

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application Rocky Mountain)
Power for Authority to Increase its Retail Rates in)
Utah and for Approval of its Proposed Electric)
Service Schedules and Electric Service Regulations)

Docket No. 20-035-04

DPU EXHIBIT 1.0 Direct

Direct Testimony of
Abdinasir M. Abdulle, Ph.D.
Division of Public Utilities

February 26, 2020

1 **INTRODUCTION**

2 **Q. Please state your name, business address, and employment for the record.**

3 A. My name is Dr. Abdinasir M. Abdulle. My business address is Heber Wells Building,
4 160 E. 300 South, Salt Lake City, Utah 84114; I am employed by the Utah Division of
5 Public Utilities (Division or DPU), Utah Department of Commerce as a Utility Technical
6 Consultant.

7 **Q. On whose behalf are you testifying in this proceeding?**

8 A. I am testifying on behalf of the Division.

9 **Q. Would you summarize your education background for the record?**

10 A. I have a Ph.D. in Economics from Utah State University. I have been employed by the
11 Division for about 19 years.

12 **SCOPE OF TESTIMONY**

13 **Q. What is the purpose of your testimony?**

14 A. The purpose of my testimony is to provide the Division's analysis, findings, and
15 recommendation to the Commission regarding the appropriateness of the test period
16 proposed by Rocky Mountain Power (RMP) for the General Rate Case it intends to file
17 on May 5, 2020 (2020 GRC) and supported by the Direct Testimony of Mr. Steven R.
18 McDougal (2021 Proposed Test Period).

19

20 **Q. What test period does RMP propose to determine the revenue requirement in this**
21 **case?**

22 A. RMP is proposing a fully forecasted test period, which is the calendar year 2021, using a
23 13-month average rate base. RMP is requesting Commission approval of its proposed
24 test period prior to its 2020 GRC filing.

25 **Q. What is the rationale behind the determination of the test period prior to applying**
26 **for the GRC?**

27 A. It is to simplify the process and let all parties focus their resources on the case. For the
28 case where the test period is not identified prior to the filing of a GRC, Rule R746-700-
29 10.A.2 states:

30 If the test period used in the application is a future test period, in
31 addition to the demonstration of adjustments to be made for the
32 test period used by the applicant in the general rate case
33 application, the applicant will make the same demonstration for the
34 12-month period ending on the last day of June or December,
35 whichever is closest, following the filing date of the application if
36 this alternative period does not have an end date beyond the test
37 period used in the general rate case application.

38
39 This would require RMP to file, and other parties to review, multiple potential test
40 periods, thus complicating the process.

41 **Q. What is the Division's position regarding RMP's proposed test period?**

42 A. The Division performed a compliance review of RMP's proposed test period application
43 and determined that it complied with the relevant Utah Administrative Codes,¹ Utah
44 Statutes,² and the 2004 Commission Order on test year.³ Therefore, the Division does not
45 oppose the test period proposed by RMP.

46
47 Because RMP is applying for Commission approval of its proposed test period prior to its
48 GRC application, RMP did not file the forecasts and all of the assumptions that RMP
49 used to construct its test period. Hence, the Division did not get the opportunity to review
50 those materials. However, the Division will make necessary adjustments that it deems
51 appropriate as the Division reviews RMP's filing, including adjustments to forecasting
52 issues.

53 **DIVISION ANALYSIS AND FINDINGS**

54 **Q. What is the basis for the Division's test period determination in this case?**

55 A. To determine the appropriate test period, the Division looked to the best evidence it could
56 find without any presumption for or against any particular test period. As was indicated
57 above, the Division determined that RMP's proposed test period complies with Utah's
58 statute and the previous 2004 Commission Order.⁴

59

¹ R746-700-10.A and R746-700-10.B.

² Utah Code Ann. §54-4-4(3).

³ Report and Order on Test Period, Docket No. 04-035-42, October 20, 2004.

⁴ *Id.*

60 In addition, the Division considered the factors that the Commission identified in its test
61 year Report and Order in Docket No. 04-035-42.⁵ These factors include the following:

- 62 1. The general level of inflation;
- 63 2. Changes in the Utility's investments, revenues, or expenses;
- 64 3. Changes in utility services;
- 65 4. Availability and accuracy of data to the parties;
- 66 5. Ability to synchronize the utility's investment, revenue and expenses;
- 67 6. Whether the utility is in a cost increasing or cost declining status;
- 68 7. Incentives to efficient management and operation; and
- 69 8. The length of time the new rates are expected to be in effect.

70 According to the Governor's 2020 State of the State Address the economy of Utah is
71 thriving. It is growing fast and is experiencing robust job growth. The unemployment rate
72 is at an all-time low, 2.3 percent. Personal income increased about 6 percent between the
73 third quarters of 2018 and 2019.⁶ The current real Gross Domestic Product (GDP)
74 growth in Utah is approximately 3.7 percent.⁷ Utah's strong and diversified industrial
75 composition is expected to help the strong economy to continue through 2020. Therefore,
76 the Division does not anticipate major changes in the economic outlook of the State. With
77 this economy, RMP is deploying incremental capital because of investment in the
78 Commission approved wind repowering and new wind and transmission projects, as well
79 as potential incremental investment in infrastructure.

⁵ *Id.*

⁶ Economic Summary. January 2020. Kern C. Gardner Policy Institute. The University of Utah. Accessed on February 19, 2020. <https://gardner.utah.edu/wp-content/uploads/January-2020-Economic-Summary.pdf>

⁷ Economic Report to the Governor. (2020). The Utah Economic Council. Accessed on February 19, 2020. <https://treasurer.utah.gov/wp-content/uploads/sites/10/2020/01/ERG2020.pdf>

80

81 According to RMP, the major drivers in this rate case are the capital investments
82 associated with wind repowering and new wind and transmission projects that were at
83 issue in Dockets No. 17-035-39 and No. 17-035-40, Also, implementation of new
84 depreciation rates is a large driver in this case. The repowering and new wind projects
85 were approved by the Commission in the respective dockets, and the depreciation rates
86 are under review in Docket No. 18-035-36. The wind projects are anticipated to be
87 completed by the end of 2020, and the Company has requested a January 1, 2021
88 effective date in the depreciation docket. Given the timing of these drivers, the Division
89 believes that the proposed test period best reflects the conditions that RMP will face
90 during the rate effective period and will permit timely recovery of costs with the above
91 capital investments and depreciation expenses.

92

93 Regarding the risk associated with forecasting error, the certainty of the data in historical
94 test periods needs to be balanced against the goal of choosing the test period that best
95 reflects the rate effective period. The Division believes that the proposed test year in this
96 case reflects a fair balance of these competing interests because of the capital additions.

97

98 Therefore, the Division concurs with RMP that, based on the timing of the wind
99 repowering projects, new wind and transmission projects, and the increases in the
100 depreciation expenses, a 2021 test period will allow RMP a reasonable opportunity to
101 recover the costs associated with these projects. The other two potential test periods, an

102 historical test period or an alternative test period, would not allow full recovery of all of
103 these projects' costs.

104 **Q. Would you briefly describe the capital investments and the depreciation expenses**
105 **you mentioned above?**

106 A. In Docket No. 17-035-39, PacifiCorp requested, and the Commission approved, the
107 repowering of most of the RMP's existing wind resources. These include the Glenrock I,
108 Glenrock III, Rolling Hills, Seven Mile Hill I, Seven Mile Hill II, High Plains, McFadden
109 Ridge, and Dunlap facilities in Wyoming; the Leaning Juniper facility in Oregon; and the
110 Marengo I, Marengo II, and Goodnoe Hills facilities in Washington.

111
112 The proposed repowering is expected to cost about \$1.1 billion, and it will increase the
113 nameplate capacity of these facilities from 999.1 megawatts (MW) to 1,123.6 MW and
114 energy output by 738 gigawatthours (GWh).⁸ The Report and Order in the wind
115 repowering docket clearly outlines the benefits associated with these projects.⁹ These
116 projects were placed into service beginning the latter part of 2019. The 2021 Test Period
117 would allow timely recovery of these costs.

118
119 In Docket No. 17-035-40, PacifiCorp requested, and the Commission approved, a
120 significant energy resource decision to construct or procure four new Wyoming wind
121 resources and a resource decision to construct specified transmission facilities with a total

⁸ Report and Order. Docket No. 17-035-39. Voluntary Request of Rocky Mountain Power for Approval of Resource Decision to Repower Wind Facilities. May 25, 2018. p. 4.

⁹ *Id*

122 cost of about \$2 billion.¹⁰ These projected new facilities are expected to be in service
123 primarily by the latter part of year 2020. The costs of these projects will be fully reflected
124 in the 2021 Proposed Test Period.

125
126 The 2018 Depreciation study in Docket No. 18-035-36 is yet to be decided by the
127 Commission. A final decision is expected on or around April 2020. The Division believes
128 that the 2021 Proposed Test Period would most likely include these depreciation
129 expenses. The Division staff will be able to make any adjustments otherwise necessitated
130 by a Commission Order on the Depreciation Study.

131 **CONCLUSIONS AND RECOMMENDATIONS**

132 **Q. Will you please summarize your conclusion and recommendations to the**
133 **Commission?**

134 A. Yes. The Division reviewed RMP's application for test period and determined that it
135 complies with the applicable statutes and provides RMP an opportunity to recover its
136 prudently incurred costs. Therefore, the Division has no objections to the Company's
137 proposed test period ending December 31, 2021, using a 13-month average rate base, and
138 recommends the Commission approve the Company's request in this matter. The
139 Division can make any adjustments it deems appropriate during its analysis of the 2020
140 GRC filing.

141

¹⁰ Order. Docket No. 17-035-40 Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision. June 22, 2018. p. 9.

142 Q. Does this conclude your direct testimony?

143 A. Yes.