize generally the Company’s positions on rebuttal.**

149 A. The Company’s rebuttal filing reflects a revised revenue requirement and revenue
150 increase of \$72.0 million attributable to certain adjustments in rebuttal testimony,
151 which can be classified as either: (1) corrections; or (2) updates due to more recent
152 information or in response to the Filing Parties’ recommendations. These adjustments
153 are set forth in Table 3 below.

¹⁶ Id. at 18.

154

Table 3: Company's Requested Increase in Rebuttal (in millions)

| | |
|------------------------------------|-----------|
| Direct Filing Request | \$ 95.8 |
| Reduce ROE from 10.20% to 9.80% | \$ (22.3) |
| Company Correction | \$ (4.0) |
| Updates/Intervenor Adjustments | \$ 10.8 |
| Changes to Capital Projects | \$ (28.5) |
| Rate Mitigation Proposal Revisions | \$ (2.2) |
| January 1, 2021 Rate Change | \$ 49.5 |
| July 1, 2021 Rate Change | \$ 22.5 |
| Total Rate Change | \$ 72.0 |
| Schedule 197 Sur-Credit | \$ 62.7 |

155

In the development of a rate case and through the process of discovery and
156 intervenor testimony, it is not uncommon that corrections are identified in the direct
157 filing. In this instance, the corrections are not substantial and constitute a small
158 decrease.

159

The updates are due to more recent information and changes in position in
160 response to the intervenor testimony. For instance, the Company revised net power
161 costs to align with the updated wind in-service dates discussed by Mr. Timothy J.
162 Hemstreet and Mr. Robert Van Engelenhoven, which results in a net increase of
163 \$3.4 million. This is explained in the rebuttal testimony of Mr. David G. Webb. Lastly,
164 the updates reflect the Company's acceptance of certain intervenor adjustments, which
165 are explained by Mr. Steven R. McDougal.

166

III. CAPITAL INVESTMENTS

167

Q. What is the purpose of this section of your rebuttal testimony?

168

A. In this section of my rebuttal testimony, I discuss the Company's proposal to delay a
169 portion of the rate increase due to a projected delay for the in-service dates on portions

170 of the TB Flats II and Pryor Mountain Wind Projects attributed to the COVID-19
171 pandemic. I address UAE witness Mr. Higgins' proposal for the Company to recover
172 its investment of the Pryor Mountain Wind Project through the EBA instead of base
173 rates. Finally, I address OCS witness Mr. Philip Hayet's recommendation that from a
174 policy perspective, the Commission should deny the Company's recovery of the Foote
175 Creek I repowering Project and the Pryor Mountain Wind Project because the Company
176 did not file requests for resource decisions under U.C.A §54-17-402.

177 **Q. Has the Company provided updates on the construction status of the Energy**
178 **Vision 2020 new wind projects and the Pryor Mountain Wind Project in rebuttal**
179 **testimony?**

180 A. Yes. As explained further in the rebuttal testimony of Messrs. Hemstreet and Van
181 Engelenhoven, because of construction delays due to the impacts of the COVID-19
182 pandemic, portions of the TB Flats II Wind Project and the Pryor Mountain Wind
183 Project are estimated to be placed into service in 2021, after the January 1, 2021 rate
184 effective date in this case.

185 **Q. Because of these delays, is the Company proposing an alternative rate recovery**
186 **methodology for the capital costs associated with the TB Flats II and Pryor**
187 **Mountain Wind Projects in this proceeding?**

188 A. Yes. The Company is proposing to delay the rate change associated with the revenue
189 requirement for the portions of the TB Flats II and Pryor Mountain Wind Projects now
190 projected to be in-service in 2021. Specifically, the Company is requesting a rate
191 change effective July 1, 2021, or 30 days after the final in-service date for the projects
192 if there are further delays beyond the Company's control. In the cost of service and

193 pricing phase, Mr. Robert M. Meredith will include the proposed rates for July 1, 2021
194 as well as January 1, 2021 in his rebuttal testimony and exhibits. Before the second rate
195 change goes into effect, the Company will file a notice with the Commission to confirm
196 the projects are in-service. The Company's rebuttal case also reflects the revised in-
197 service dates for the benefits associated with these resources, zero-fuel costs and PTCs,
198 in the base EBA rates.

199 **Q. Why is the delayed rate change you propose for these resources reasonable?**

200 A. The two-step rate change to recover the forecast costs of these resources is reasonable
201 in this circumstance because the delays in the projects have been attributed to the
202 COVID-19 pandemic, which is clearly outside the Company's control. The Company's
203 proposal is appropriate for a number of reasons.

204 First, while I am not an attorney, my understanding is that U.C.A. §54-4.4.1(1)
205 grants the Commission authority to adopt "any method of rate regulation" which is
206 consistent with the Utah Public Utilities Act and is in the public interest and results in
207 just and reasonable rates. U.C.A. §54-4.4.1(2) provides that rate regulation includes
208 "other components, methods, or mechanisms approved by the Commission." Thus, it
209 is within the Commission's authority to approve a two-step rate change as the Company
210 proposes in rebuttal. The Commission's flexibility in establishing rates is further
211 demonstrated in U.C.A. §54-7-13.4, which allows a utility to file for alternative cost
212 recovery of a major plant if a final Commission order in such utility's general rate case
213 proceeding is within 18 months of the projected in-service date of the addition. The
214 Company received approval for alternative cost recovery of major capital additions

215 under U.C.A. §54-7-13.4 in Docket Nos. 10-035-13 and 10-035-89.¹⁷ The Company
216 did not file for recovery under U.C.A. §54-7-13.4 because it is in a general rate case
217 before the Commission. Furthermore, the Commission has approved similar multi-step
218 rate recovery proposals in the past. For example, in the Company's last two rate cases,
219 the Commission approved stipulations that provided for multi-year rate increases.¹⁸

220 Second, the circumstances leading to the Company's two-step rate increase are
221 beyond the Company's control. As explained further by Messrs. Hemstreet and Van
222 Engelenhoven, the Company has received notification from its vendors that the supply
223 chain has been impacted by the COVID-19 pandemic. The Company has diligently
224 worked to mitigate any impacts on cost and construction by working with vendors and
225 contractors in order to preserve project benefits and minimize costs. Even though a
226 portion of these projects are placed into service in 2021, they continue to be eligible for
227 100 percent of the PTCs.

228 Furthermore, under the Company's proposal, the costs and benefits of these
229 wind projects are better matched as the benefits of zero-fuel cost energy and PTCs of
230 the resources will flow through to customers in the EBA once the projects are
231 incorporated into rates. If the Company's proposed two-step rate change is not

¹⁷ *In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions of the Ben Lomond to Terminal Transmission Line and Dave Johnston Generation Unit 3 Emission Control Measure, In the Matter of the Application of the Utah Association of Energy Users for a Deferred Accounting Order Directing Rocky Mountain Power to Defer Incremental REC Revenue for Later Ratemaking Treatment, In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions - Populus to Ben Lomond Transmission Line and the Dunlap I Wind Project*, Docket Nos. 10-035-13, 10-035-14, and 10-035-89 (cons.), Order Approving Settlement Stipulation (Dec. 21, 2010).

¹⁸ *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. 13-035-184 Report and Order Approving the Settlement Stipulation dated June 25, 2014. (Aug. 29, 2014); *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 Nos. 11-035-200, 12-025-79, and 12-035-80 (cons.), Report and Order (Sept. 19, 2012).

232 accepted, the Company should be able to make adjustments to the EBA and to retain
233 the portion of the benefits associated with the capital not in rates. Mr. McDougal’s
234 rebuttal testimony provides additional details regarding the two-step rate increase.

235 **Q. UAE witness Mr. Higgins recommends treating the Pryor Mountain Wind Project**
236 **as the equivalent of a qualifying facility (“QF”) with recovery at \$26.00 per**
237 **megawatt-hour (“MWh”) for 20 years.¹⁹ Does the Company agree with this**
238 **treatment or his calculation?**

239 A. No. Mr. Higgins’ proposed treatment is essentially a creative disallowance of costs for
240 a prudently-incurred generation resource. Mr. Higgins does not contest that the wind
241 project will provide customers net benefits over the life of the project but nonetheless
242 recommends a misguided cost recovery scheme that penalizes the Company. In his
243 rebuttal testimony, Mr. Rick T. Link explains why the comparison to a QF is
244 inappropriate and that the project should not be treated as a power purchase agreement.
245 Additionally, Mr. Link explains why the terminal value used in the Company’s analysis
246 is appropriate, and why Mr. Higgins’ criticism was incorrect.

247 **Q. OCS witness Mr. Hayet asserts that from a policy perspective the Commission**
248 **should not approve the Foote Creek I and Pryor Mountain projects for recovery**
249 **because of the Company’s departure from regulatory practices.²⁰ How do you**
250 **respond?**

251 A. As I understand Mr. Hayet’s testimony, he recommends that from a policy perspective,
252 the Commission should reject the Company’s request for recovery of its investments
253 in Foote Creek I and Pryor Mountain because it did not request pre-approval under

¹⁹ Direct Testimony of Kevin C. Higgins at lines 880-884.

²⁰ Direct Testimony of Philip Hayet at lines 662-687.

254 U.C.A §54-17-402, which allows voluntary requests for resource decisions. Mr. Hayet
255 would have the Commission ignore evidence in this proceeding supporting the recovery
256 on and of these investments because the Company opted not to request pre-approval,
257 which it was not required to do. Such a Commission decision denying prudently
258 incurred investments would deter a utility taking advantage of time-limited investments
259 that would deliver customer benefits if it was subject to the risk of the projects being
260 rejected for recovery in a rate case because it did not make a *voluntary* request for pre-
261 approval.

262 Setting this aside, Mr. Hayet implicitly imposes a requirement in U.C.A §54-
263 17-402 that does not exist in that if a utility does not avail itself to that section with
264 respect to an investment, such investment such be denied recovery in the next filed rate
265 case. While I am not an attorney, my understanding is that U.C.A §54-17-402 is
266 voluntary. Specifically, U.C.A §54-17-402 provides that “... before implementing a
267 resource decision, and energy utility *may* request that the commission approve all or
268 part of a resource decision ...” (emphasis added) If the legislature wanted to require
269 a utility to submit resources decisions for pre-approval, the statutory language would
270 not reflect conditional language such as “may request” and instead would read “shall
271 request.”

272 The Commission recognized this in its decision in the Company’s voluntary
273 request for approval of resource decision to repower certain wind facilities filed on
274 June 23, 2017.²¹ In its decision in that proceeding, the Commission approved the
275 repowering of 11 of the 12 Company-owned wind facilities. It did not pre-approve the

²¹ *Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Repower Wind Facilities*,
Docket No. 17-035-39.

276 Company's investment in Leaning Juniper project.²² With respect to that project, the

277 Commission stated:

278 We decline to approve the voluntary request for resource decision for
279 the Leaning Juniper project. *This decision does not mean PacifiCorp*
280 *may not still pursue that project.* It means that the Leaning Juniper
281 repowering project will not have the protections afforded by Utah Code
282 Title 54, Chapter 17, Part 4. *If PacifiCorp chooses to implement the*
283 *project, the project will be subject to a standard prudence review in*
284 *future general rate cases.* Our order declining to approve the project in
285 this docket may not be interpreted to pre-judge that issue in any way.²³

286 In not approving the Company's request regarding Leaning Juniper, the
287 Commission acknowledged that the Company could still pursue the project and, if
288 implemented, the project would be subject to the standard prudence review in a future
289 general rate case. Thus, whether a project is not part of a voluntary request or is part of
290 a voluntary request and denied, ultimately the project if implemented, is subject to the
291 standard prudence review of a utility's future rate case.

292 **Q. Mr. Hayet claims that the Company could have sought pre-approval of the Foote**
293 **Creek I and Pryor Mountain Projects on an expedited basis based on its**
294 **experience in Docket No. 08-035-35.²⁴ How do you respond?**

295 A. I disagree with Mr. Hayet. U.C.A §54-17-402(7) provides that unless the Commission
296 determines additional time is required, a Commission decision should be issued within
297 180 days of a utility request for resource decision. However, there is no guarantee that
298 a Commission decision will be issued in 180 days as provided in the statute or that a
299 request to treat a matter in an expedited manner can always be granted. Thus, the

²² Docket No. 17-035-39, Report and Order at 20 (May 25, 2018).

²³ *Id.* (emphasis added)

²⁴ Direct Testimony of Philip Hayet at lines 562-571.

300 Company has to weigh voluntarily requesting a resource decision from the Commission
301 against a time-sensitive nature of a particular project.

302 **Q. Do you agree with Mr. Hayet that under his proposal the Company can gain rate**
303 **treatment of the Foote Creek I and Pryor Mountain projects once it proves the**
304 **need for additional resources as part of its Integrated Resource Plan (“IRP”) and**
305 **bid them into the next wind resource solicitation or the current 2020 All Source**
306 **2020 Request for Proposal (“2020AS RFP”)?**

307 A. No. As discussed by Mr. Link, the recent IRPs demonstrate that the Company has a
308 near-term and long-term resource need and these wind projects contribute to meeting
309 those capacity shortfalls. The analysis to support the projects was properly done at the
310 time the resource decisions were made, which was based on timing that would allow
311 the Company to maximize PTC qualification known at that time. A new evaluation of
312 the resources as part of a future IRP or as part of the current 2020AS RFP is
313 unnecessary. Moreover, the 2020AS RFP, as approved by the Commission in Docket
314 No. 20-035-05,²⁵ does not include provisions for incorporating Company-owned
315 benchmark resource bids.

316 **IV. RBA**

317 **Q. What is the purpose of this section of your rebuttal testimony?**

318 A. In this section of my testimony, I address OCS witness Ms. Donna Ramas’
319 recommendation to change the approach on how REC revenues are recognized in rates.

320 **Q. How are REC revenues currently reflected in rates?**

321 A. Currently, the difference between actual REC revenues and the REC revenues set in

²⁵ *Application of Rocky Mountain Power for Approval of Solicitation Process for 2020 All Source Request for Proposals*, Docket No. 20-035-35, Order Approving 2020 All Source RFP (July 17, 2020).

322 rates are reconciled in the REC Balancing Account, Schedule 98, where revenues are
323 trued up on an annual basis through a surcharge or surcredit. Annual filings are made
324 with the Commission to true-up revenues and reset the surcharge or surcredit.

325 **Q. What is Ms. Ramas' recommendation?**

326 A. Instead of the current annual reconciliation to true up of REC revenues, Ms. Ramas
327 recommends that a deferral approach be used.²⁶ Specifically, she proposes that once
328 the final true up for calendar year 2020 is completed, Schedule 98 be discontinued.
329 Beginning January 1, 2021, the Company would account for the difference between
330 actual REC revenues and REC revenues incorporated in rates by deferring the
331 difference to a regulatory asset/regulatory liability. Ms. Ramas proposes that the
332 resulting balance in the deferral account be addressed in a future rate case proceeding.
333 Also, Ms. Ramas does not oppose the Company continuing to retain 10 percent of the
334 REC revenues as an incentive to market and obtain additional value for the available
335 RECs.

336 **Q. Does the Company agree with Ms. Ramas' proposed deferral approach for REC**
337 **revenues?**

338 A. Yes, in part. The Company is not opposed to the deferral approach in lieu of the annual
339 rate adjustment that is currently done through Electric Service Schedule No. 98, but
340 would recommend it be allowed to retain the ability to propose ratemaking treatment
341 for any regulatory asset or liability balance outside of a general rate case. For example,
342 the Company could propose outside of a general rate case to apply the regulatory
343 liability balance against another cost that would otherwise increase rates or to initiate a

²⁶ Direct Testimony of Donna Ramas at lines 269-347.

344 credit to customer rates to offset some other cost, such as an EBA charge. Any
345 application of the balance would be subject to review by parties and approval by the
346 Commission. In his testimony, Mr. McDougal provides an example of a Company
347 deferral account that works similar to Ms. Ramas' proposal.

348 V. RATE MITIGATION PROPOSALS

349 **Q. What is the purpose of this section of your rebuttal testimony?**

350 A. In this section of my testimony, I explain the small modification that the Company is
351 proposing to its rate mitigation proposals. I also address proposals made by OCS
352 witness Ms. Ramas to use the TCJA deferred tax balance to mitigate rates set in this
353 proceeding.

354 **Q. Please explain the modification that the Company is proposing to its rate
355 mitigation proposals.**

356 A. The Company is proposing to slightly modify one of the rate mitigation proposals that
357 it set forth in direct testimony. Specifically, the Company proposes to align the TCJA
358 tax benefit balance to be credited to customers in 2021 with the two-step base rate
359 change. The Company's modification to its proposed credit to customers in 2021 would
360 fully offset the second base rate increase in 2021. The Company's modification is
361 appropriate as it will ensure that customers will not experience rate volatility when the
362 second base rate increase becomes effective in 2021. The Company's calculation for
363 this change will be shown in the rebuttal testimony of Mr. Robert M. Meredith in the
364 cost of service and pricing phase of this proceeding.

365 **Q. Are there any other modifications to the Company's rate mitigation proposals?**

366 A. Yes. In order to narrow the issues in this proceeding, the Company does not oppose

367 Ms. Ramas' recommendation that a portion of the TCJA deferred tax balance be
368 applied to buying down Utah's share of the unamortized balances in Federal Energy
369 Regulatory Commission ("FERC") account 114, Electric Plant Acquisition
370 Adjustment, and FERC account 115, Accumulated Provision for Asset Acquisition
371 Adjustment, associated with the plant acquisitions of the Craig and Hayden plants.²⁷
372 In his testimony, Mr. McDougal incorporates this proposal into the revenue
373 requirement.

374 **Q. Does Ms. Ramas make any further recommendations regarding the use of the**
375 **TCJA tax deferred balance?**

376 A. Yes. She makes a recommendation regarding the TCJA deferred tax balance remaining
377 after the buy down of the undepreciated plant balances for the Dave Johnston
378 generating plant and pay down of certain regulatory assets, which is approximately
379 \$62.7 million in this rebuttal filing. Instead of returning the remaining balance to
380 customers over two years as the Company proposes, Ms. Ramas recommends that the
381 remaining balance be returned to customers over ten years.²⁸

382 **Q. How do you respond?**

383 A. While the Company does not agree that a revenue decrease as recommended by OCS
384 is justified or warranted in this proceeding, the Company does not generally oppose a
385 longer amortization period to return the remaining TCJA deferred tax balance to
386 customers. The Company continues to believe that the amortization period ultimately
387 decided on by the Commission should be set to offset the rate impact from this
388 proceeding in order to phase in an increase in the revenue requirement.

²⁷ Direct Testimony of Donna Ramas at lines 1529-1570.

²⁸ Direct Testimony of Donna Ramas at lines 82-83.

389 **VI. SUBSCRIBER SOLAR**

390 **Q. What are the parties' positions in response to the Company's proposal for a new**
391 **Subscriber Solar program structure that would provide for expansion?**

392 A. The DPU, through its witness Mr. Robert A. Davis, generally supports the revised
393 program structure but has concerns about certain details.²⁹ The OCS, through its
394 witness Ms. Alyson Anderson, opposes the Company's proposed expansion of the
395 Subscriber Solar program because, she argues, the program is lacking details and
396 should be addressed outside of the rate case.³⁰ Ms. Sarah Wright on behalf of UCE,
397 supports the expansion of the program but proposes that future expansions of the
398 program accommodate participation for low-income customers.³¹ All parties raise
399 concerns about the risks of shifting costs to other customers.

400 **Q. What is the Company's general response to the issues raised by parties?**

401 A. First, I think it's worth noting that all three parties generally recognize that providing
402 the program as another option for customers has been worthwhile. As the Company
403 explained in direct testimony, the Subscriber Solar program has been extremely popular
404 and has been fully subscribed since shortly after it launched in 2015.³² As such, the
405 Company has been eager to expand the program in response to the continued customer
406 interest. However, because the initial program structure did not readily enable
407 expansion and relied on an alternative rate structure from customers' normal service
408 schedules, the Company decided to more comprehensively consider revisions to the
409 program in the general rate case to better align the program structure with changes in

²⁹ Direct Testimony of Robert A. Davis at lines 88-91.

³⁰ Direct Testimony of Alyson Anderson at lines 188-212.

³¹ Direct Testimony of Sarah Wright at lines 140-149.

³² Direct Testimony of William J. Comeau at lines 76-77.

410 rate design proposed therein. Additionally, the Company believed that consideration of
411 the revised program structure in the general rate case would facilitate a more timely
412 process after the rate case to obtain approval of the specific program rates once a new
413 resource has been acquired. Mr. Kyle T. Moore is submitting rebuttal testimony on
414 behalf of the Company to further respond to concerns raised by the parties.

415 **Q. Ms. Anderson characterizes the Company's request in this proceeding as seeking**
416 **pre-approval of an expanded project.³³ Is this correct?**

417 A. No. The Company is seeking approval for the new program structure and the
418 opportunity to expand it with new resources. The Company is not seeking pre-approval
419 of any new resources. The tariff changes in this proceeding do not include rates for the
420 expanded program. If the Company receives approval of the structure, the Company
421 would then seek to acquire a competitive resource for the program, calculate the rates
422 and file the tariff changes for review by stakeholders and approval from the
423 Commission. Similarly the Company would need to file tariff changes for any future
424 expansion of the program for new resources. Approval of the new program structure in
425 this proceeding does not pre-approve the program expansion; it provides the Company
426 the opportunity to seek expansion for new participants with new resources after the rate
427 case. By having some certainty on the program structure from the rate case, the
428 Company would have more certainty to be able to develop the program marketing
429 materials and procure the new resource for the expanded program more quickly after
430 the rate case and before expiration of tax credits.

³³ Direct Testimony of Alyson Anderson at lines 133-143.

431 **VII. INTRODUCTION OF REBUTTAL WITNESSES**

432 **Q. Please identify the witnesses submitting rebuttal testimony in the revenue**
433 **requirement phase of this proceeding and the subject of their testimony.**

434 **A.** In addition to myself, the Company witnesses filing rebuttal testimony and the subjects
435 of their testimony are as follows:

436 **Nikki L. Koblaha**, Vice President, Chief Financial Officer and Treasurer, responds to
437 intervenor testimony regarding pension settlement losses and the net prepaid pension
438 and other postretirement asset.

439 **Rick T. Link**, Vice President of Resource Planning and Acquisition, addresses
440 intervenor testimony regarding the Company's economic analysis and pricing proposal
441 for the Pryor Mountain wind project along with the economic analysis for repowering
442 Foote Creek I.

443 **Robert Van Engelenhoven**, Resource Development Director, provides an update of
444 the construction status of, and responds to intervenor testimony regarding, the Pryor
445 Mountain Wind Project.

446 **Timothy J. Hemstreet**, Managing Director of Renewable Energy Development,
447 provides an update of the costs and construction status of the Energy Vision 2020 new
448 wind projects. He also provides a construction update regarding the Dunlap and Foote
449 Creek I repowering projects and an update on the expenditures of all of the Company's
450 repowering projects. Mr. Hemstreet also responds to the intervenor testimony regarding
451 the Foote Creek I repowering project.

452 **Dana M. Ralston**, Senior Vice President of Thermal Generation and Mining, addresses
453 intervenor testimony regarding the outages at Lake Side 2 Unit 3 and Blundell Unit 2.

454 **Curtis B. Mansfield**, Vice President of Transmission and Distribution Operations,
455 provides an update to the Company's Wildland Fire mitigation plan and responds to
456 intervenor testimony regarding the Company's Advanced Metering Infrastructure
457 project in Utah.

458 **David G. Webb**, Manager of Net Power Costs, provides the rebuttal net power costs
459 that include the change for the wind in-service dates. He also responds to intervenor
460 testimony regarding proposed net power costs adjustments.

461 **Steven R. McDougal**, Director of Revenue Requirements, presents modifications to
462 the revenue requirement due to accepting certain Intervenor adjustments, corrections
463 identified since the direct filing and updates based on current information. He also
464 responds to various adjustments made by intervenors in direct testimony including
465 adjustments to revenues, operations and maintenance expense, tax, and rate base.

466 **Kyle T. Moore**, Power Market Originator, responds to the intervenor testimony
467 regarding the Company's proposed expansion of the Subscriber Solar program.

468 **Julie Lewis**, Vice President of People, responds to intervenor testimony recommending
469 adjustments to the Company's wage and labor expenses.

470 **VIII. RECOMMENDATION**

471 **Q. Please summarize the Company's recommendation.**

472 A. The Commission should approve the updated revenue requirement that I describe above
473 and that is supported by the other Company witnesses' rebuttal testimonies. I also
474 recommend that the Commission allow a partial delay of the January 1, 2021 base rate
475 increase to July 1, 2021 (or 30 days after the last wind project fully goes into service)
476 as a result of the impacts that the COVID-19 pandemic has on the construction of

477 certain large capital investments and approve the Company's rate mitigation proposals
478 as modified in rebuttal testimony.

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

480 **A. Yes.**