## BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky
Mountain Power for Approval of Purchase
And Transfer Agreement and Power Supply)
Agreement with Navajo Tribal Utility
Authority and Amendment of Certificate of
Public Convenience and Necessity

**Docket No. 15-035-84** 

Direct Testimony of Donna Ramas For the Office of Consumer Services

**REDACTED** 

May 17, 2016

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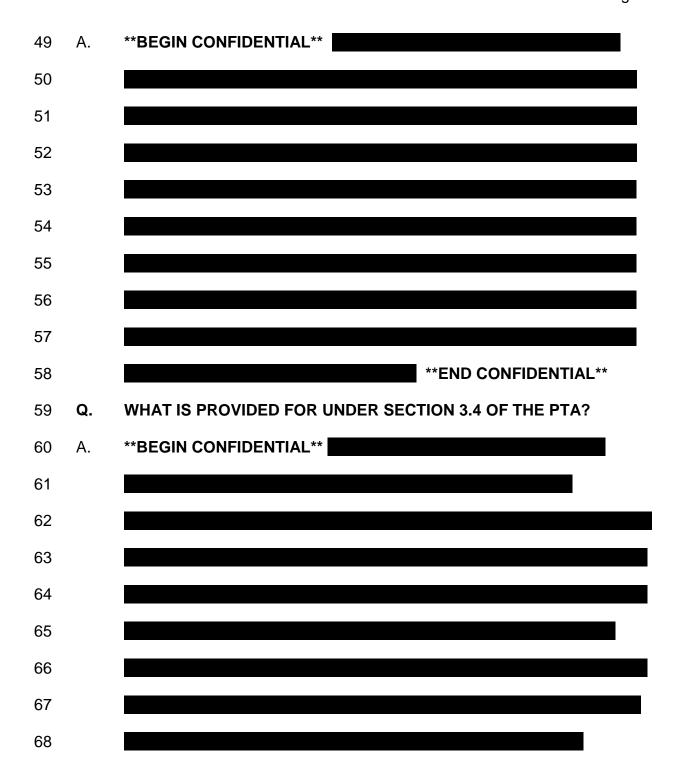
1		INTRODUCTION
2	Q.	WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?
3	A.	My name is Donna Ramas. I am a Certified Public Accountant licensed in
4		the State of Michigan and Principal at Ramas Regulatory Consulting, LLC,
5		with offices at 4654 Driftwood Drive, Commerce Township, Michigan
6		48382.
7	Q.	HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS
8		AND EXPERIENCE?
9	A.	Yes. I have attached Appendix I, which is a summary of my regulatory
10		experience and qualifications.
11	Q.	ON WHOSE BEHALF ARE YOU APPEARING?
12	A.	I was retained by the Utah Office of Consumer Services (OCS) to review
13		Rocky Mountain Power's (the Company or RMP) request for Approval of
14		the Purchase and Transfer Agreement and Power Supply Agreement with
15		Navajo Tribal Utility Authority (NTUA). Accordingly, I am appearing on
16		behalf of the OCS.
17	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY?
18	A.	On May 12, 2016, the OCS entered into a Settlement Stipulation
19		("Stipulation") with all of the parties in this docket. The Stipulation
20		recommends that the Commission approve and find in the public interest:
21		(a) the Purchase and Transfer Agreement as amended by the First,
22		Second and Third Amendments to the Purchase and Transfer Agreement

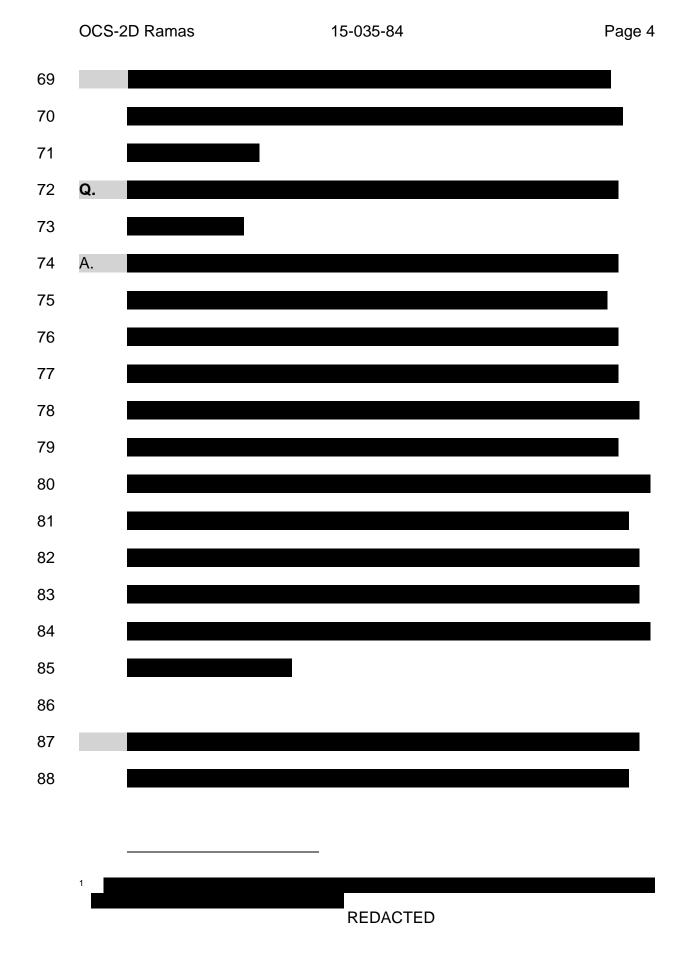
23		(hereinafter referred to as the "PTA", which is inclusive of all three
24		amendments); and (b) the Power Supply Agreement as amended by the
25		First and Second Amendments to the Power Supply Agreement
26		(hereinafter referred to as the "PSA", which is inclusive of both
27		amendments). In this testimony, I address the following provisions
28		contained within the Stipulation:
29		<ul> <li>Recovery in Utah rates of costs incurred under Sections 2.5.4 and</li> </ul>
30		3.4 of the PTA (Paragraph 20 of Stipulation);
31		<ul> <li>Cost deferrals provided for in Paragraph 21 of the Stipulation; and</li> </ul>
32		<ul> <li>Ability to address future concerns regarding the recovery of costs</li> </ul>
33		associated with early retirement of the Company's coal-fueled
34		plants (Paragraph 22 of the Stipulation).
35		COSTS INCURRED UNDER SECTIONS 2.5.4 AND 3.4 OF THE PTA
36	Q.	WHAT DOES PARAGRAPH 20 OF THE STIPULATION STATE?
37	A.	Paragraph 20 of the Stipulation states as follows:
38 39 40 41 42 43 44 45 46		20. The Parties agree that Rocky Mountain Power should be permitted to recover in its Utah rates costs incurred by the Company under Sections 2.5.4 and 3.4 of the PTA to the extent such costs are not offset by savings resulting from the PTA and PSA. This agreement does not preclude any Party from challenging recovery of the costs incurred by the Company on the basis that the Company did not implement these sections of the PTA in a prudent manner nor does it preclude the Company from seeking recovery of any costs of providing service to its customers.

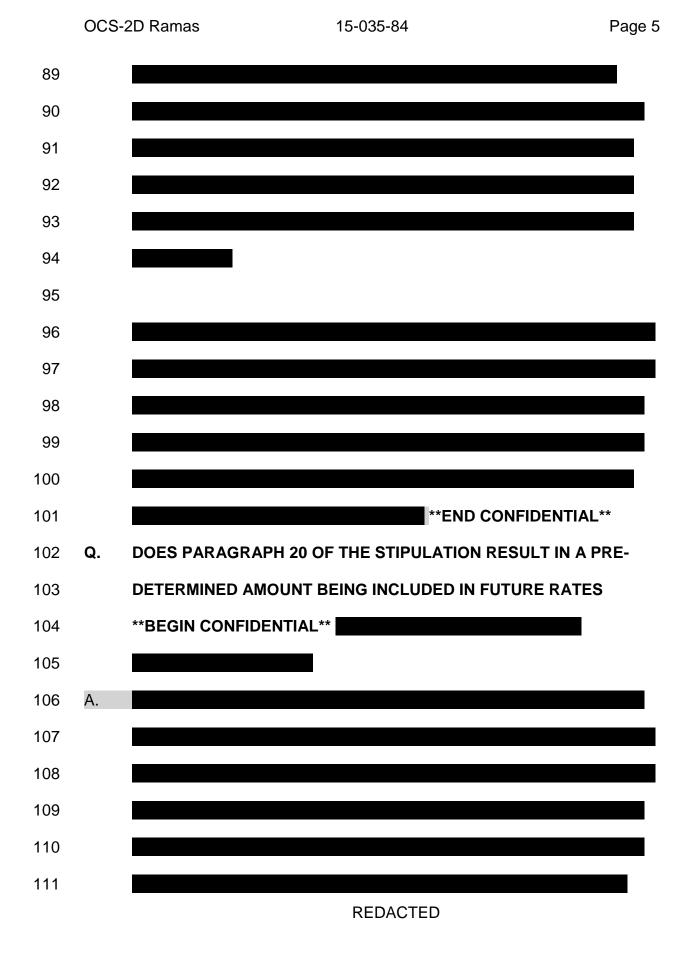
Q. WHAT IS PROVIDED FOR UNDER SECTION 2.5.4 OF THE PTA?

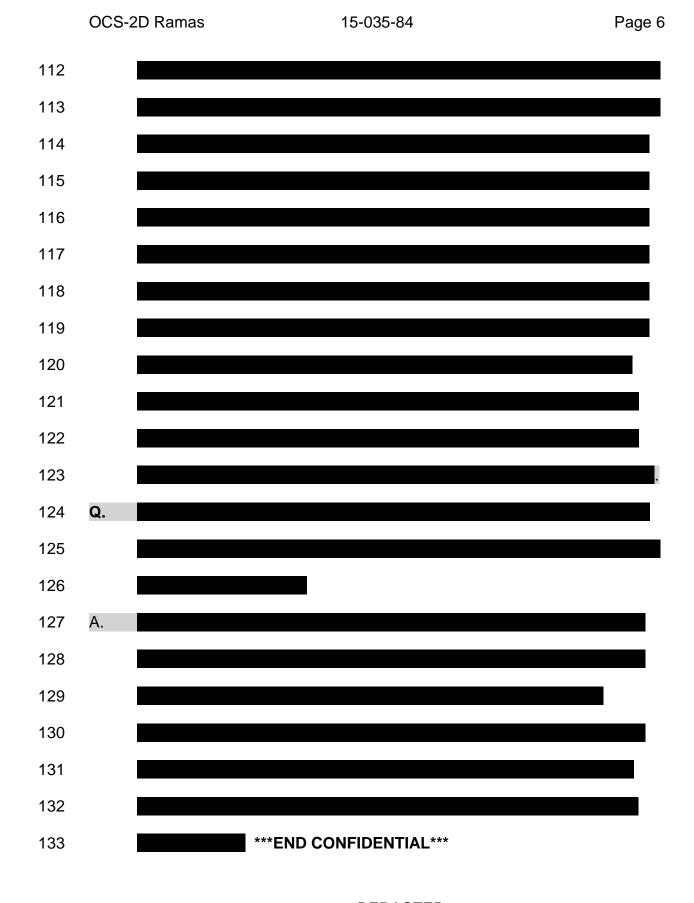
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134		COST DEFERALS UNDER PARAGRAPH 21 OF STIPULATION
135	Q.	PARAGRAPH 21 OF THE STIPULATION REQUESTS THAT THE
136		COMMISSION ISSUE AN ACCOUNTING ORDER AUTHORIZING THE
137		COMPANY TO DEFER CERTAIN COSTS INCURRED IN
138		ACCORDANCE WITH THREE SPECIFIC SECTIONS OF THE PTA.
139		THE FIRST PTA SECTION IDENTIFIED IS 2.2.4, WITH COSTS
140		INCURRED IN ACCORDANCE WITH SECTION 2.2.4 OF THE PTA
141		BEING DEFERRED THROUGH THE DATE RATES SET BY THE
142		COMMISSION IN THE NEXT GENERAL RATE CASE BECOME
143		EFFECTIVE. WHAT COSTS ARE ADDRESSED IN SECTION 2.2.4 OF
144		THE PTA?
145	A.	***BEGIN CONFIDENTIAL***
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154		***END CONFIDENTIAL***

155	Q.	WHAT IS THE LEVEL OF COSTS PROVIDED FOR UNDER SECTION
156		2.2.4 OF THE PTA THAT CAN BE DEFERRED BY RMP FOR FUTURE
157		RECOVERY?
158	A.	***BEGIN CONFIDENTIAL***
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171		CONFIDENTIAL*** Additionally, Paragraph 21 of the Stipulation allows
172		for deferral of costs incurred under Section 2.2.4 of the PTA only until
173		such time as the rates set by the Commission in the next general rate
174		case become effective.
175	Q.	THE SECOND PTA SECTION IDENTIFIED FOR DEFERRAL IN
176		PARAGRAPH 21 OF THE STIPULATION IS SECTION 2.2.5. WHAT
177		COSTS ARE ADDRESSED IN SECTION 2.2.5 OF THE PTA AND WHAT

1/8		IS THE POTENTIAL AMOUNT OF DEFERRAL ASSOCIATED WITH
179		THIS SECTION?
180	A.	Under Paragraph 21 of the Stipulation, the Company can defer "the
181		maximum amount of costs the Company may incur under Section 2.2.5 of
182		the PTA, subject to a true-up of the amortization of such amount to the
183		amount actually incurred by the Company in the event the Company
184		incurs less than the maximum amount of costs as provided in Section
185		2.2.5 of the PTA" ***BEGIN CONFIDENTIAL***
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198		***END CONFIDENTIAL***

199	Q.	THE THIRD PTA SECTION IDENTIFIED FOR DEFERRAL IN
200		PARAGRAPH 21 OF THE STIPULATION IS SECTION 2.7.2. WHAT
201		COSTS ARE ADDRESSED IN SECTION 2.7.2 OF THE PTA?
202	A.	Under Paragraph 21 of the Stipulation, the Company can defer the
203		transaction costs defined in Section 2.7.2 of the PTA which it incurs
204		through the rate effective date in the next rate case that are in excess of
205		the amount to be reimbursed by NTUA. ***BEGIN CONFIDENTIAL***
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217		***END CONFIDENTIAL***
218	Q.	HAS THE COMPANY PROVIDED ANY INFORMATION IN THIS CASE
219		REGARDING THE AMOUNT OF TRANSACTION COSTS THAT HAVE
220		BEEN INCURRED?

221	A.	Yes. In response to DPU Data Request 2.6 and the attachment thereto,
222		the Company identified \$666,052.30 of transaction costs incurred as of
223		February 2, 2016. ***BEGIN CONFIDENTIAL***
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229		***END CONFIDENTIAL***
230	Q.	DOES PARAGRAPH 21 OF THE STIPULATION PRECLUDE THE
231		PARTIES FROM REVIEWING THE TRANSACTION COSTS INCURRED
232		UNDER SECTION 2.7.2 OF THE PTA?
233	A.	No. While Paragraph 21 of the Stipulation recommends that the
234		Commission issue an accounting order authorizing the Company to defer
235		certain costs in accordance with specific sections of the PTA, it is the
236		OCS's position that the Parties will have the opportunity to review the
237		actual costs deferred to ensure that they were prudently incurred and that
238		they qualify for deferral. For example, if costs not associated with the
239		transaction costs defined in Section 2.7.2 of the PTA are included in the
240		deferral as "transaction costs" by the Company, the OCS and other parties
241		would retain the ability to argue that the costs do not qualify for the
242		deferral established under Paragraph 21 of the Stipulation.

243	Q.	IN YOUR OPINION, DOES THE AMOUNT OF POTENTIAL DEFERRAL
244		CONTEMPLATED BY PARAGRAPH 21 OF THE STIPULATION REACH
245		A MAGNITUDE FOR WHICH SPECIAL DEFERRAL TREATMENT IS
246		TYPICALLY CONSIDERED?
247	A.	No. Based on the costs discussed in the above confidential portions of
248		this testimony, it is highly likely that the amounts ultimately deferred will be
249		much less than the amounts that would warrant special deferral treatment.
250		However, as indicated in Paragraph 24 of the Stipulation, "Not all Parties
251		necessarily agree that each aspect of this Stipulation is warranted or
252		supportable in isolation." Thus, the OCS' agreement to include Paragraph
253		21 in the Stipulation and the deferrals contemplated therein should not be
254		construed as meaning that the OCS agrees that costs of lower dollar
255		magnitudes are appropriate for deferral treatment as a matter of general
256		principle.
257		CONCERNS REGARDING THE FUTURE RECOVERY OF COSTS
258	Q.	WHAT DOES PARAGRAPH 22 OF THE STIPULATION STATE?
259	A.	Paragraph 22 of the Stipulation states as follows:
260 261 262 263 264 265 266 267		The Parties agree that Commission approval of this Stipulation and of the PTA and PSA does not foreclose any Party from taking any position with regard to modifications to Schedule 9 of the Company's tariff or to any other schedule or provision of the Company's tariff that applies to Schedule 9 that may impact the amounts NTUA is required to pay the Company for electric service under the PSA, including, without limitation, with regard to recovery of any costs associated with any early retirement of the Company's coal-fueled plants.
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269	Q.	ARE THERE ANY ASPECTS OF THE ABOVE QUOTED PARAGRAPH
270		22 OF THE STIPULATION THAT YOU WISH TO ADDRESS IN THIS
271		TESTIMONY?
272	A.	Yes. According to the Direct Testimony of Company witness Paul H.
273		Clements, at pages 3 and 4, under the PSA, the Company will provide a
274		firm supply of power to NTUA on "terms essentially equivalent to
275		Schedule 9 of the Company's Utah tariff", and that because NTUA will
276		not be eligible to participate in the Company's Demand Side Management
277		("DSM") programs, "NTUA will not be required to pay the DSM
278		surcharge normally included for Schedule 9 customers or any successor
279		or similar charges." Thus, according to the Company, NTUA will not be
280		required to pay the DSM surcharge as it will not be eligible to participate in
281		the associated DSM programs. Schedule 193 of the Company's tariffs
282		provide for the DSM Cost Adjustment. The current DSM surcharge under
283		Schedule 193 that is applied to Schedule 9 customers is 4.01%.
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285		Under the Second Amendment to the PSA, ***BEGIN CONFIDENTIAL***
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## \*\*\*END CONFIDENTIAL\*\*\*

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The OCS is concerned that costs not associated with DSM programs may be recovered from customers through the DSM surcharge in the future, and that such other costs to be collected through the DSM surcharge may be for costs that benefit NTUA.

## Q. COULD YOU PLEASE ELABORATE ON THIS CONCERN?

Yes. Under Senate Bill 115 – Sustainable Transportation and Energy Plan Act, recently signed into law by Governor Herbert on March 29, 2016, Utah Code Ann. § 54-7-12.8 provides that the electric utility (i.e., RMP) may request to capitalize the annual costs incurred for DSM and amortize the annual DSM costs over a period of ten years. Under the new provisions, if RMP capitalizes the DSM costs, the Commission may authorize RMP to recognize the difference between the annual amounts collected for DSM costs and the annual amount of the DSM cost amortization expense as an additional expense to be used to establish and fund a regulatory liability. The regulatory liability could be used to depreciate thermal generation plant for which the Commission determines the depreciation is in the public interest for compliance with environmental regulation or another purpose. Thus, if NTUA does not pay Schedule 193, and at some future date the Commission determines that it would be in the public interest to use some of the funds collected under Schedule 193 and

314		set aside in a regulatory liability towards funding the depreciation of
315		thermal generation plant, the result could be that NTUA does not
316		contribute towards such funds that are used to recover plant costs that
317		may have been used in providing service to NTUA.
318	Q.	HOW DOES THE SETTLEMENT ADDRESS THESE CONCERNS?
319	A.	The settlement clearly allows the OCS, and all parties, to take any future
320		position regarding the appropriate logistics, timing, and level of recovery of
321		thermal generation plants in rates. As made clear in Paragraph 22 of the
322		Stipulation, this future right specifically applies to the Schedule 9 tariff and
323		other schedules or provisions of the Company's tariff that applies to
324		Schedule 9 that may impact the amounts NTUA is required to pay to RMP.
325	Q.	DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?
326	A.	Yes.