

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| In the Matter of the Application of |) | Docket No. 19-035-42 |
| Rocky Mountain Power for Approval of |) | Direct Testimony of |
| the 2020 Inter-Jurisdictional Cost |) | Cheryl Murray for the |
| Allocation Agreement |) | Office of Consumer Services |

DIRECT TESTIMONY

OF

CHERYL MURRAY

FOR THE OFFICE OF CONSUMER SERVICES

FEBRUARY 25, 2020

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INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.**

3 A. My name is Cheryl Murray; I am a Utility Analyst for the Office of Consumer
4 Services (OCS). My business address is 160 East 300 South, Salt Lake City, Utah
5 84111.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to provide OCS’s policy testimony in support of the
8 2020 Inter-Jurisdictional Cost Allocation (2020 Protocol) Agreement (2020 Protocol
9 Agreement).

10 **Q. HAS OCS BEEN A PARTICIPANT IN THE MEETINGS AND DISCUSSIONS**
11 **THAT HAVE RESULTED IN THE 2020 INTER-JURSDICTIONAL COST**
12 **ALLOCATION AGREEMENT?**

13 A. Yes. OCS has participated in the meetings and discussions that resulted in the 2020
14 Protocol Agreement. In fact, OCS has been a participant in the multi-state process
15 (MSP) since its inception in 2002 and a signatory to the multiple inter-jurisdictional
16 cost allocation agreements that have resulted through that process.

17 **Q. WHAT IS OCS’S POLICY REGARDING THE 2020 PROTOCOL INTER-**
18 **JURSDICTIONAL COST ALLOCATION AGREEMENT?**

19 A. The OCS is a signatory to the 2020 Protocol and supports it as being in the public
20 interest. The OCS’ view is that the 2020 Protocol will result in just and reasonable
21 rates and sets forth a reasonable plan and timeline for parties to address the remaining
22 multi-jurisdictional issues to be resolved.

23 **Q. WHAT IS THE CURRENTLY APPROVED INTER-JURISDICTIONAL**
24 **COST ALLOCATION METHOD FOR UTAH?**

25 A. The most recently used inter-jurisdictional cost allocation method was the 2019
26 Protocol, which expired December 31, 2019.

27 **Q. PLEASE PROVIDE AN OVERVIEW OF THE 2020 PROTOCOL**
28 **AGREEMENT.**

29 A. The 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol consisting of 134 pages
30 was provided as an exhibit to the Direct Testimony of Joelle R. Steward filed on
31 December 3, 2019. [Exhibit RMP__(JRS-1)] Ms. Steward's testimony and Exhibit
32 RMP__(JRS-1) identify the elements and timing of the components of the 2020
33 Protocol Agreement.

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35 This new agreement describes the Implemented Issues, Resolved Issues, and
36 Framework Issues.

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- Section 4 Implemented Issues. Generally, the Implemented Issues deal with
38 Parties' agreement to the treatment of coal-fueled resources during the Interim
39 Period. Allocation and assignment of Qualifying Facility (QF) Power
40 Purchase Agreements are also included.

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- Section 5 Resolved Issues. Resolved Issues are for Post Interim
43 Implementation. Parties agree, conditioned upon reaching agreement on a
44 Post-Interim Period Method, on the future allocation treatment described in
45 Section 5 for certain benefits, revenues, costs and investments.

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- Section 6 Framework Issues. These issues include resource planning and new resource assignment, net power costs/nodal pricing model, post interim treatment of special contracts and capital additions and other issues related to the transition from a dynamically allocated system generation portfolio to fixed generation portfolios.

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A more complete description of each category of issues can be found in the 2020 Protocol Agreement in the sections identified above.

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As described by Ms. Steward “The 2020 Protocol represents a fundamental shift in how the Company proposes to address inter-jurisdictional cost allocation, with the ultimate goal of moving away from dynamic allocation factors and a common generation resource portfolio to a cost-allocation protocol with fixed allocation factors for generation resources and specific resource portfolios.” [Steward direct page 8, lines 176 -180] Chart of issues JRS-2

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Rocky Mountain Power (RMP) requests that the PSC approve the 2020 Protocol Agreement with an effective date of January 1, 2020 through December 31, 2023

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(Interim Period)¹. The four-year term of the 2020 Protocol is intended to allow

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parties time to continue working on certain remaining issues (Framework Issues) for

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which resolution is necessary for any Post-Interim Period Method agreement. A

¹ Under certain circumstances described in the 2020 Protocol Agreement the Interim Period can end prior to December 31, 2023.

67 review of the Framework Issues identified and described in the 2020 Protocol
68 Agreement shows that substantial work remains in order to reach a possible
69 agreement prior to the end of the Interim Period. RMP Exhibit __ (JRS-2) provides the
70 2020 Protocol Timeline.

71 **Q. WHAT ARE THE SIMILARITIES AND DIFFERENCES BETWEEN THE**
72 **2019 PROTOCOL AND THE PROPOSED 2020 PROTOCOL?**

73 A. The 2020 Protocol is to be effective January 1, 2020 through December 31, 2023,
74 referred to as the “Interim Period”. During this time inter-jurisdictional cost allocation
75 for Utah will remain generally the same as under the 2019 Protocol. However, the
76 equalization adjustment in the 2019 Protocol is not repeated in the 2020 Protocol.
77 Thus, no equalization amounts will be deferred after December 31, 2019.²

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79 Another difference is the treatment of QF power purchase agreements. The 2020
80 Protocol creates a transition plan in which current QF contracts are system allocated,
81 but future QF contract costs are the responsibility of the state approving the contract.

82 **Q. ARE ALL ISSUES RELATED TO FUTURE INTER-JURISDICTIONAL**
83 **COST ALLOCATIONS RESOLVED BY THE 2020 PROTOCOL?**

84 A. No. The 2020 Protocol resolves inter-jurisdictional cost allocation issues for the
85 Interim Period. Beyond the Interim Period the 2020 Protocol identifies issues upon
86 which the Parties have reached agreement (Resolved Issues) for the Post-Interim
87 Period. There is also a list of Framework Issues that Parties have agreed to continue

² The 2020 Protocol also does not require an annual Commissioner’s Forum but leaves open an option to hold meetings, if requested.

88 working on during the Interim Period in the hope of reaching agreement prior to
89 December 31, 2023. However, it is important to note that unless all issues, including
90 Framework Issues, are ultimately resolved and agreed to by the Parties the Resolved
91 Issues are not binding. The 2020 Protocol describes what will happen in that event.

92 **Q. WHAT HAPPENS IF PARTIES DO NOT REACH AGREEMENT ON A NEW**
93 **COST ALLOCATION METHOD BEFORE DECEMBER 31, 2023 OR IF NOT**
94 **ALL COMMISSIONS APPROVE SUCH AGREEMENT?**

95 If RMP determines that it is unlikely that a Post-Interim Method agreement will be
96 reached before the end of the Interim Period, RMP will propose an alternative
97 allocation method and Parties may take any position on that proposal or recommend
98 their own alternative method.

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100 If Parties do reach agreement on a Post-Interim Period Method but any commission
101 does not approve the Post-Interim Period Method, RMP will propose an alternative
102 allocation method to be considered by the commission in that jurisdiction. Again,
103 Parties may take any position on RMP's proposal or are free to propose an alternative
104 method.

105 **Q. ARE THERE SPECIFIC ISSUES IN THE 2020 PROTOCOL AGREEMENT**
106 **THAT YOU WOULD LIKE TO NOTE?**

107 A. Yes. The 2020 Protocol Introduction (Section 1) identifies features of the Agreement
108 that are especially important to OCS, including:

109 • The proposed allocation of a particular expense or investment to a state under the
110 2020 Protocol will not prejudice the determination of the prudence of those costs or
111 the extent to which any particular cost may be reflected in rates.

- 112 • Nothing in the 2020 Protocol is intended to abrogate the Commission’s right and its
113 obligation to: (1), determine fair, just, and reasonable rates based up applicable laws
114 and the record established in rate proceedings; (2), consider the impact of changes in
115 laws, regulations, or circumstances on inter-jurisdictional allocation policies and
116 procedures when determining fair, just, and reasonable rates; or (3), establish
117 different policies and procedures for the purpose of allocating costs and revenues
118 within that state to different customers or customer classes.
- 119 • Parties support the 2020 Protocol, but their support will not, in any manner, negate
120 regulatory authority to address changed or unforeseen circumstances, including
121 changes in laws or regulations. A party’s support of the 2020 Protocol will not bind or
122 be used against that Party if a Party concludes that the 2020 Protocol no longer
123 produces results that are just, reasonable or in the public interest, or no longer
124 provides the Company with a reasonable opportunity to recover its prudently incurred
125 cost of service.
- 126 • Resolved issues do not take effect unless *all* Framework issues are resolved.
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128 **Q. WHAT IS OCS’S RECOMMENDATION REGARDING THE 2020**
129 **PROTOCOL AGREEMENT?**

130 A. As stated above OCS is a signatory to the 2020 Protocol Agreement, believes it is just
131 and reasonable in result, and recommends that the Public Service Commission
132 approve it.

133 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

134 A. Yes.