–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

IN THE MATTER OF APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORITY TO INCREASE ITS RETAIL ELECTRIC UTILITY SERVICE RATES IN UTAH AND FOR APPROVAL OF ITS PROPOSED ELECTRIC SERVICE SCHEDULES AND ELECTRIC SERVICE REGULATIONS	))))))))))))))	**DOCKET NO. 20-035-04** **Exhibit No. DPU 5.0 R** **Rebuttal Testimony of Eric Orton**

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Rebuttal Testimony of

Eric Orton

October 5, 2020

Q. PLEASE STATE YOUR NAME, BY WHOM YOU ARE EMPLOYED AND IN WHAT CAPACITY FOR THE RECORD.

A. Eric Orton. I work for the Division of Public Utilities (Division) as a Utility Technical Consultant. My office is at the Heber M. Wells Building, 4th Floor, 160 East 300 South, Salt Lake City, Utah 84114-6751.

Q. ARE YOU THE SAME ERIC ORTON WHO FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. To support and adopt the proposal of the Office of Consumer Services (Office) witness Ms. Donna Ramas in her recommendation to remove the Advanced Meter Infrastructure (AMI) costs from the proposed rate base of the Rocky Mountain Power (Company) revenue requirement request.

Q. PLEASE EXPLAIN THE AMI.

A. The AMI project consists of the construction of a field area network to enable remote reading of 790,000 existing meters, and replacement of approximately 175,000 existing meters with smart meters.

Q. WHAT DOES THE COMPANY EXPECT TO GAIN FROM THIS INVESTMENT IN AMI?

A. The AMI project will retrieve hourly meter reading data, save money on meter reading expense and customer service, remotely connect/disconnect customers and make locating power outages faster. Additionally it is expected to "lay the foundation for future smart grid investments." (Mansfield line 575)

Q. WHAT ARE THE COSTS ASSOCIATED WITH THESE EXPECTED BENEFITS FROM INVESTMENTING IN AMI?

A. The AMI proposal is expected to cost $77.9 million and have an expected payback of just over 16 years (see the chart below provided in response to DPU DR 5.01). For a more detailed explanation of the costs see Rocky Mountain Power witness Mr. Curtis Mansfield direct testimony beginning on line 585.

Utah AMI	
Option	**GENX RIVA**
Capital	$ 77,900,000
O&M	$ 4,300,000
AMI Meter Count	175,000
Net FTE Reductions	11.5
Annual Net Benefits (2023)	$ 5,000,000
O&M Net (2023)	$ (3,800,000)
IRR	8.20%
NPV	$ 8,900,000
PVRR(d)	$ (16,400,000)
Revenue Requirement	$ (162,500,000)
Payback in Years	16.1 Years

Q. WHAT IS THE DIVISION'S ADJUSTMENT TO THE AMI PROPOSAL?

A. The AMI proposal should not be included in rate base as the Company proposes. An objective look at the history of this project and the going-forward plans reveal that the AMI will not be used and useful during the test year. Therefore, an adjustment to rate base is needed to accurately remove this capital expenditure.

Q. WHY WAS THIS ADJUSTMENT NOT INCLUDED IN YOUR DIRECT TESTIMONY?

A. The Company has provided what seems to be conflicting information. In response to DPU data request 5.1 and 12.3, the Company indicated that $50.5 million of the total project would be placed in service by the end of 2021 while it apparently told Ms. Ramas this amount was $76.9 million for the same time period (see Ramas testimony beginning on line 985). In response to OCS data request 11.1, the Company identified a delay in the

AMI project with completion in 2022 and anticipated cost savings beginning in 2023. The AMI plant doesn't benefit ratepayers at all during the test year. Rather than propose my own adjustment for the Division, we support the Office's recommendation beginning on line 1109 of Ms. Ramas' testimony. The AMI is not used and useful during the test year and should not be included in rate base.

Q. WHAT OTHER DATA DO YOU OFFER TO SUPPORT THIS ADJUSTMENT TO AMI?

A. Following up on the information provided by Ms. Ramas, I asked the Company another data request (DPU 16.1) seeking clarification on the figures offered. The response clarified the meaning of three apparently conflicting numbers and then added the following:

> In May 2020, the Utah Advanced Metering Infrastructure (AMI) project completion date was extended from December of 2021 to December of 2022. The extension of the project resulted in project spend and plant placed in service dollars moving from 2020/2021 into 2021/2022. The initial estimate of $32.6 million in projected plant additions was updated to align with the new project schedule and milestones.
>
> The project was extended for the following reasons:
>
> • resolve cybersecurity concerns;
>
> • change to a "Gen 5" headend and network solution to align with the Company's AMI solutions in Oregon and California; and
>
> • COVID-19 pandemic related impacts.

This again clearly shows that the AMI project is movable, not immediately necessary and can be funded at the Company's discretion.

Q. IF THE COMMISSION ADOPTED THIS ADJUSTMENT WOULD IT PROVE IRREPABLE AND HAMPER THE COMPANY'S ABILITY TO IMPLIMENT AMI IN THE FUTURE?

A. No. According to the Company's testimony, this program started in 2018 with plant placed in service in the amount of $1,224,263. Last year it placed in service plant for this project the total of $1,378. In 2020, the Company is projected to place in service $2,438,450 with more than half of that being added in December. The amounts projected in 2021 is $46,807,000 and for 2022 it is estimated to close plant to the amount of $27,429,000. The timetable appears to show that it may be that the Company will only invest in this project if ratepayers first provide the funding – beginning in the future. This is contrary to regulatory practice.

The Company chose to invest the amounts it did in 2018, 2019 and 2020. The Company can chose when to invest and when not to in this project. Looking at the historical activity, it is reasonable to believe that this project could be postponed again. Therefore, based on these past annual expenditures, there appears to be no rush to complete this program so making this adjustment will not cause irreparable harm to the installation of the AMI should the Company continue to pursue it.

Q. IS THE DIVISION OPPOSED TO THE COMPANY INVESTING IN AMI?

A. No. That's not the message. The message is reasonableness in the timeliness of investment and closing plant in service in a prudent manner. The Company's proposal, as it stands, is not justifiably recoverable from rate payers. Additionally, should the Company pursue this project, there are other ways for the Company to get recovery of plant investments that may reasonably take years to complete, such as the Major Plant Addition statute or it can simply file another rate case when the time is right to recover this plant investment. However, this plant (AMI) is not used and useful in this test year and as such these costs are not recoverable in rates in this docket.

Q. DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A: Yes.