

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky)
Mountain Power for Approval of Purchase)
And Transfer Agreement and Power Supply)
Agreement with Navajo Tribal Utility)
Authority and Amendment of Certificate of)
Public Convenience and Necessity)

Docket No. 15-035-84
Direct Testimony
of Donna Ramas
For the Office of
Consumer Services

REDACTED

May 17, 2016

Table of Contents

	Page
INTRODUCTION	1
COSTS INCURRED UNDER SECTIONS 2.5.4 AND 3.4 OF THE PTA	2
COST DEFERALS UNDER PARAGRAPH 21 OF STIPULATION.....	7
CONCERNS REGARDING THE FUTURE RECOVERY OF COSTS.....	12

REDACTED

1 **INTRODUCTION**

2 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

3 A. My name is Donna Ramas. I am a Certified Public Accountant licensed in
4 the State of Michigan and Principal at Ramas Regulatory Consulting, LLC,
5 with offices at 4654 Driftwood Drive, Commerce Township, Michigan
6 48382.

7 **Q. HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS
8 AND EXPERIENCE?**

9 A. Yes. I have attached Appendix I, which is a summary of my regulatory
10 experience and qualifications.

11 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

12 A. I was retained by the Utah Office of Consumer Services (OCS) to review
13 Rocky Mountain Power's (the Company or RMP) request for Approval of
14 the Purchase and Transfer Agreement and Power Supply Agreement with
15 Navajo Tribal Utility Authority (NTUA). Accordingly, I am appearing on
16 behalf of the OCS.

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

18 A. On May 12, 2016, the OCS entered into a Settlement Stipulation
19 ("Stipulation") with all of the parties in this docket. The Stipulation
20 recommends that the Commission approve and find in the public interest:
21 (a) the Purchase and Transfer Agreement as amended by the First,
22 Second and Third Amendments to the Purchase and Transfer Agreement

REDACTED

23 (hereinafter referred to as the “PTA”, which is inclusive of all three
24 amendments); and (b) the Power Supply Agreement as amended by the
25 First and Second Amendments to the Power Supply Agreement
26 (hereinafter referred to as the “PSA”, which is inclusive of both
27 amendments). In this testimony, I address the following provisions
28 contained within the Stipulation:

- 29 – Recovery in Utah rates of costs incurred under Sections 2.5.4 and
30 3.4 of the PTA (Paragraph 20 of Stipulation);
- 31 – Cost deferrals provided for in Paragraph 21 of the Stipulation; and
- 32 – Ability to address future concerns regarding the recovery of costs
33 associated with early retirement of the Company’s coal-fueled
34 plants (Paragraph 22 of the Stipulation).

35 **COSTS INCURRED UNDER SECTIONS 2.5.4 AND 3.4 OF THE PTA**

36 **Q. WHAT DOES PARAGRAPH 20 OF THE STIPULATION STATE?**

37 A. Paragraph 20 of the Stipulation states as follows:

38 20. The Parties agree that Rocky Mountain Power should be
39 permitted to recover in its Utah rates costs incurred by the Company
40 under Sections 2.5.4 and 3.4 of the PTA to the extent such costs are
41 not offset by savings resulting from the PTA and PSA. This
42 agreement does not preclude any Party from challenging recovery of
43 the costs incurred by the Company on the basis that the Company
44 did not implement these sections of the PTA in a prudent manner nor
45 does it preclude the Company from seeking recovery of any costs of
46 providing service to its customers.
47

48 **Q. WHAT IS PROVIDED FOR UNDER SECTION 2.5.4 OF THE PTA?**

REDACTED

49 A. ****BEGIN CONFIDENTIAL**** [REDACTED]
50 [REDACTED]
51 [REDACTED]
52 [REDACTED]
53 [REDACTED]
54 [REDACTED]
55 [REDACTED]
56 [REDACTED]
57 [REDACTED]
58 [REDACTED] ****END CONFIDENTIAL****

59 Q. **WHAT IS PROVIDED FOR UNDER SECTION 3.4 OF THE PTA?**

60 A. ****BEGIN CONFIDENTIAL**** [REDACTED]
61 [REDACTED]
62 [REDACTED]
63 [REDACTED]
64 [REDACTED]
65 [REDACTED]
66 [REDACTED]
67 [REDACTED]
68 [REDACTED]

69 [REDACTED]

70 [REDACTED]

71 [REDACTED]

72 Q. [REDACTED]

73 [REDACTED]

74 A. [REDACTED]

75 [REDACTED]

76 [REDACTED]

77 [REDACTED]

78 [REDACTED]

79 [REDACTED]

80 [REDACTED]

81 [REDACTED]

82 [REDACTED]

83 [REDACTED]

84 [REDACTED]

85 [REDACTED]

86 [REDACTED]

87 [REDACTED]

88 [REDACTED]

1 [REDACTED]

REDACTED

89 [REDACTED]

90 [REDACTED]

91 [REDACTED]

92 [REDACTED]

93 [REDACTED]

94 [REDACTED]

95

96 [REDACTED]

97 [REDACTED]

98 [REDACTED]

99 [REDACTED]

100 [REDACTED]

101 [REDACTED] ****END CONFIDENTIAL****

102 **Q. DOES PARAGRAPH 20 OF THE STIPULATION RESULT IN A PRE-**
103 **DETERMINED AMOUNT BEING INCLUDED IN FUTURE RATES**

104 ****BEGIN CONFIDENTIAL**** [REDACTED]

105 [REDACTED]

106 **A.** [REDACTED]

107 [REDACTED]

108 [REDACTED]

109 [REDACTED]

110 [REDACTED]

111 [REDACTED]

REDACTED

112 [REDACTED]

113 [REDACTED]

114 [REDACTED]

115 [REDACTED]

116 [REDACTED]

117 [REDACTED]

118 [REDACTED]

119 [REDACTED]

120 [REDACTED]

121 [REDACTED]

122 [REDACTED]

123 [REDACTED]

124 Q. [REDACTED]

125 [REDACTED]

126 [REDACTED]

127 A. [REDACTED]

128 [REDACTED]

129 [REDACTED]

130 [REDACTED]

131 [REDACTED]

132 [REDACTED]

133 [REDACTED] ***END CONFIDENTIAL***

REDACTED

134 **COST DEFERALS UNDER PARAGRAPH 21 OF STIPULATION**

135 **Q. PARAGRAPH 21 OF THE STIPULATION REQUESTS THAT THE**
136 **COMMISSION ISSUE AN ACCOUNTING ORDER AUTHORIZING THE**
137 **COMPANY TO DEFER CERTAIN COSTS INCURRED IN**
138 **ACCORDANCE WITH THREE SPECIFIC SECTIONS OF THE PTA.**
139 **THE FIRST PTA SECTION IDENTIFIED IS 2.2.4, WITH COSTS**
140 **INCURRED IN ACCORDANCE WITH SECTION 2.2.4 OF THE PTA**
141 **BEING DEFERRED THROUGH THE DATE RATES SET BY THE**
142 **COMMISSION IN THE NEXT GENERAL RATE CASE BECOME**
143 **EFFECTIVE. WHAT COSTS ARE ADDRESSED IN SECTION 2.2.4 OF**
144 **THE PTA?**

145 **A. ***BEGIN CONFIDENTIAL***** [REDACTED]
146 [REDACTED]
147 [REDACTED]
148 [REDACTED]
149 [REDACTED]
150 [REDACTED]
151 [REDACTED]
152 [REDACTED]
153 [REDACTED]
154 [REDACTED] *****END CONFIDENTIAL*****

155 Q. WHAT IS THE LEVEL OF COSTS PROVIDED FOR UNDER SECTION
156 2.2.4 OF THE PTA THAT CAN BE DEFERRED BY RMP FOR FUTURE
157 RECOVERY?

158 A. *****BEGIN CONFIDENTIAL***** [REDACTED]
159 [REDACTED]
160 [REDACTED]
161 [REDACTED]
162 [REDACTED]
163 [REDACTED]
164 [REDACTED]
165 [REDACTED]
166 [REDACTED]
167 [REDACTED]
168 [REDACTED]
169 [REDACTED]
170 [REDACTED] *****END**

171 **CONFIDENTIAL***** Additionally, Paragraph 21 of the Stipulation allows
172 for deferral of costs incurred under Section 2.2.4 of the PTA only until
173 such time as the rates set by the Commission in the next general rate
174 case become effective.

175 Q. THE SECOND PTA SECTION IDENTIFIED FOR DEFERRAL IN
176 PARAGRAPH 21 OF THE STIPULATION IS SECTION 2.2.5. WHAT
177 COSTS ARE ADDRESSED IN SECTION 2.2.5 OF THE PTA AND WHAT

REDACTED

178 **IS THE POTENTIAL AMOUNT OF DEFERRAL ASSOCIATED WITH**
179 **THIS SECTION?**

180 A. Under Paragraph 21 of the Stipulation, the Company can defer "...the
181 maximum amount of costs the Company may incur under Section 2.2.5 of
182 the PTA, subject to a true-up of the amortization of such amount to the
183 amount actually incurred by the Company in the event the Company
184 incurs less than the maximum amount of costs as provided in Section
185 2.2.5 of the PTA..." *****BEGIN CONFIDENTIAL***** [REDACTED]

186 [REDACTED]
187 [REDACTED]
188 [REDACTED]
189 [REDACTED]
190 [REDACTED]
191 [REDACTED]
192 [REDACTED]
193 [REDACTED]
194 [REDACTED]
195 [REDACTED]
196 [REDACTED]
197 [REDACTED]
198 [REDACTED] *****END CONFIDENTIAL*****

199 **Q. THE THIRD PTA SECTION IDENTIFIED FOR DEFERRAL IN**
200 **PARAGRAPH 21 OF THE STIPULATION IS SECTION 2.7.2. WHAT**
201 **COSTS ARE ADDRESSED IN SECTION 2.7.2 OF THE PTA?**

202 A. Under Paragraph 21 of the Stipulation, the Company can defer the
203 transaction costs defined in Section 2.7.2 of the PTA which it incurs
204 through the rate effective date in the next rate case that are in excess of
205 the amount to be reimbursed by NTUA. *****BEGIN CONFIDENTIAL*****

206 [REDACTED]
207 [REDACTED]
208 [REDACTED]
209 [REDACTED]
210 [REDACTED]
211 [REDACTED]
212 [REDACTED]
213 [REDACTED]
214 [REDACTED]
215 [REDACTED]
216 [REDACTED]

217 [REDACTED] *****END CONFIDENTIAL*****

218 **Q. HAS THE COMPANY PROVIDED ANY INFORMATION IN THIS CASE**
219 **REGARDING THE AMOUNT OF TRANSACTION COSTS THAT HAVE**
220 **BEEN INCURRED?**

REDACTED

221 A. Yes. In response to DPU Data Request 2.6 and the attachment thereto,
222 the Company identified \$666,052.30 of transaction costs incurred as of
223 February 2, 2016. *****BEGIN CONFIDENTIAL***** [REDACTED]

224 [REDACTED]

225 [REDACTED]

226 [REDACTED]

227 [REDACTED]

228 [REDACTED]

229 [REDACTED] *****END CONFIDENTIAL*****

230 **Q. DOES PARAGRAPH 21 OF THE STIPULATION PRECLUDE THE**
231 **PARTIES FROM REVIEWING THE TRANSACTION COSTS INCURRED**
232 **UNDER SECTION 2.7.2 OF THE PTA?**

233 A. No. While Paragraph 21 of the Stipulation recommends that the
234 Commission issue an accounting order authorizing the Company to defer
235 certain costs in accordance with specific sections of the PTA, it is the
236 OCS's position that the Parties will have the opportunity to review the
237 actual costs deferred to ensure that they were prudently incurred and that
238 they qualify for deferral. For example, if costs not associated with the
239 transaction costs defined in Section 2.7.2 of the PTA are included in the
240 deferral as "transaction costs" by the Company, the OCS and other parties
241 would retain the ability to argue that the costs do not qualify for the
242 deferral established under Paragraph 21 of the Stipulation.

REDACTED

243 **Q. IN YOUR OPINION, DOES THE AMOUNT OF POTENTIAL DEFERRAL**
244 **CONTEMPLATED BY PARAGRAPH 21 OF THE STIPULATION REACH**
245 **A MAGNITUDE FOR WHICH SPECIAL DEFERRAL TREATMENT IS**
246 **TYPICALLY CONSIDERED?**

247 A. No. Based on the costs discussed in the above confidential portions of
248 this testimony, it is highly likely that the amounts ultimately deferred will be
249 much less than the amounts that would warrant special deferral treatment.
250 However, as indicated in Paragraph 24 of the Stipulation, “Not all Parties
251 necessarily agree that each aspect of this Stipulation is warranted or
252 supportable in isolation.” Thus, the OCS’ agreement to include Paragraph
253 21 in the Stipulation and the deferrals contemplated therein should not be
254 construed as meaning that the OCS agrees that costs of lower dollar
255 magnitudes are appropriate for deferral treatment as a matter of general
256 principle.

257 **CONCERNS REGARDING THE FUTURE RECOVERY OF COSTS**

258 **Q. WHAT DOES PARAGRAPH 22 OF THE STIPULATION STATE?**

259 A. Paragraph 22 of the Stipulation states as follows:

260 The Parties agree that Commission approval of this Stipulation and
261 of the PTA and PSA does not foreclose any Party from taking any
262 position with regard to modifications to Schedule 9 of the Company’s
263 tariff or to any other schedule or provision of the Company’s tariff that
264 applies to Schedule 9 that may impact the amounts NTUA is required
265 to pay the Company for electric service under the PSA, including,
266 without limitation, with regard to recovery of any costs associated
267 with any early retirement of the Company’s coal-fueled plants.
268

REDACTED

269 Q. ARE THERE ANY ASPECTS OF THE ABOVE QUOTED PARAGRAPH
270 22 OF THE STIPULATION THAT YOU WISH TO ADDRESS IN THIS
271 TESTIMONY?

272 A. Yes. According to the Direct Testimony of Company witness Paul H.
273 Clements, at pages 3 and 4, under the PSA, the Company will provide a
274 firm supply of power to NTUA on "...terms essentially equivalent to
275 Schedule 9 of the Company's Utah tariff...", and that because NTUA will
276 not be eligible to participate in the Company's Demand Side Management
277 ("DSM") programs, "...NTUA will not be required to pay the DSM
278 surcharge normally included for Schedule 9 customers or any successor
279 or similar charges." Thus, according to the Company, NTUA will not be
280 required to pay the DSM surcharge as it will not be eligible to participate in
281 the associated DSM programs. Schedule 193 of the Company's tariffs
282 provide for the DSM Cost Adjustment. The current DSM surcharge under
283 Schedule 193 that is applied to Schedule 9 customers is 4.01%.

284

285 Under the Second Amendment to the PSA, *****BEGIN CONFIDENTIAL*****

286 [REDACTED]

287 [REDACTED]

288 [REDACTED]

289 [REDACTED]

290 [REDACTED]

REDACTED

291



292

 *****END CONFIDENTIAL*****

293

294

The OCS is concerned that costs not associated with DSM programs may

295

be recovered from customers through the DSM surcharge in the future,

296

and that such other costs to be collected through the DSM surcharge may

297

be for costs that benefit NTUA.

298

Q. COULD YOU PLEASE ELABORATE ON THIS CONCERN?

299

A. Yes. Under Senate Bill 115 – Sustainable Transportation and Energy

300

Plan Act, recently signed into law by Governor Herbert on March 29, 2016,

301

Utah Code Ann. § 54-7-12.8 provides that the electric utility (i.e., RMP)

302

may request to capitalize the annual costs incurred for DSM and amortize

303

the annual DSM costs over a period of ten years. Under the new

304

provisions, if RMP capitalizes the DSM costs, the Commission may

305

authorize RMP to recognize the difference between the annual amounts

306

collected for DSM costs and the annual amount of the DSM cost

307

amortization expense as an additional expense to be used to establish

308

and fund a regulatory liability. The regulatory liability could be used to

309

depreciate thermal generation plant for which the Commission determines

310

the depreciation is in the public interest for compliance with environmental

311

regulation or another purpose. Thus, if NTUA does not pay Schedule 193,

312

and at some future date the Commission determines that it would be in the

313

public interest to use some of the funds collected under Schedule 193 and

REDACTED

314 set aside in a regulatory liability towards funding the depreciation of
315 thermal generation plant, the result could be that NTUA does not
316 contribute towards such funds that are used to recover plant costs that
317 may have been used in providing service to NTUA.

318 **Q. HOW DOES THE SETTLEMENT ADDRESS THESE CONCERNS?**

319 A. The settlement clearly allows the OCS, and all parties, to take any future
320 position regarding the appropriate logistics, timing, and level of recovery of
321 thermal generation plants in rates. As made clear in Paragraph 22 of the
322 Stipulation, this future right specifically applies to the Schedule 9 tariff and
323 other schedules or provisions of the Company's tariff that applies to
324 Schedule 9 that may impact the amounts NTUA is required to pay to RMP.

325 **Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

326 A. Yes.

REDACTED