

Docket No. 20000-519-EA-17
Witness: Joelle R. Steward

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

Supplemental Direct Testimony of Joelle R. Steward

February 2018

1 **Q. Are you the same Joelle R. Steward who previously provided direct and rebuttal**
2 **testimony in this case on behalf of Rocky Mountain Power (“Company”), a**
3 **division of PacifiCorp?**

4 A. Yes.

5 **PURPOSE OF TESTIMONY**

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

7 A. My testimony supports the Company’s request for innovative or nontraditional
8 ratemaking related to the wind repowering project. I update the expected costs and
9 benefits proposed to be recovered through the Resource Tracking Mechanism
10 (“RTM”), to reflect the updated economic analysis presented by Company witness Mr.
11 Rick T. Link. The Company updated its economic analysis for the effects of federal tax
12 reform, as described by Company witness Ms. Nikki L. Kobliha. The updated analysis
13 continues to show that the repowering project is beneficial to customers under all price-
14 policy scenarios. My exhibits show, however, that federal tax reform, and in particular
15 the corresponding decrease in the gross-up factor for production tax credits (“PTCs”),
16 results in a lower value for PTCs, producing a net revenue requirement increase from
17 2019-2021, with rate benefits now starting in 2022. If the repowering project is
18 reflected in rates through the RTM for 2019–2021, however, the RTM’s rate cap will
19 operate to ensure that customers see no net increase in rates prior to a general rate case.

1 SUPPLEMENTAL DIRECT TESTIMONY

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

5 A. Yes. My exhibits have been updated and are presented as Exhibit RMP__(JRS-1SD),
6 Exhibit RMP__(JRS-2SD), Exhibit RMP__(JRS-3SD) and Exhibit RMP__(JRS-
7 4SD).¹ These exhibits are revised with the updated economic analysis in Mr. Link’s
8 supplemental direct testimony. The exhibits are in the same format as in the initial
9 filing, and calculate the monthly and annual revenue requirements and the overall
10 impact of the wind repowering projects that would be reflected in rates, assuming
11 operation of the RTM.

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

13 A. The updates include changes in Wyoming’s allocated share of the updated repowering
14 projects’ wind construction cost, return, depreciation, PTCs, taxes, and operating costs
15 and benefits. The updated net power cost changes associated with an updated load
16 forecast, system dispatch and revised wind generation projections have been included
17 in the Energy Cost Adjustment Mechanism (“ECAM”) pass-through calculation.
18 Figure 1 is a summary of the estimated repowering revenue requirement found in the
19 revised exhibits. Figure 1 shows that the repowering project now reflects rate benefits
20 to customers beginning in 2022. As a result of the cap proposed for the RTM in this
21 proceeding, customers would see no net change in rates for the repowering project for

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

1 costs through 2021, absent a general rate case, as discussed in my testimony below.

2 **Figure 1**

Repowering Estimated Revenue Requirement Cost (Benefit)				
\$thousands				
	2019	2020	2021	2022
1 Total Company	\$ 1,898	\$ 19,647	\$ 6,754	\$ (3,988)
2 Wyoming Allocated	\$ 303	\$ 3,040	\$ 972	\$ (739)
3 Wyoming ECAM	\$ 106	\$ (1,167)	\$ (1,459)	\$ (1,558)
4 Wyoming Deferral	\$ (106)	\$ 1,167	\$ 1,459	\$ 819
5 Net Customer Benefit	\$ 0	\$ 0	\$ 0	\$ (739)

3 **Q. Does the updated revenue requirement analysis incorporate the federal income**
4 **tax rate change from 35 percent to 21 percent, as passed under the Tax Act of**
5 **2017?**

6 A. Yes. As shown in Exhibit RMP___(JRS-4SD), line 5, the consolidated federal and state
7 income tax rate has changed from the 37.951 percent used in my direct testimony to
8 24.587 percent. Also, on line 6 of Exhibit RMP___(JRS-4SD), the PTC tax gross-up
9 factor has been updated from 1.6116 in my direct testimony to 1.3260. These changes
10 are incorporated in the revenue requirement results shown in Exhibit RMP___(JRS-
11 2SD) and Exhibit RMP___(JRS-3SD).

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

14 A. There would be no net rate change for customers, absent a general rate case, with the
15 RTM through 2021 as a result of the cap proposed by the Company in the initial filing.
16 Without the cap, the RTM would show a net increase to customers of approximately
17 \$0.3 million in 2019, \$3.0 million in 2020, and \$1 million in 2021, with a net decrease

1 thereafter.

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

4 A. The change is mainly due to the effects of the change in the federal corporate income
5 tax rate and, in particular, the corresponding decline in the PTC gross-up factor. While
6 there is a small increase in the capital investment reflected in the filing, as described by
7 Company witness Mr. Timothy J. Hemstreet, the overall change in the total plant
8 revenue requirement between this supplemental filing and the rebuttal filing is small—
9 from \$20.5 million in rebuttal to \$20.8 million in this filing in 2020.² The more
10 significant driver is the decline in the PTC revenue requirement, shown on line 18 in
11 Exhibit RMP____(JRS-2SD), which decreases from \$19.4 million in rebuttal to \$16.1
12 million in this filing due to the decline in the gross-up factor.

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

16 A. No. The Company is not proposing changes to the RTM for the repowering project.
17 However, in light of the changes in the near-term rate impacts due to tax reform, the
18 Company proposes to separately defer the net costs in excess of the cap associated with
19 tax law changes, and seek recovery through an offset to the deferral for the impacts
20 from tax reform, which the Commission is currently addressing in Docket No. 90000-
21 134-XO-17, Record No. 14691.

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

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

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

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

15 A. The RTM is designed to match costs and benefits over a short period of time. The RTM
16 will allow the Company to track costs and deliver benefits to customers until the next
17 rate case, while also allowing the Company to include the wind repowering assets in
18 base rates in a single general rate case filing. The RTM enables the Company to align
19 near-term cost drivers into one general rate case, rather than rate cases over a multiple-
20 year period. Without the RTM, all of the zero-fuel cost energy would flow to customers
21 through the ECAM, without recovery of the benefits of the PTCs or the costs that enable
22 those benefits.

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

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

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

6 A. Yes.

