

October 29, 2020

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Administrator

Re: Docket 20-035-04
**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**
Phase I – Revenue Requirement Surrebuttal Testimony

Pursuant to the Order Granting Motion, Amended Scheduling Order, and Amended Notice of Electronic Hearings, issued by the Public Service Commission of Utah on October 21, 2020 in the above referenced matter, Rocky Mountain Power hereby submits for filing its Phase I – Revenue Requirement surrebuttal testimony.

Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

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Utah Public Service Commission

October 29, 2020

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Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,

A handwritten signature in blue ink that reads "Joelle Steward". The signature is written in a cursive style with a large initial "J".

Joelle Steward

Vice President, Regulation

cc: Service List Docket No. 20-035-04

Rocky Mountain Power
Docket No. 20-035-04
Witness: Steven R. McDougal

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Surrebuttal Testimony of Steven R. McDougal

October 2020

1 **Q. Are you the same Steven R. McDougal who submitted direct and rebuttal**
2 **testimony in this proceeding on behalf of PacifiCorp d/b/a Rocky Mountain**
3 **Power (“RMP” or the “Company”)?**

4 A. Yes.

5 **PURPOSE OF TESTIMONY**

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

7 A. The purpose of my surrebuttal testimony is to address certain issues raised by the
8 Division of Public Utilities (“DPU” or the “Division”) witnesses Mr. Gary L. Smith
9 and Ms. Brenda Salter. I also address issues raised by Utah Association of Energy
10 (“UAE”) witness Mr. Kevin C. Higgins. Lastly, I reaffirm my support for the
11 recommendations provided by DPU witness Dr. William “Artie” Powell. I provide
12 surrebuttal testimony on the following issues:

- 13 • Updates supported by the Division in rebuttal that were incorporated into
14 the revised revenue requirement and addressed as part of my rebuttal
15 testimony including Schedule 300 fees, Navajo Tribal Utility Authority
16 (“NTUA”) revenue correction, and the Vitesse, LLC REC agreement;
- 17 • Treatment of non-labor Operations and Maintenance (“O&M”) expense
18 escalation;
- 19 • Support of Dr. Powell’s testimony of the Generation Overhaul expense
20 calculation;
- 21 • Response to the concerns raised by Mr. Higgins and Mr. Smith regarding
22 depreciation on retired wind asset; and

23 • Proposed elimination of the Renewable Energy Credit (“REC”) Balancing
24 Account (“RBA”).

25 **Q. Were any of the adjustments that were supported by the Division in rebuttal**
26 **testimony already accepted by the Company and incorporated into the**
27 **\$72.0 million rate increase you supported in your revenue requirement rebuttal**
28 **testimony?**

29 A. Yes. The following adjustments proposed in the rebuttal testimony of DPU witness
30 Ms. Salter¹ were already incorporated in the revenue requirement I supported in my
31 rebuttal testimony:

- 32 • Incremental revenue related to the proposed Schedule 300 fees,
- 33 • NTUA revenue correction, and
- 34 • REC revenues associated with Kennecott and the Vitesse, LLC REC
35 agreements.

36 **Q. Are you making any changes to the \$72.0 million increase you supported in your**
37 **revenue requirement rebuttal testimony based on the rebuttal testimony filed by**
38 **intervening parties?**

39 A. No.

40 **Q. Does the Company agree with Ms. Salter’s rebuttal testimony that Non-Labor**
41 **O&M Expense Escalation should be updated to adjust for more recent IHS**
42 **Markit indices?**²

43 A. No. As discussed in my rebuttal testimony,³ the most recent release of the IHS Markit
44 indices include a reflection of the global pandemic known as COVID-19 on future

¹ Rebuttal Testimony of Brenda Salter at line 34 and lines 75-143.

² *Id* at lines 64-70.

45 escalation. Based on the near-term and long-term uncertainty surrounding COVID-
46 19, the Company has removed the escalation adjustment proposed in direct testimony.
47 The elimination of all non-labor O&M expense escalation was reflected in the
48 revenue requirement I supported in my rebuttal testimony. This reduced the
49 Company's requested revenue requirement \$3.6 million in rebuttal.

50 **Q. Is inflation the only item impacted by COVID-19?**

51 A. No. The COVID-19 pandemic has created unprecedented uncertainty for the
52 Company and its customers. The adjustment proposed by the Office of Consumer
53 Services ("OCS") and supported by the DPU would capture only one aspect of the
54 pandemic and does not balance that adjustment against other impacts the on-going
55 pandemic will have to the Company in the Test Period, such as impacts to loads,
56 revenues, and allocation factors. Notwithstanding this uncertainty, the Company
57 continues to believe that the revenue requirement proposed in its rebuttal reflects a
58 reasonable forecast of cost and revenues expected to occur in during the Test Period.
59 The Company removed the escalation adjustment in light of this uncertainty. Further
60 reducing the Company's non-generation, non-labor O&M for the latest IHS Markit
61 release does not match the treatment given to other aspects of the case that have been
62 or will be affected by the pandemic.

63 **Q. Please describe the calculation of generation overhaul expense for the Test**
64 **Period?**

65 A. Maintenance on the Company's generation fleet, such as overhauls on coal and gas
66 plants, can result in variation of O&M expense year over year. To help create a
67 levelized reflection of generation overhaul expense expected to occur in the Test

³ Rebuttal Testimony of Steven R. McDougal at lines 733-850.

68 Period, the Company proposed a normalization adjustment which utilizes averaging
69 four years of historical overhaul expense. My direct testimony supports this
70 calculation and restates historical expenses to today's dollars.⁴ This restatement is
71 done prior to averaging the expenses and ensures the Company adequately recovers
72 prudently incurred expenses.

73 **Q. Does the Company support Dr. Powell's rebuttal position as it relates to**
74 **generation overhaul expense?**

75 A. Yes. Dr. Powell provides direct and rebuttal testimony on the importance of
76 averaging historical expenses using constant dollars. The Company agrees with his
77 testimony and supports his position on this issue.

78 **Q. Please describe the adjustment proposed by DPU's Mr. Smith regarding**
79 **depreciation on the retired wind assets from repowering.**

80 A. Mr. Smith has adopted an adjustment proposed in the direct testimony of UAE
81 witness Mr. Higgins. Specifically, Mr. Smith proposes to continue to credit customers
82 (through accumulated depreciation) for the depreciation expense on the retired wind
83 assets from their retirement date through the rate effective date of this case.⁵

84 **Q. Does the Company accept Mr. Smith's proposed adjustment?**

85 A. No. As I stated in greater depth in my rebuttal testimony, to isolate the financial
86 implications of retirements with no consideration of the new wind assets placed in-
87 service is incomplete as it only considers a single-item within the overall transaction.
88 Additionally, customers are receiving a benefit of greater accumulated depreciation
89 through the depreciation expense recorded for the new wind assets placed in-service

⁴ Rebuttal Testimony of Steven R. McDougal at lines 851-887.

⁵ Rebuttal Testimony of Gary L. Smith at lines 26-32.

90 as a result of the retirements. Including this benefit twice would result in a double-
91 count and is simply wrong.

92 **Q. Would you like to address anything else in regards to the retired wind assets?**

93 A. Yes. Mr. Higgins provided rebuttal testimony opposing a shorter recovery of the
94 retired wind assets as proposed in the direct testimony of Mr. Smith.⁶ While I also
95 opposed the shorter recovery period of these assets in my rebuttal testimony, I would
96 like to reaffirm that my position on this issue was simply to help mitigate rate
97 pressure for Utah customers. As long as the Company is allowed to earn a fair return
98 on the retired wind assets the Company agrees with Mr. Higgins' rebuttal approach to
99 this issue. If the Commission were to adopt a return less than the Company's cost of
100 capital on the wind assets, as proposed in the direct testimony of Mr. Higgins, the
101 Company then believes customers should pay off the assets in an expedited manner to
102 reduce the harm related to the unfair return.

103 **Q. Does the Company have a position on the continuation of the RBA?**

104 A. No. OCS witness Ms. Donna Ramas proposed potential elimination of the RBA and
105 adoption of a deferral account that would track differences between base REC
106 revenues and actual REC revenues. The proposed deferral account would be
107 calculated similar to the current RBA.⁷ Ms. Salter's rebuttal testimony states that the
108 Division does not oppose the OCS's recommendation to discontinue the RBA after
109 the 2020 RBA period but raises a few points for consideration—including a
110 discussion that a multi-year deferral in a future general rate case compounds the
111 possibility of errors and concern for intergenerational inequity.

⁶ Rebuttal Testimony of Kevin C. Higgins at line 41.

⁷ Direct Testimony of Donna Ramas at lines 269-287.

112 **Q. Please address the Division’s concerns with respect to the possibility of errors**
113 **and the intergenerational inequity that it claims could result from a multi-year**
114 **recovery.**

115 A. The Company believes that both of these issues can be adequately mitigated. First,
116 the Company can provide an annual report to track the REC revenue deferral balances
117 and the Division can still conduct an annual audit of the deferral. However, the
118 Company’s past RBA filings demonstrate the accuracy of the Company’s
119 calculations, so concerns that a multi-year review in a general rate case or other
120 proceeding compounds the risk of error are small and unlikely. Second, Company
121 witness Ms. Joelle R. Steward noted in her rebuttal testimony that the Company
122 recommends retaining the flexibility to address ratemaking for the deferral account
123 outside of a general rate case.⁸ In the event that the balance is significant or if parties
124 have a concern about intergenerational equity in between rate cases, parties would be
125 able to propose a specific rate treatment.

126 **Q. What are the DPU’s recommendations with respect to the Company’s AMI**
127 **project?**

128 A. DPU witness Mr. Eric Orton recommends removing the AMI project from the
129 revenue requirement because he claims it will not provide benefits to customers in the
130 test period. Mr. Orton states that the Division is not intending to send the message
131 that AMI should not be allowed, but suggests that the Company could request
132 recovery in other venues such as a Major Plant Additions filing or a future general
133 rate case.

⁸ Rebuttal Testimony of Joelle R. Steward at lines 338-347.

134 **Q. How does the Company respond to Mr. Orton’s recommendations?**

135 A. Company witness Mr. Curtis B. Mansfield responds to the majority of Mr. Orton’s
136 arguments. My testimony addresses Mr. Orton’s claim that the Company has other
137 means to obtain recovery.

138 **Q. Could the Company request recovery of the AMI project through the Major
139 Plant Addition statute?⁹**

140 A. No. The statute requires the plant in service to be at least 1 percent of Utah’s rate base
141 and in service within 18 months of the date of a Commission order in a general rate
142 case. Since the Company began placing this project into service in 2018 and
143 \$46.8 million will be placed into service during the test period of this case, it does not
144 meet either of the requirements to be considered under Utah’s Major Plant Addition
145 statute.

146 **Q. How do you respond to Mr. Orton’s claim that the Company could “simply file a
147 general rate case”?**

148 A. Filing another rate case would not provide cost recovery for assets placed in service
149 during the test period in this case, and would not allow the Company the opportunity
150 to earn a fair return on prudently incurred capital costs. Also, absent other reasons to
151 file a general rate case, filing a general rate case solely to obtain approval for a single
152 capital addition project would be administratively wasteful and not in the best interest
153 of customers or stakeholders.

154 **Q. Does this conclude your surrebuttal testimony?**

155 A. Yes.

⁹ Utah Code §54-7-13.4.

Rocky Mountain Power
Docket No. 20-035-04
Witness: Curtis B. Mansfield

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Surrebuttal Testimony of Curtis B. Mansfield

October 2020

1 **Q. Are you the same Curtis B. Mansfield that filed direct testimony and rebuttal**
2 **testimony in the revenue requirement and cost of service phases on behalf of**
3 **PacifiCorp d/b/a Rocky Mountain Power (“Rocky Mountain Power” or**
4 **the ”Company”) in this proceeding?**

5 A. Yes.

6 **I. PURPOSE OF SURREBUTTAL TESTIMONY**

7 **Q. What is the purpose of your surrebuttal testimony in this phase of the proceeding?**

8 A. The purpose of my testimony is to respond to issues raised by Division of Public
9 Utilities (“DPU”) witness Mr. Eric Orton with respect to the Utah Advanced Meter
10 Infrastructure (“AMI”) Project in his rebuttal testimony in the revenue requirement
11 phase of this proceeding.

12 **Q. Did other intervening witnesses present recommendations in this general rate case**
13 **with regards to the AMI project?**

14 A. Yes. In addition to the arguments raised in the revenue requirement phase by Office of
15 Consumer Services (“OCS”) witness Donna Ramas in direct testimony and Mr. Orton
16 in rebuttal testimony, OCS witness Mr. Ron Nelson presented additional
17 recommendations and arguments on the AMI project in his direct testimony filed in the
18 cost of service and pricing phase on September 15, 2020. I responded to his
19 recommendations in my rebuttal testimony filed on October 16, 2020 in the cost of
20 service and pricing phase. In addition, Western Resource Advocates witness Mr.
21 Douglas J. Howe and Utah Clean Energy witness Ms. Sarah Wright also responded to
22 Mr. Nelson’s recommendation in rebuttal testimony in the cost of service and pricing
23 phase. For consistency, I will address the rebuttal testimonies of Mr. Howe and Ms.
24 Wright in my surrebuttal testimony in the cost of service and pricing phase of this

25 proceeding. This testimony will focus solely on issues raised by parties in the revenue
26 requirement phase.

27 II. AMI PROJECT

28 **Q. What does the DPU propose with respect to the AMI project?**

29 A. Mr. Orton supports and adopts the adjustment¹ proposed by OCS witness Ms. Donna
30 Ramas² to completely remove the AMI project from the test period revenue
31 requirement in this case because the project has been delayed and is now anticipated to
32 be completed after the end of the test period. Mr. Orton further states that by supporting
33 Ms. Ramas' adjustment, the DPU is not intending to send a message that it is opposed
34 to the Company investing in AMI.³

35 **Q. What arguments does Mr. Orton present in support of Ms. Ramas's proposal to
36 remove the project from the revenue requirement?**

37 A. In support for removing the project from the request in this case, Mr. Orton cites the
38 following reasons:

- 39 1. The AMI project will not provide any customer benefits in the test
40 period.⁴
- 41 2. The AMI project is "not necessary" and its timing is "movable."⁵
- 42 3. The Company will only invest in the AMI project if funding is provided
43 in advance.⁶

¹ Rebuttal Testimony of Eric Orton at line 10.

² Direct Testimony of Donna Ramas at lines 973-1135.

³ Rebuttal Testimony of Eric Orton at lines 84-92.

⁴ *Id.* at lines 31-35.

⁵ *Id.* at lines 48-66.

⁶ *Id.* at lines 75-77.

66 Company should be denied recovery of its costs invested for meters that have already
67 been placed into service, nor why the amounts that are forecast to be placed into service
68 prior to the end of the 2021 test period should not be placed into rates.

69 *AMI Necessity and Timing*

70 **Q. Please address Mr. Orton’s statement that “the AMI project is movable, not**
71 **immediately necessary and can be funded at the Company’s discretion.”⁸**

72 A. Mr. Orton makes his statement based on a project delay caused by two extenuating
73 circumstances: 1) a need to ensure the AMI system will adhere to the Company’s
74 stringent cybersecurity requirements to protect both customer and company data; and,
75 2) changing the headend and network solutions to employ Itron’s 2018 Silver Springs
76 acquisition Gen5 technology platform for the field network.⁹ This is the same
77 technology used in the Pacific Power AMI deployment and eliminates duplicative
78 functions and provides long term operational savings. Mr. Orton is correct that the AMI
79 project, like any technology related project, is movable. The Company made a decision
80 in 2006 to delay AMI, in favor of the more cost-effective automated meter reading
81 solution, until it became an economically responsible investment for our customers.
82 However, his statement that it is “not immediately necessary and can be funded at the
83 Company’s discretion” demonstrates an indifference to providing cost effective and
84 beneficial solutions that provide long term and expandable benefits to the electric
85 customers in the state.

⁸ *Id.* at lines 65-66.

⁹ *Id.* at lines 61-63

86 **Q. Mr. Orton also states that the timing of the project “appears to show that it may**
87 **be that the Company will only invest in this project if ratepayers first provide the**
88 **funding – beginning in the future.”¹⁰ Do you agree?**

89 A. No. The Company is committed to this project, is prudently managing operational
90 benefits and customer enhancements, and is assessing leveraging future program
91 opportunities. The Company has invested over 25 percent of the project cost to date.
92 The Company has also completed contracts with suppliers to ensure full completion by
93 the end of 2022.

94 **Q. Does this conclude your surrebuttal testimony?**

95 A. Yes.

¹⁰ *Id.* at lines 75-76.

CERTIFICATE OF SERVICE

Docket No. 20-035-04

I hereby certify that on October 29, 2020, a true and correct copy of the foregoing was served by electronic mail and/or overnight delivery to the following:

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