Witness OCS – 1D

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application	**)**	**Docket No. 16-035-36**
of Rocky Mountain Power to	**)**	
Implement Programs Authorized	**)**	**Direct Testimony of**
By the Sustainable Transportation	**)**	**Cheryl Murray for the**
And Energy Plan Act	**)**	**Office of Consumer Services**

November 9, 2016

Q. WHAT IS YOUR NAME, TITLE, AND BUSINESS ADDRESS?

A. My name is Cheryl Murray. I am a utility analyst for the Office of Consumer Services (Office). My business address is 160 East 300 South, Salt Lake City, Utah.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to introduce the Office's witnesses in this case and to address Rocky Mountain Power's (Company) request to modify three tariffs. I will address the proposed changes to: 1) Schedule 107, Utah Solar Incentive Program (USIP); 2) Schedule 195, Solar Incentive Program Cost Adjustment; and Schedule 193, Demand Side Management (DSM) Cost Adjustment. Bela Vastag will provide testimony addressing the Company's proposed Solar and Energy Storage Program, proposed as an innovative utility program. Danny Martinez will provide testimony addressing the clean coal projects related to Nitrogen Oxide ("NOx") emissions reduction and the Gadsby Curtailment Program.

Schedule 107, Utah Solar Incentive Program

Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE CURRENT SCHEDULE 107.

A. Schedule 107, USIP, was established as a five-year program to encourage the installation of distributed solar generation by offering incentive payments to customers installing solar panels on their residences or businesses. Applications are classified by three sectors, Residential, Small

Non-Residential and Large Non-Residential, with the different sectors having distinct incentive levels and available capacities. The sector incentive levels and available capacity change over the five-years of the program.[1] USIP is currently scheduled to stop accepting applications on December 31, 2017 or earlier if all available capacity has been assigned.

Q. WHAT MODIFICATIONS TO SCHEDULE 107 IS THE COMPANY REQUESTING?

A. The Company proposes to stop accepting new applications for incentives as of December 31, 2016 or one year before the current program end date. Further, the Company proposes to recoup forecast unrecovered USIP costs in the proposed rates in Schedule 195.[2]

Q. WHAT IS THE COMPANY'S BASIS FOR ELIMINATING USIP?

A. The Company's request is made pursuant to U.C.A. § 54-7-12.8(4):

"On December 31, 2016, the commission shall end the Utah solar incentive program and surcharge tariff and the large-scale electric utility shall stop accepting new applications for solar incentive program incentives."

Q. HAVE YOU REVIEWED THE REVISED TARIFF SHEETS FOR SCHEDULE 107 PROVIDED WITH THIS FILING?

A. Yes I have.

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[1] Residential Systems Available Capacity remains the same through the five-years of USIP.

[2] In its application the Company also requests modifications to Schedule 195 to collect USIP and other costs allowed by the legislation.

Q. DOES THE OFFICE HAVE ANY CONCERNS WITH THE COMPANY'S PROPOSED TARIFF SHEET REVISIONS?

A. While the Office believes that modifications to First Revision of Sheet No. 107.1 and First Revision of Sheet No. 107.4 are necessary to implement the legislation I previously cited, I have identified one proposed language change that needs to be clarified and another proposed change that contains an error.

Q. PLEASE DESCRIBE YOUR RECOMMENDED CLARIFICATION TO SHEET 107.1.

A. The first paragraph as revised reads: "**APPLICABLE**: All customers that have accepted an incentive under the Solar Incentive Program as of December 31, 2016."

The Office asserts that a more clear description of tariff applicability would be: "**APPLICABLE:** All customers that have received a capacity reservation and paid the required deposit under the Solar Incentive Program as of December 31, 2016." The Office recommends that this language or something similar should replace the Company's proposed language.

Q. WHAT IS THE OFFICE'S CONCERN WITH FIRST REVISION OF SHEET NO. 107.4?

A. There are two tables on Sheet No. 107.4. Table 1. Program Incentive Levels eliminates Program Year 2017 as authorized by the previously cited legislation. Under Table 2 Available Capacity, Program Year 2017 information remains. All elements of Program Year 2017 in Table 2 should also be removed to accurately reflect what the Company is proposing and to comply with U.C.A. § 54-7-12.8(4).

Q. HAS THE COMPANY ACKNOWLEDGED THAT TABLE 2 MUST BE MODIFIED?

A. Yes. In response to Data Request DPU 3.4 the Company stated:

"The line in Table 2 for 2017 Capacity was mistakenly not removed from the Tariff. The Tariff will be re-filed to reflect the removal of the capacity line from Table 2."

Schedule 195, Solar Incentive Program Cost Adjustment

Q. WHAT MODIFICATION IS THE COMPANY PROPOSING FOR SCHEDULE 195?

A. The Company's proposed changes to Schedule 195 are so extensive that it is virtually a completely new tariff. The changes start with a new title, Sustainable Transportation and Energy Plan (STEP) and include changing the collection rate from a cents per kWh charge to a percentage charge.

Q. DOES THE OFFICE SUPPORT THE CHANGES TO SCHEDULE 195?

A. The Office recognizes that the STEP legislation allows Schedule 193 - DSM Cost Adjustment, current Schedule 195 - Solar Incentive Program Cost Adjustment and a mechanism to collect the STEP dollars to be combined into a single line item charge on customer's bills. However, the Office is unclear as to why the Company requests to revise Schedule 195 rather than create a new tariff. The Office asserts that for ease of reference over time it would be more appropriate to cancel Schedule 195 and create a completely new tariff with a new schedule number for the STEP surcharge.

Q. HAS THE OFFICE IDENTIFIED ANY OTHER ISSUES WITH THE SCHEDULE 195 CHANGES?

A. Yes. The proposed changes identify Contract 3 as being assigned a $154,410/month charge. $154,410 is an annual amount for that customer and should be identified as such or recalculated as an accurate monthly charge.

Schedule 193, Demand Side Management Cost Adjustment

Q. WHAT MODIFICATION IS THE COMPANY PROPOSING FOR SCHEDULE 193?

A. The Company proposes to revise Tariff Sheet No. 193.2. Currently a specific percentage increase is added to various components of customers' monthly bills including Schedule 195. The Company proposes to remove Schedule 195 from the list of components that will be subject to the Schedule 193 surcharge.

Q. WHY IS THE COMPANY PROPOSING TO REMOVE SCHEDULE 195 FROM THE LIST OF APPLICABLE COMPONENTS?

A. As noted above the Company proposes to re-title and completely revise the current Schedule 195 to collect $10 million per year for the Sustainable

Transportation and Energy Plan Act (STEP)[3] and combine it with Schedule 193 to be a single line item on customer's bills.

Q. DOES THE OFFICE AGREE THAT IT IS APPROPRIATE TO REMOVE THE REFERENCE TO SCHEDULE 195 FROM THE SCHEDULE 193 TARIFF SHEET?

A. Yes. The Office agrees that the $10 million per year to be collected from customers for STEP should not be subject to the Schedule 193 surcharge, whether the $10 million is collected through Schedule 195 or some other schedule. Under the Office's proposal to cancel Schedule 195 and assign a new number to the tariff that will collect the STEP funds, neither Schedule 195 nor the newly numbered tariff should be subject to the Schedule 193 surcharge.

Q. ARE THERE ADDITIONAL CHANGES ASSOCIATED WITH SCHEDULE 193?

A. Yes, the Company also proposes to change the way DSM revenue and expenses are treated. Currently the Company maintains a balancing account to track DSM program costs and revenues received from customers.[4] SB115 allows the Company to request authorization from the Commission to capitalize the annual DSM costs and amortize them over ten years.

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[3] The Sustainable Transportation and Energy Plan Act (STEP) was authorized by Senate Bill 115 (SB115) and signed into law on March 29, 2016.

[4] The Company will maintain separate balancing accounts for DSM and STEP. (See October 17, 2016 Supplemental testimony of Stephen R. McDougal, page 3, lines 46 and 47.)

Q. DID THE COMPANY MAKE SUCH A REQUEST TO CAPITALIZE AND AMORTIZE DSM COSTS?

A. The Company included a simple request in its initial application. However, it did not include any supporting exhibits or testimony to explain the proposed implementation or the accounting methodology that would be used to implement the request nor was there any mention of the associated regulatory asset and liability and how they would be accounted for.

On October 17, 2016, the Company filed supplemental testimony of Steven R. McDougal wherein he explains the Company's proposal to capitalize DSM expenses and amortize them over ten years. Mr. McDougal also describes the DSM regulatory asset and the plant accelerated depreciation fund regulatory liability that results under the Company's proposed accounting treatment.

Q. WHAT IS THE OFFICE'S RESPONSE TO THE SUPPLEMENTAL TESTIMONY?

A. The Office believes that even though the legislation requires the Commission to authorize this accounting change once requested by the Company, the Company remains obligated to support the request with exhibits and testimony explaining how the accounting changes would be implemented. The Commission must have adequate information to ensure that changes to rates and tariffs, even when mandated, are implemented prudently. The Office appreciates the Company's efforts to provide this supplemental testimony to meet its regulatory obligations.

Q. HAS THE OFFICE REVIEWED THE COMPANY'S PROPOSED ACCOUNTING TREATMENT OF DSM COSTS AND REVENUES?

A. The Office's internal team and Donna Ramas, our expert accounting consultant, have reviewed the Company's proposed accounting treatment associated with the DSM costs and DSM revenue collections from customers, as well as the accounting treatment associated with the resulting DSM regulatory asset and plant accelerated depreciation fund regulatory liability. Based on this review, the Office does not take issue with the Company's proposed accounting treatment and establishment of the associated regulatory asset and regulatory liability. The Office, with the assistance of Ms. Ramas, did not find any aspects of the Company's proposed accounting treatment that were inconsistent with the provisions of SB115 or precluded under generally accepted accounting principles.

Q. ARE THERE ANY ASPECTS OF THE DSM ACCOUNTING CHANGES THAT YOU FEEL SHOULD BE NOTED IN THIS PROCEEDING?

A. Yes. The Office believes it is important to note that with the Company's plan to capitalize the annual DSM costs as a DSM regulatory asset and amortize them over a ten-year period, a sizable regulatory asset will likely build up over the next ten years.

In response to OCS Data Request 2.2(c) 1st supplemental, the Company provided its current estimate of the DSM regulatory asset balances at the end of each year for the ten-year period ending December 31, 2026. The Company's current estimate of the DSM regulatory asset balance as of December 31, 2026 is $426,177,913.

In the future, it may be desirable or appropriate to address ways to reduce the DSM regulatory asset balance beyond the changes that occur through the ten-year amortization of the annual DSM costs incurred. The Office is not aware of any aspects of SB115 that would preclude parties from recommending steps be taken in the future to increase the recovery from ratepayers associated with the DSM regulatory asset balance in order to reduce the balance upon which carrying charges would be applied. While the Office is not recommending any modification to the DSM accounting provisions to address potential future DSM regulatory asset balances beyond those proposed by the Company at this time, the size of the DSM regulatory asset balance that builds up over time is an issue that the Commission should be well aware of and the Office may address in a future proceeding.

Office Recommendation Regarding Proposed Tariff Changes

Q. WHAT ARE THE OFFICE'S RECOMMENDATIONS REGARDING THE PROPOSED TARIFF CHANGES?

A. Regarding Schedule 107 the Office recommends that the Commission require the Company to re-file tariff Sheets 107.1 and 107.4 with the following changes:

1) Tariff Sheet 107.1 should read: "**APPLICABLE**: All customers that have received a capacity reservation and paid the required deposit under the Solar Incentive Program as of December 31, 2016."

2) Tariff Sheet 107.4. All Program Year 2017 information on Table 2 should be removed.

Regarding Schedule 195 the Office recommends that the Commission:

1) Require the Company to cancel Schedule 195 and create a new tariff with a new Schedule Number for the STEP surcharge tariff.

2) Require the Company to correct the information related to the Contract 3 surcharge amount.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.