

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application) Docket No. 15-035-86
Of Rocky Mountain Power for) Direct Testimony of
Approval of the 2017 Protocol) Michele Beck for the
) Office of Consumer Services

March 16, 2016

1 **Q. WHAT IS YOUR NAME, TITLE, AND BUSINESS ADDRESS?**

2 A. My name is Michele Beck. I am the director of the Office of Consumer
3 Services (Office). My business address is 160 East 300 South, Salt Lake
4 City, Utah.

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

6 A. I present the Office's position regarding Rocky Mountain Power's
7 (Company) request for approval of the 2017 Protocol and explain our
8 support for approval.

9 **Q. DID THE OFFICE PARTICIPATE IN THE MEETINGS AND**
10 **DISCUSSIONS THAT LED TO THE DEVELOPMENT OF THE 2017**
11 **PROTOCOL CONTAINED IN EXHIBIT RMP___(JKL-1)?**

12 A. Yes. In his direct testimony accompanying the Application Mr. Jeffrey
13 Larsen describes the efforts of parties to reach agreement on the 2017
14 Protocol and identifies the Office as a participant in this process. Ms. Cheryl
15 Murray, a utility analyst for the Office, and I participated in those efforts on
16 behalf of the Office.

17 **Q. WHAT IS THE FUNCTION OF THE 2017 PROTOCOL?**

18 A. The 2017 Protocol establishes the inter-jurisdictional allocation method to
19 be used for allocating costs among the states in which PacifiCorp operates.
20 The 2017 Protocol replaces the current inter-jurisdictional allocation
21 method, the 2010 Protocol, which expires December 31, 2016.

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23

24 *Office Support of the 2017 Protocol*

25 **Q. THE OFFICE HAS INDICATED SUPPORT OF THE 2017 PROTOCOL**
26 **AGREEMENT. PLEASE PROVIDE THE OFFICE'S REASONS FOR THAT**
27 **SUPPORT.**

28 A. The Office supports the 2017 Protocol for a number of reasons.

29 1) The 2017 Protocol essentially sets Utah rates using the rolled-in
30 allocation method although it includes a monetary adjustment (2017
31 Protocol Adjustment) which I will discuss later.

32 2) The Company will continue to plan and operate its generation and
33 transmission system on an integrated basis to achieve a least-cost least risk
34 resource portfolio for customers.

35 3) The 2017 Protocol is not an open ended agreement. It has a specific
36 end date, December 31, 2018 with the possibility of a one year extension¹.

37 4) The 2017 Protocol includes agreed upon analyses to be undertaken to
38 prepare for a potential replacement upon its expiration. Dialogue among
39 parties will continue in an attempt to develop an allocation method that will
40 be sustainable in the long-run.

41 5) The current method of allocating costs, the 2010 Protocol, will expire at
42 the end of 2016. Without an agreed upon allocation method each state
43 would individually determine how it will allocate PacifiCorp system costs.

44

¹ Approval of all participating state commissions is required for a one year extension of the 2017 Protocol.

45 *Analyses to be Performed*

46 **Q. PLEASE IDENTIFY SOME OF THE ANALYSES THAT WILL BE**
47 **UNDERTAKEN DURING THE TERM OF THE 2017 PROTOCOL.**

48 A. The 2017 Protocol provides a transitional allocation method while the
49 Company and parties evaluate the impacts of the Environmental Protection
50 Agency's (EPA) Clean Power Plan under section 111(d) and other multi-
51 jurisdictional issues on the Company and individual states.

52

53 During the term of the 2017 Protocol, PacifiCorp will analyze alternative
54 allocation methods including but not limited to: corporate structure
55 alternatives, divisional allocation methodologies, alternative system
56 allocation methodologies, potential implications of the EPA's final Rule
57 111(d), and possible formation of a regional independent system operator.

58 The analyses of these issues will be presented to the Multi-State Protocol
59 (MSP) Broad Review Work Group (BRWG)² and discussed at
60 Commissioner Forums.³

61

62 *2017 Protocol Adjustment*

63 **Q. PLEASE BRIEFLY EXPLAIN THE 2017 PROTOCOL ADJUSTMENT YOU**
64 **REFERENCED ABOVE.**

² The 2017 Protocol preserves the MSP Workgroup open meetings.

³ Commissioner Forums will be held annually beginning in January 2017.

65 A. The 2017 Protocol Adjustment is an attempt to achieve an allocation
66 method that all parties could support and that would be acceptable to all
67 states while decreasing the revenue shortfall the Company reports it is
68 experiencing.

69 **Q. HOW WAS THE 2017 PROTOCOL ADJUSTMENT DEVELOPED?**

70 A. Based on studies performed with the 2010 Protocol as a starting point an
71 Equalization Adjustment (EA) was developed for each state. The EA is a
72 negotiated amount⁴ which represents approximately two-tenths of one
73 percent of each state's annual revenue requirement. The EA was applied
74 as a fixed dollar adjustment to each state's revenue requirement. The EA
75 was then combined with the Embedded Cost Differential (ECD) as
76 determined in the 2010 Protocol. The result was the 2017 Protocol
77 Adjustment. Since Utah did not include an adjustment for the ECD in the
78 2010 Protocol⁵ the 2017 Protocol Adjustment for Utah is the same amount
79 as the EA, \$4.4 million annually to be included in Utah's revenue
80 requirement.

81

82 *Inter-Jurisdictional Allocation Method*

83 **Q. WHAT IS THE OFFICE'S POSITION REGARDING THE APPROPRIATE**
84 **METHOD FOR INTER-JURISDICTIONAL ALLOCATION OF COSTS?**

⁴ The total EA amount is \$9.074 million.

⁵ This treatment essentially resulted in rolled-in inter-jurisdictional allocation for Utah.

85 A. The Office's position is that Utah rates should be determined using the
86 rolled-in allocation method. PacifiCorp plans for and operates as a single
87 system in the six states in which it does business⁶. The Office has long
88 advocated that the rolled-in allocation method is the most appropriate
89 method for fairly distributing costs among those states.

90 **Q. DOES THE 2017 PROTOCOL MAINTAIN THE ROLLED-IN**
91 **ALLOCATION METHOD?**

92 A. For Utah, since it did not adopt an ECD in the 2010 Protocol, this agreement
93 essentially maintains the rolled-in allocation method. However, I
94 acknowledge that the Equalization Adjustment could be seen to diverge
95 from rolled-in. In the Office's view, adding this small adjustment to the
96 revenue requirement outweighs the risks and potential costs that were in
97 play during discussions of other potential allocation methods while still
98 maintaining rolled in allocation as the underlying allocation method.

99

100 *Utah Specific Requirements*

101 **Q. ARE THERE ANY OTHER UTAH SPECIFIC REQUIREMENTS OF THE**
102 **2017 PROTOCOL?**

103 A. Yes. The Company agrees not to file a general rate case or major plant
104 addition case prior to May 1, 2016 and new rates will not be in effect prior
105 to January 1, 2017.

⁶ PacifiCorp will continue to plan and operate as a single system during the 2017 Protocol.

106

107 Utah's 2017 Protocol Adjustment of \$4.4 million will be included in base
108 rates through a general rate case with rates effective beginning on or after
109 January 1, 2017. If the Company files a general rate case or major plant
110 addition case with new rates effective later than that date, Utah's 2017
111 Protocol Adjustment will be deferred on a monthly basis, (\$366,667 per
112 month), from January 1, 2017, forward as a regulatory asset until the rate
113 effective date of the Company's next Utah general rate case. At that time
114 the deferred costs and the ongoing impact of the 2017 Protocol Adjustment
115 will be included in rates. The deferred amortization period will be
116 determined in the first case that the deferral of the 2017 Protocol Adjustment
117 is proposed for inclusion in rates.

118

119 *Ability to Challenge*

120 **Q. DOES APPROVAL OF THE 2017 PROTOCOL LIMIT THE**
121 **COMMISSION'S AUTHORITY TO PERFORM ITS DUTIES AS IT**
122 **DETERMINES APPROPRIATE?**

123 A. No, the Commission's statutory responsibility and authority is not altered by
124 the 2017 Protocol.

125 **Q. ARE PARTIES PROHIBITED FROM PROPOSING ANY**
126 **ADJUSTMENTS TO THE 2017 PROTOCOL PRIOR TO EXPIRATION ON**
127 **DECEMBER 31, 2018?**

128 A. No. Similar to prior MSP agreements any Party may request that the
129 Commission revoke, cancel or amend its approval order if the Party
130 concludes that the 2017 Protocol no longer produces results that are fair,
131 just, reasonable and in the public interest due to unforeseen or changed
132 circumstances.

133

134 Any Party or commission utilizing the 2017 Protocol may submit proposals
135 for new inter-jurisdictional allocation procedures or changes to the 2017
136 Protocol. The Company will circulate and initiate discussions through the
137 BRWG to attempt to address and resolve specific concerns identified. If a
138 solution is not reached through the BRWG, a Party can file an application
139 or request with its commission for an appropriate resolution.

140 **Q. DOES APPROVAL OF THE 2017 PROTOCOL REQUIRE THAT ALL**
141 **COSTS THE COMPANY ASSIGNS TO UTAH ARE PRE-DETERMINED**
142 **TO BE PRUDENT EXPENSES?**

143 A. No. All expenses and investments for which the Company requests
144 recovery from Utah ratepayers will still be subject to a prudence review in a
145 general rate case or other appropriate regulatory proceeding. Nothing in
146 the 2017 Protocol results in pre-judgment of expenses, investments or
147 allocated costs.

148

149 *Office Conclusion*

150 **Q. WHAT IS THE OFFICE'S RECOMMENDATION REGARDING THE 2017**
151 **PROTOCOL?**

152 A. The Office recommends that the Commission find the 2017 Protocol is in
153 the public interest and approve the Company's application.

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

155 A. Yes, it does.