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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the 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. 13-035-184

Utah Clean Energy Exhibit 4.0 (RT)

REBUTTAL TESTIMONY OF SARAH WRIGHT
ON BEHALF OF
UTAH CLEAN ENERGY

[REVENUE REQUIREMENT]

June 4, 2014

RESPECTFULLY SUBMITTED,
Utah Clean Energy

Sophie Hayes
Attorney for Utah Clean Energy

1 **INTRODUCTION**

2 **Q: Please state your name, title, and business address.**

3 A: My name is Sarah Wright. I am the Executive Director of Utah Clean Energy.

4 My business address is 1014 2nd Ave, Salt Lake City, Utah 84103.

5 **Q: Did you file Direct Testimony in this proceeding on both revenue requirement and**
6 **cost of service/rate design issues?**

7 A: Yes.

8 **Q: What is the purpose of this round of testimony?**

9 A: I address the revenue requirement direct testimony of the following witnesses:

- 10 • UIEC Witness Jonathan Lesser
- 11 • UAE Witness Kevin Higgins
- 12 • Sierra Club Witness Jeremey Fisher

13

14 **RESPONSE TO DR. LESSER (UIEC)**

15 **Q: Do you have comments in response to the direct revenue requirement testimony of**
16 **Jonathan Lesser on behalf of UIEC?**

17 A: Yes. However, my response to Dr. Lesser's testimony relates entirely to cost of
18 service and rate design issues. Therefore, in my revenue requirement rebuttal testimony, I
19 just wish to indicate my intention to respond to Dr. Lesser's testimony—as it relates to
20 cost of service and rate design issues—in my cost of service and rate design rebuttal
21 testimony.

22 **RESPONSE TO MR. HIGGINS (UAE)**

23 **Q: What from the direct revenue requirement testimony of Kevin Higgins on behalf of**
24 **UAE would you like to respond to?**

25 A: Mr. Higgins raises a concern as a matter of ratemaking policy, namely, about the
26 appropriateness of including contingency costs in rate base when using a forecast test
27 period. Specifically, Mr. Higgins states:

28 Including a contingency factor may make sense when managing a construction
29 budget for any particular project; however, it does not necessarily follow that
30 including the sum of contingency costs for all major projects is reasonable from a
31 ratemaking perspective. It is one thing to have some room in the construction
32 budget for a given project in case something goes wrong; it is another thing to
33 charge ratepayers for projected rate base that assumes that something goes wrong
34 for every major project that is carrying a contingency component. To do so is to
35 ensure that customers are overcharged.¹
36

37 **Q: What is your response to this statement and concern?**

38 A: In my direct testimony, I addressed risks that the Company is shifting onto
39 ratepayers through its planning and resource acquisition decision making. Mr. Higgins
40 raises another instance of inappropriately shifting risks onto ratepayers when the
41 Company is in a better position to manage that risk. From a policy perspective, I support
42 Mr. Higgins's recommendation that the Commission consider excluding projected
43 contingency reserve costs from rate base for new plant when using a forecast test period.

44 **RESPONSE TO DR. FISHER (SIERRA CLUB)**

45 **Q: What from the testimony of Jeremy Fisher on behalf of the Sierra Club will you**
46 **respond to?**

47 A: Dr. Fisher highlights risks that PacifiCorp/Rocky Mountain Power is shifting onto
48 customers through its planning and resource decisions. Specifically, Dr. Fisher argues
49 that the coal cost increases at Jim Bridger are inconsistent with the Company's 2012 pre-
50 approval application, the SCR retrofit at the Hayden plant is inconsistent with Company

¹ UAE Exhibit RR 1.0, Direct Testimony of Kevin C. Higgins, page 58, lines 1167-74.

51 planning and that costs and revenues associated with the Naughton plant are also
52 inconsistent with Company planning. Dr. Fisher recommends a range of actions for the
53 Commission to take, including reducing the Company's ROE, disallowing incremental
54 costs of coal delivered to Jim Bridger, holding the Company accountable for stranded
55 costs associated with the Jim Bridger SCR, disallowing or deferring capital expenses at
56 Jim Bridger, finding the Company's decision to install SCRs at Hayden imprudent and
57 removing Naughton costs from the current rate case.²

58 **Q: What is your response to Dr. Fisher's testimony?**

59 A: Dr. Fisher raises important evidence and considerations. Once again from the
60 perspective of ratemaking policy, I recommend that the Commission carefully scrutinize
61 the appropriateness of making ratepayers bear the risks associated with the Company's
62 planning decisions, considering the evidence presented by Dr. Fisher. The Company, not
63 ratepayers must bear the risks associated with choosing certain investments over others. It
64 appears that the Company regularly has more information than it is using to justify its
65 decisions before the Public Service Commission. Clearly, ratepayers should not bear the
66 risks (and additional costs) associated with decisions over which the regulators have no
67 meaningful insight.

68 **Q: Does that conclude your revenue requirement rebuttal testimony?**

69 A: Yes.

² Sierra Club Direct Testimony of Jeremy Fisher, pages 45-46.