BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Joelle R. Steward

October 2020
Q. Are you the same Joelle R. Steward that submitted direct testimony on behalf of PacifiCorp, d/b/a Rocky Mountain Power (“Rocky Mountain Power” or the “Company”) in this proceeding?

A. Yes.

I. PURPOSE OF REBUTTAL TESTIMONY

Q. What is the purpose of your rebuttal testimony?

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

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

A. In rebuttal, the Company is requesting an overall base rate increase of $72.0 million, which the Company is requesting to be phased in through two rate changes in 2021. Further, the Company continues to propose to offset the base rate increase, in part, for two years by refunding a portion of the deferred tax savings associated with the Tax Cuts and Jobs Act (“TCJA”). Specifically, the Company proposes to pass back
approximately $62.7 million of the TCJA deferred tax balance over two years. After consideration of interest, $38.2 million will be returned in 2021 and $26.8 million in 2022. This will result in a 1.1 percent increase in 2021, another 1.1 percent increase in 2022 when the credit is reduced, and a 1.3 percent increase in 2023 when the remaining tax deferral is fully refunded and the credit is eliminated. Further, the Company would align the credit in 2021 with the two-step base rate change such that the credit would be increased in the latter half of the year to fully offset the second base rate increase. However, as I explain later in my testimony, the Company is not opposed to refunding the TCJA deferred tax balance over a longer period of time provided the balance is used to offset the overall proposed base rate increase.

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

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

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

A. Yes. This rate case reflects a number of major capital investments made since the Company’s last rate case filed in 2014 (“2014 Rate Case”), such as Energy Vision 2020, that allows the Company to continue meeting its core principle of providing energy solutions in the form of safe, reliable, and affordable energy to customers. To this end, the Company is investing approximately $3.6 billion in renewable energy projects and related transmission through calendar year 2021. Notably, the costs associated with this investment are included in the general rate case while the customer benefits of the zero-fuel cost energy and the production tax credits (“PTCs”) are proposed to be included in the energy balancing account (“EBA”). Despite the significant investment in this case, the minimal overall net impact to customers is evidence of the Company’s commitment to its customers for energy solutions in the form of safe, reliable, and affordable energy.

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

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

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3 Direct Testimony of Nikki L. Kobliha at lines 59-60.
Commission allow a partial delay of the January 1, 2021 base rate increase to July 1, 2021 (or 30 days after the last wind project fully goes into service) as a result of the impacts that the COVID-19 pandemic has on the construction of certain large capital investments. I also recommend approval of the Company’s rate mitigation proposals as modified in rebuttal testimony.

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

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

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

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

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

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

A. Direct testimony in the revenue requirement phase of this proceeding was filed by the following intervenors: Division of Public Utilities (“DPU”), Office of Consumer Services (“OCS”), and Utah Association of Energy Users (“UAE”). I will refer to these parties as the “Filing Parties.”
Q. Please provide a comparison of the revenue change proposed by the Filing Parties in their direct testimony.

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

### Table 1: Filing Parties’ Revenue Requirement Change

<table>
<thead>
<tr>
<th>Filing Party</th>
<th>Proposed Revenue Change (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company – as filed</td>
<td>$95.8</td>
</tr>
<tr>
<td>Company – rebuttal</td>
<td>$72.0</td>
</tr>
<tr>
<td>DPU</td>
<td>$34.1</td>
</tr>
<tr>
<td>OCS</td>
<td>($59.3)</td>
</tr>
<tr>
<td>UAE</td>
<td>$14.9</td>
</tr>
</tbody>
</table>

The DPU’s recommended revenue change does not reflect its recommendation to disallow the Company’s investment in Pryor Mountain Wind Project. Further, to calculate its proposed revenue change, UAE used a placeholder return on equity (“ROE”) of 9.5 percent in its calculation of proposed revenue requirement change, even though in testimony it deferred to the recommendations of the DPU and OCS.

Furthermore, Walmart Inc. did not specify an overall proposed revenue requirement change but filed testimony in the cost of capital phase of this proceeding recommending an ROE of no greater than 9.8 percent, which is the Company’s currently authorized ROE.

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

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

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

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

<table>
<thead>
<tr>
<th>Filing Party</th>
<th>ROE</th>
<th>Capital Structure - Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company – as filed</td>
<td>10.2%</td>
<td>53.67%</td>
</tr>
<tr>
<td>Company - rebuttal</td>
<td>9.8%</td>
<td>53.67%</td>
</tr>
<tr>
<td>DPU(^{11})</td>
<td>9.25%</td>
<td>53.67%</td>
</tr>
<tr>
<td>OCS – primary</td>
<td>9.0%</td>
<td>50.00%</td>
</tr>
<tr>
<td>OCS – secondary</td>
<td>8.75%</td>
<td>53.67%</td>
</tr>
<tr>
<td>Walmart(^{12})</td>
<td>No greater than 9.8%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

\(^{10}\) Company witnesses Mr. Gary W. Hoogeveen, Ms. Ann E. Bulkley and Ms. Nikki L. Kobliha 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.
Company witnesses Mr. Gary W. Hoogeveen, Ms. Ann E. Bulkley, and Ms. Nikki L. Kobliha address the Filing Parties’ positions regarding ROE and capital structure in rebuttal testimony filed during the cost of capital phase of this proceeding.

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

A. Mr. Higgins is referring to the rate case filed in Washington by PacifiCorp d/b/a Pacific Power (“Pacific Power”) on December 13, 2020, Docket UE-191024. On July 20, 2020, a stipulation was entered into by the parties of that proceeding resolving all disputed issues, including ROE. As part of that negotiated stipulation, the parties agreed to maintain Pacific Power’s currently authorized return on equity of 9.5 percent that was approved in Pacific Power’s last Washington rate case filed in 2015, Docket UE-152253.

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

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

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

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

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

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16 Id. at 18.
**Table 3: Company’s Requested Increase in Rebuttal (in millions)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Filing Request</td>
<td>$95.8</td>
</tr>
<tr>
<td>Reduce ROE from 10.20% to 9.80%</td>
<td>$(22.3)</td>
</tr>
<tr>
<td>Company Correction</td>
<td>$(4.0)</td>
</tr>
<tr>
<td>Updates/Intervenor Adjustments</td>
<td>$10.8</td>
</tr>
<tr>
<td>Changes to Capital Projects</td>
<td>$(28.5)</td>
</tr>
<tr>
<td>Rate Mitigation Proposal Revisions</td>
<td>$(2.2)</td>
</tr>
<tr>
<td><strong>January 1, 2021 Rate Change</strong></td>
<td>$49.5</td>
</tr>
<tr>
<td><strong>July 1, 2021 Rate Change</strong></td>
<td>$22.5</td>
</tr>
<tr>
<td><strong>Total Rate Change</strong></td>
<td>$72.0</td>
</tr>
<tr>
<td>Schedule 197 Sur-Credit</td>
<td>$62.7</td>
</tr>
</tbody>
</table>

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

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

**III. CAPITAL INVESTMENTS**

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

**A.** In this section of my rebuttal testimony, I discuss the Company’s proposal to delay a portion of the rate increase due to a projected delay for the in-service dates on portions
of the TB Flats II and Pryor Mountain Wind Projects attributed to the COVID-19 pandemic. I address UAE witness Mr. Higgins’ proposal for the Company to recover its investment of the Pryor Mountain Wind Project through the EBA instead of base rates. Finally, I address OCS witness Mr. Philip Hayet’s recommendation that from a policy perspective, the Commission should deny the Company’s recovery of the Foote Creek I repowering Project and the Pryor Mountain Wind Project because the Company did not file requests for resource decisions under U.C.A §54-17-402.

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

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

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

A. Yes. The Company is proposing to delay the rate change associated with the revenue requirement for the portions of the TB Flats II and Pryor Mountain Wind Projects now projected to be in-service in 2021. Specifically, the Company is requesting a rate change effective July 1, 2021, or 30 days after the final in-service date for the projects if there are further delays beyond the Company’s control. In the cost of service and
pricing phase, Mr. Robert M. Meredith will include the proposed rates for July 1, 2021
as well as January 1, 2021 in his rebuttal testimony and exhibits. Before the second rate
change goes into effect, the Company will file a notice with the Commission to confirm
the projects are in-service. The Company’s rebuttal case also reflects the revised in-
service dates for the benefits associated with these resources, zero-fuel costs and PTCs,
in the base EBA rates.

Q. Why is the delayed rate change you propose for these resources reasonable?
A. The two-step rate change to recover the forecast costs of these resources is reasonable
in this circumstance because the delays in the projects have been attributed to the
COVID-19 pandemic, which is clearly outside the Company’s control. The Company’s
proposal is appropriate for a number of reasons.

First, while I am not an attorney, my understanding is that U.C.A. §54-4.4.1(1)
grants the Commission authority to adopt “any method of rate regulation” which is
consistent with the Utah Public Utilities Act and is in the public interest and results in
just and reasonable rates. U.C.A. §54-4.4.1(2) provides that rate regulation includes
“other components, methods, or mechanisms approved by the Commission.” Thus, it
is within the Commission’s authority to approve a two-step rate change as the Company
proposes in rebuttal. The Commission’s flexibility in establishing rates is further
demonstrated in U.C.A. §54-7-13.4, which allows a utility to file for alternative cost
recovery of a major plant if a final Commission order in such utility’s general rate case
proceeding is within 18 months of the projected in-service date of the addition. The
Company received approval for alternative cost recovery of major capital additions
under U.C.A. §54-7-13.4 in Docket Nos. 10-035-13 and 10-035-89.\textsuperscript{17} The Company did not file for recovery under U.C.A. §54-7-13.4 because it is in a general rate case before the Commission. Furthermore, the Commission has approved similar multi-step rate recovery proposals in the past. For example, in the Company’s last two rate cases, the Commission approved stipulations that provided for multi-year rate increases.\textsuperscript{18}

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

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


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

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

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

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

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

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19 Direct Testimony of Kevin C. Higgins at lines 880-884.
20 Direct Testimony of Philip Hayet at lines 662-687.
U.C.A §54-17-402, which allows voluntary requests for resource decisions. Mr. Hayet would have the Commission ignore evidence in this proceeding supporting the recovery on and of these investments because the Company opted not to request pre-approval, which it was not required to do. Such a Commission decision denying prudently incurred investments would deter a utility taking advantage of time-limited investments that would deliver customer benefits if it was subject to the risk of the projects being rejected for recovery in a rate case because it did not make a voluntary request for pre-approval.

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

The Commission recognized this in its decision in the Company’s voluntary request for approval of resource decision to repower certain wind facilities filed on June 23, 2017.\textsuperscript{21} In its decision in that proceeding, the Commission approved the repowering of 11 of the 12 Company-owned wind facilities. It did not pre-approve the

\textsuperscript{21} Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Repower Wind Facilities, Docket No. 17-035-39.
Company’s investment in Leaning Juniper project.\textsuperscript{22} With respect to that project, the Commission stated:

\begin{quote}
We decline to approve the voluntary request for resource decision for the Leaning Juniper project. \textit{This decision does not mean PacifiCorp may not still pursue that project.} It means that the Leaning Juniper repowering project will not have the protections afforded by Utah Code Title 54, Chapter 17, Part 4. \textit{If PacifiCorp chooses to implement the project, the project will be subject to a standard prudence review in future general rate cases.} Our order declining to approve the project in this docket may not be interpreted to pre-judge that issue in any way.\textsuperscript{23}
\end{quote}

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

\textbf{Q.} Mr. Hayet claims that the Company could have sought pre-approval of the Foote Creek I and Pryor Mountain Projects on an expedited basis based on its experience in Docket No. 08-035-35.\textsuperscript{24} How do you respond?

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

\textsuperscript{23} \textit{Id.} (emphasis added)
\textsuperscript{24} Direct Testimony of Philip Hayet at lines 562-571.
Company has to weigh voluntarily requesting a resource decision from the Commission against a time-sensitive nature of a particular project.

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

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

IV. RBA

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

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

Q. How are REC revenues currently reflected in rates?

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

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

Q. **What is Ms. Ramas’ recommendation?**

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

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

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

²⁶ Direct Testimony of Donna Ramas at lines 269-347.
credit to customer rates to offset some other cost, such as an EBA charge. Any application of the balance would be subject to review by parties and approval by the Commission. In his testimony, Mr. McDougal provides an example of a Company deferral account that works similar to Ms. Ramas’ proposal.

V. RATE MITIGATION PROPOSALS

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

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

Q. Are there any other modifications to the Company’s rate mitigation proposals?
A. Yes. In order to narrow the issues in this proceeding, the Company does not oppose
Ms. Ramas’ recommendation that a portion of the TCJA deferred tax balance be applied to buying down Utah’s share of the unamortized balances in Federal Energy Regulatory Commission (“FERC”) account 114, Electric Plant Acquisition Adjustment, and FERC account 115, Accumulated Provision for Asset Acquisition Adjustment, associated with the plant acquisitions of the Craig and Hayden plants.  

In his testimony, Mr. McDougal incorporates this proposal into the revenue requirement.

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

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

**Q. How do you respond?**

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

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27 Direct Testimony of Donna Ramas at lines 1529-1570.
28 Direct Testimony of Donna Ramas at lines 82-83.
VI. SUBSCRIBER SOLAR

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

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

Q. What is the Company’s general response to the issues raised by parties?

A. First, I think it’s worth noting that all three parties generally recognize that providing the program as another option for customers has been worthwhile. As the Company explained in direct testimony, the Subscriber Solar program has been extremely popular and has been fully subscribed since shortly after it launched in 2015. As such, the Company has been eager to expand the program in response to the continued customer interest. However, because the initial program structure did not readily enable expansion and relied on an alternative rate structure from customers’ normal service schedules, the Company decided to more comprehensively consider revisions to the 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.
rate design proposed therein. Additionally, the Company believed that consideration of
the revised program structure in the general rate case would facilitate a more timely
process after the rate case to obtain approval of the specific program rates once a new
resource has been acquired. Mr. Kyle T. Moore is submitting rebuttal testimony on
behalf of the Company to further respond to concerns raised by the parties.

Q. Ms. Anderson characterizes the Company’s request in this proceeding as seeking
pre-approval of an expanded project.\textsuperscript{33} Is this correct?

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

\textsuperscript{33} Direct Testimony of Alyson Anderson at lines 133-143.
VII. INTRODUCTION OF REBUTTAL WITNESSES

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

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

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

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

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

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

Dana M. Ralston, Senior Vice President of Thermal Generation and Mining, addresses intervenor testimony regarding the outages at Lake Side 2 Unit 3 and Blundell Unit 2.
Curtis B. Mansfield, Vice President of Transmission and Distribution Operations, provides an update to the Company’s Wildland Fire mitigation plan and responds to intervenor testimony regarding the Company’s Advanced Metering Infrastructure project in Utah.

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

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

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

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

VIII. RECOMMENDATION

Q. Please summarize the Company’s recommendation.

A. The Commission should approve the updated revenue requirement that I describe above and that is supported by the other Company witnesses’ rebuttal testimonies. I also recommend that the Commission allow a partial delay of the January 1, 2021 base rate increase to July 1, 2021 (or 30 days after the last wind project fully goes into service) as a result of the impacts that the COVID-19 pandemic has on the construction of
certain large capital investments and approve the Company’s rate mitigation proposals as modified in rebuttal testimony.

Q. Does this conclude your rebuttal testimony?

A. Yes.