Martinez Direct OCS – 3R

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act	)	Docket No. 16-035-36 Phase Two RebuttalTestimony of Danny A.C. Martinez For the Office of Consumer Services

March 28, 2017

I. INTRODUCTION

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

A. My name is Danny A.C. Martinez. I am a utility analyst for the Office of Consumer Services ("Office"). My business address is 160 E. 300 S., Salt Lake City, Utah84111.

Q. DID YOU FILE DIRECT TESTIMONY IN PHASE TWO OF THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS CASE?

A. The purpose of my rebuttal testimony is torespond to the following three recommendations made by Division of Public Utilities' ("Division") witness Robert A. Davis:

- OMAG expenses for Phase Two programs should be treated in the same manner as those ordered by the Commission in Phase One. (Davis Direct Testimony – Phase 2 at lines 100 – 102.)
- The Company should follow the same accounting treatment and reporting guidelines as ordered by the Commission in Phase One of this docket. This includes reporting on its progress and actual expenditures for these Phase Two programs. (Davis Direct Testimony – Phase 2 at lines 492 - 494.)
- The Company and its shareholders should bear any cost overruns for any Phase Two STEP program.(Davis Direct Testimony – Phase 2 at lines 496 - 498.)

Q. WHAT IS THE OFFICE'S RESPONSE TO THE DIVISION'S RECOMMENDATION REGARDINGOMAG EXPENSES FOR PHASE TWO STEP PROGRAMS?

A. Mr. Davis recommended in his Phase Two direct testimony that the Commission should require the Company to report and account for the OMAG expenses incurred during Phase Two program as ordered in Phase One. The Office supports this recommendation.

Q. WHAT IS THE OFFICE'S RESPONSE TO THE DIVISION'S RECOMMENDATION REGARDING ACCOUNTING TREATMENT AND REPORTING GUIDELINES FOR STEP PHASE TWO PROGRAMS?

A. Mr. Davis recommended in his Phase Two direct testimonythat the Commission should require the Company to report and account for expenditures as ordered in Phase One. The Office supports this recommendation.

Q. WHAT IS THE OFFICE'S RESPONSE TO THE DIVISION'S RECOMMENDATION THATANY STEP PROGRAM COST OVERRUNS SHOULD BE BORNE BY THE COMPANY AND ITS SHAREHOLDERS?

A. The Office conceptuallysupports the Division's recommendation that any cost overruns should not be borne by ratepayers, but by the Company and its shareholders when those cost overruns exceed what is defined by the STEP legislation. The STEP legislation provides for ratepayers'funding of these projects up to certain limits and the Commission's approval of programs is based on the Company's representations regarding costs that will be incurred.If the Company spends more than what was specifically authorized by the STEP legislation pilot, then the Company and its shareholders, not ratepayers, are responsible for the cost overrun.

Q. PLEASE PROVIDE ADDITIONAL EXPLANATION OF HOW THE LEGISLATION AUTHORIZED SPENDING ON STEP PROJECTS.

A. In Utah Code 54-7-12.8(6)(b)(ii)(A) and (B), the clean coal technology and innovative utility programs are funded on an average annual basis. The clean coal technology and innovative utility programs are authorized to spend up to an annual average of $1 million and $3.4 million respectively over the duration of the pilot.With annual average funding, annual cost overruns are permitted so long as they are offset with subsequent annual expenditure reductions to maintain the prescribed average annual budget amount over the life of the pilot. Further, the Office believes it would be acceptable if individual projects go over or under budget within the category of clean coal technology or innovative utility programs. The Company is not authorizedto exceed these program’s average annual budget amount as evaluated at the end of the pilot. If that circumstance were to occur, then the Company and its shareholders, not ratepayers, should be responsible for any cost overruns for these programs at that time.

Q **IS THE ELECTRIC VEHICLE (“EV”) PROGRAM TREATED DIFFERENTLY THAN THECLEAN COAL PROGRAMS AND INNOVATIVE UTILITY PROGRAMS?**

A. Yes. In contrast, in Utah Code 54-7-12.8(6)(b)(i), the electric vehicle program is authorized for up to $2 million per year. Any spending above the two million mark within a year should not be passed on to ratepayers. Further, the legislation does not allow any unspent funds in the EV program to be rolled over to the next year.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.