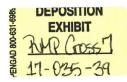
Witness OCS - 3D

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority to Increase)	Docket No. 10-035-124
Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations))))	Direct Revenue Requirement Testimony of Donna Ramas For the Office of Consumer Services

REDACTED

May 26, 2011



State Process. Thus, the increase in projected REC revenues reflected in the update is \$30,433,195. However, an additional \$11,117,317 is reflected in RMP's update to be allocated to Utah using the SG allocation factor as a result of the re-allocation of the amounts that would otherwise be allocated to California, Oregon and Washington in the allocation model. The total impact that needs to be input into the jurisdictional cost allocation model is an increase in amounts allocated using the Account 456 SG allocation of \$41,550,512. The adjustment presented on Exhibit OCS 3.10 does not modify this approach that was used by RMP in its filing and the update thereto.

A.

Additional REC Revenues

Q. WOULD YOU PLEASE BRIEFLY DISCUSS HOW RMP PROJECTED

THE AMOUNT OF RENEWABLE ENERGY CREDIT REVENUES

INCORPORATED IN ITS ORIGINAL FILING?

The calculation of the Company's forecasted REC revenues for the future test year was presented by RMP in Exhibit __(SRM-3), page 3.4.2, and was discussed in the direct testimony of Stefan A. Bird. In forecasting REC revenues, the Company's calculation began with the total projected wind generation for the test year that is incorporated in its case, with each wind generated MWH equaling one REC from wind generation. The resulting total projected volume of RECs based on the wind resources in

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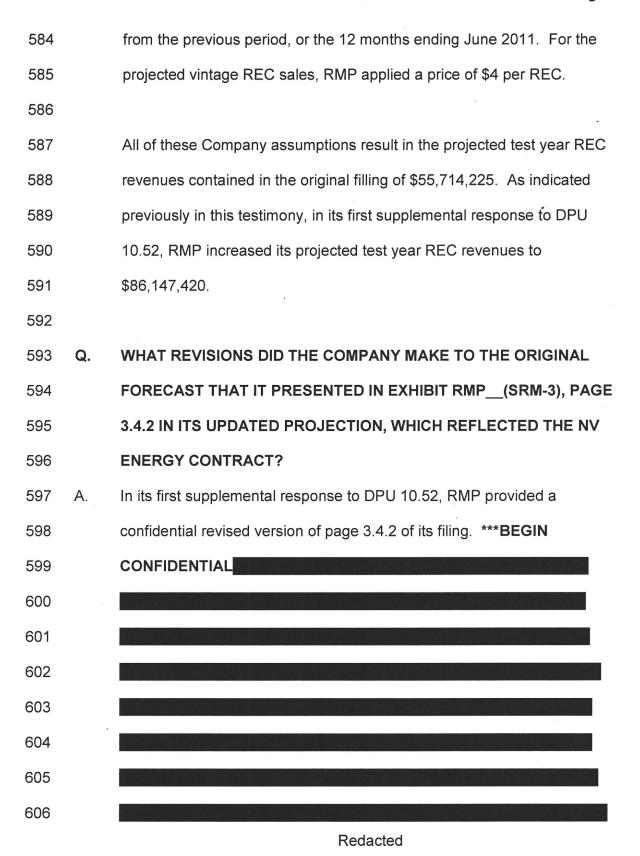
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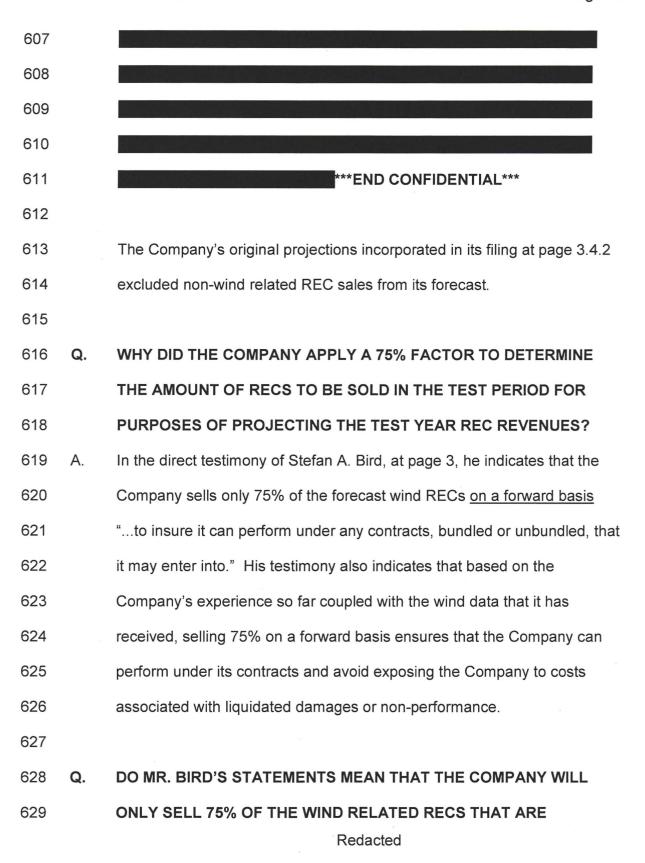
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the Company's test year forecast was then reduced to remove the RECs that are banked to satisfy the renewable portfolio standards (RPS) in California, Oregon and Washington. After accounting for the RPS banking requirements, RMP then applied a 75% factor to the remaining wind MWHs, or RECs, available for sale, reflecting projected sales of RECs based on 75% of its total projected RECs available. On Company Exhibit RMP (SRM-3), page 3.4.2, the resulting amount is shown as the Company's projected RECs to be sold in the test period. In its adjustment, RMP then separates the resulting amounts between the already known wind sales that are committed to for the test year and the remaining RECs. These exclude the 25% that were removed through RMP's application of the 75% factor and exclude the RECs reserved for California, Oregon and Washington RPS requirements banking. For the known wind sales that are committed to for the test year, the Company reflected the projected revenues based on known amounts. For the remaining available wind credits that the Company incorporated in its filing to be sold during the test year, the Company applied a price of \$7 per REC. The Company's projections also incorporate a projected sale of vintage

RECs, which is based on its projection of the amount of RECs remaining

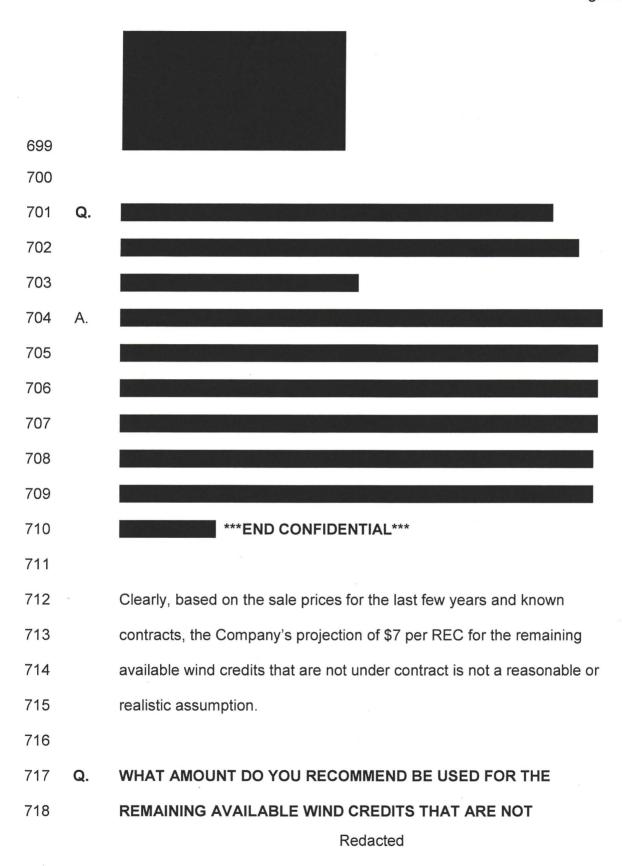




630		GENERATED DURING THE TEST YEAR THAT ARE NOT BEING
631		BANKED FOR RPS COMPLIANCE REQUIREMENTS?
632	A.	No, it does not. It simply means that the Company sells only 75% of the
633		forecasted wind RECs on a "forward basis". If RMP is able to generate
634		RECs above the 75% level, it will have the ability to offer any remaining
635		RECs for sale in the market. The Company has provided no justification
636		for its assumption that it will not sell the remaining 25% of the RECs that
637		its filing projects it will produce during the test year in this case.
638		
639	Q.	HOW HAS THE HISTORIC PERCENTAGE OF WIND GENERATED
640		RECS SOLD IN EACH YEAR COMPARED TO THOSE PRODUCED?
641	A.	After removing the amount associated with RPS banking requirements,
642		***BEGIN CONFIDENTIAL***
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645		***END CONFIDENTIAL***
646		
647	Q.	DO YOU RECOMMEND THAT THE 75% FACTOR APPLIED BY THE
648		COMPANY AND DISCUSSED IN THE DIRECT TESTIMONY OF MR.
649		BIRD BE REVISED?
650	A.	Yes. In this case, I recommend that the 75% factor be increased to 90%,
651		reflecting a projection that the Company will sell 90% of its wind related
652		RECs that it projects to produce during the test year. This is after removal Redacted

653		of the RPS banking requirement factors for the states of California,
654		Oregon and Washington.
655		
656	Q.	IS THE COMPANY'S PROJECTED SALES PRICE OF \$7 PER REC
657		FOR THE REMAINING AVAILABLE WIND-RELATED RECS A
658		REASONABLE PROJECTION?
659	A.	No, it is not. It is my opinion that it is significantly understated.
660		
661	Q.	HAS THE COMPANY BEEN SUCCESSFUL IN PAST CASES IN
662		PROJECTING THE REC SALES PRICE?
663	A.	No. In the last rate case, Docket No. 09-035-23, the Company
664		significantly under projected the amount of revenues to be produced from
365		the sale of RECs and substantially under projected the price per REC.
366		
667	Q.	COULD YOU PLEASE ELABORATE?
668	Α.	Yes. The Company's last rate case incorporated a future test period
669		ending June 30, 2010. In its original filing, RMP projected total REC
670		revenues of \$7,411,125. This assumption included a projected sales price
671		per wind related REC sold of \$3.50. It also assumed that only 75% of the
572		available MWHs would be sold after removal of the RPS banking
673		requirements. In response to an OCS recommended adjustment to the
674		projected REC revenues, RMP increased its projected test year ended
375		June 30, 2010 REC revenues in rebuttal testimony from the \$7.4 million in
		Redacted

676 its initial filing to \$18.5 million. However, as shown in Exhibit 677 RMP (SRM-3), page 3.4 of the current case, the actual booked REC 678 revenues for the base year ended June 30, 2010 was \$98,525,363. In 679 other words, the Company's rebuttal position in the last rate case under 680 forecast the REC revenues for the period ended June 30, 2010 by over 681 \$80 million. 682 683 By the time of hearings in the last general rate case, and possibly by the 684 time it filed the rebuttal testimony in that case, the Company would have 685 been aware of the substantial increase in the price per REC that was 686 occurring, yet it chose not to inform the parties of this information either 687 prior to or during the hearings in that case. 688 689 HOW HAVE RECENT SALE PRICES PER REC COMPARED TO THE Q. 690 \$7 PER REC ASSUMPTION INCORPORATED IN THE COMPANY'S 691 FILING IN THIS CASE? 692 In the table below I present the actual average wind related REC sales A. 693 price received by the Company in 2010, as well as the Company's 694 forecast average wind related REC sales price for 2011 and 2012. These amounts were provided by the Company in its confidential responses to 695 696 UAE 5.3 and UAE 5.4. ***BEGIN CONFIDENTIAL*** 697 698



719		CURRENTLY UNDER CONTRACT FOR THE TEST YEAR IN THIS
720		CASE?
721	A.	I recommend that the amount be calculated based on a price per REC of
722		\$36. It is my opinion that this is a more reasonable assumption than the
723		\$7 per REC incorporated in the Company's projections.
724		
725	Q.	WHAT OVERALL ADJUSTMENT DO YOU RECOMMEND?
726	A.	As shown on Exhibit OCS 3.11, I recommend that the Company's updated
727		REC revenue projections be increased by an additional \$44,538,991 on a
728		total Company basis, resulting in total OCS recommended REC revenues
729		for the test year ending June 30, 2012 of \$130,686,411. The impact on a
730		Utah basis is an increase in Utah allocated REC revenues of \$26,461,642
731		
732		In calculating this amount I used the same assumptions and calculations
733		used by the Company and its updated REC revenue projection provided in
734		its first supplemental response to DPU 10.52. The only changes I have
735		made were to increase the percent sold from the amount in the
736		Company's update to 90%, and to increase the price per REC for the
737		remaining wind credits that are not under contract from the amount in the
738		Company's update to a price of \$36 per REC.
739		
740	Q.	COULD THE AMOUNT OF REC REVENUES TO BE COLLECTED BY
741		THE COMPANY DURING THE FUTURE TEST YEAR ENDED JUNE 30,

742		2012 BE HIGHER THAN THE AMOUNT INCLUDED IN YOUR
743		FORECAST?
744	A.	Yes, it could. The Company's original forecasted REC revenues did not
745		include any amounts associated with non-wind related REC sales.
746		However, historically the Company has sold RECs generated from assets
747		other than wind, such as hydro RECs and RECs created by the Blundell
748		facilities. It is not reasonable to assume that there will be no non-wind
749		related REC sales in the test year.
750		
751	Q.	DO THE COMPANY'S UPDATED PROJECTIONS INCLUDE ANY
752		PROJECTED REVENUES ASSOCIATED WITH NON-WIND RELATED
753		REC SALES?
754	A.	***BEGIN CONFIDENTIAL***
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758		***END CONFIDENTIAL*** However, it is likely that
759		the Company will sell additional non-wind related RECs during the test
760		year. At this time I have not included an adjustment to incorporate
761		additional non-wind related REC sales. As a result, the projected REC
762		revenues in my recommendation may be understated.
763		

764	Q.	GIVEN THE COMPANY'S RECORD REGARDING THE PROJECTION
765		OF REC REVENUES AS WELL AS THE VOLATILITY IN THE REC
766		MARKET, SHOULD ANY SAFEGUARDS BE PUT INTO PLACE TO
767		PROTECT RATEPAYERS IN THE EVENT THAT THE AMOUNTS YOU
768		ARE PROJECTING IN THIS CASE ARE UNDERSTATED?
769	A.	Yes. REC sales and REC revenues are impacted by many factors such
770		as the amount of RECs produced and purchased in a year, the amount of
771		RPS banking requirements, as well as the amount the Company sells in
772		any given year. They are also impacted by factors such as whether they
773		are sold as a bundled product with the energy or as an unbundled REC.
774		RECs that are produced in a year and not sold within that year (Vintage
775		RECs) still exist and can be sold in future periods. Additionally, various
776		states have recently changed and are still changing renewable energy
777	`	portfolio requirements thereby impacting the market. The addition of
778		transmission allowing for the bundling of more RECs with the energy
779		produced can also impact the sales level and prices. These factors, as
780		well as others, result in changes and uncertainties in the REC market and
781		fluctuations in the prices available for REC sales. There are also many
782		opportunities for the Company to manipulate the amount of REC sales
783		within a 12 month period, which can negatively impact ratepayers.
784		
785		Given the amount of volatility, uncertainty and fluctuation, as well as the
786		ability of the Company to control the amount and timing of sales to some

degree, I recommend that RMP be required to record the difference between the amount of REC revenues approved by the Commission in this case for inclusion in rates and the actual REC revenues realized, with any differences being recorded in a regulatory deferral account. As ratepayers are paying for the wind facilities and other generation facilities that produce the RECs, they should also receive the benefit of the revenues generated from the REC sales. Additionally, interest should be imputed on the amount deferred. At the time of the next rate case, the balance in the regulatory deferral account could be amortized. I recommend that this regulatory deferral treatment remain in place for the next several rate cases and can be reconsidered at a future time.

At the time of the next rate case following this case, any deferred balance would be amortized as part of the revenue requirement. The annual REC revenue level can be reviewed and possibly reset for inclusion in base rates based on facts and information available at that time. Following the next rate case, the regulatory deferral treatment would continue based on the amount incorporated in the base rates. This mechanism would protect both customers and the Company. As I recommend the deferrals accumulate interest, this would give the Company incentive to project a realistic amount in its rate case filings.