Witness OCS – 1D

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision	)))))	**Docket No. 17-035-40**

DIRECT TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

DECEMBER 5, 2017

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

A. My name is Béla Vastag. My business address is 160 East 300 South Salt Lake City, Utah 84111. I am a Utility Analyst for the Utah Office of Consumer Services (Office).

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will introduce the additional witnesses testifying on behalf of the Office and provide the Office's overall recommendation on Rocky Mountain Power's (Company) request for approval of resource decisions to build new wind and new transmission facilities (Projects). I will also discuss major policy-related concerns that the Office has with the Company's resource decision requests.

Q. PLEASE INTRODUCE THE OFFICE'S ADDITIONAL WITNESSES.

A. Philip Hayet of the firm of J. Kennedy and Associates and Donna Ramas of Ramas Regulatory Consulting have also prepared direct testimony on behalf of the Office in this proceeding. Mr. Hayet has analyzed the significant risks inherent in the Projects and the harm that would occur to ratepayers should these risks erode the Company's forecasted benefits. Ms. Ramas explains why the Company's requested Resource Tracking Mechanism (RTM) is unnecessary and provides details on how the US Congress' proposed tax reforms would erode the Production Tax Credit (PTC) and bonus depreciation benefits of the Projects.

Q. WHAT IS THE OFFICE'S OVERALL RECOMMENDATION ON THE COMPANY'S REQUEST FOR RESOURCE DECISION APPROVAL?

A. The Office recommends that the Utah Public Service Commission (Commission) deny the Company's request for approval of resource decisions for the proposed new wind and new transmission facilities. As presented in detail in the testimonies of Office witnesses Philip Hayet and Donna Ramas, significant risks exist that could completely erode the Project's forecasted benefits and cause significant harm to ratepayers. These risks include:

- Changes to tax law reducing or eliminating the benefits of PTCs and bonus depreciation.
- Prolonged periods of low natural gas prices and/or low or no CO_2 costs.
- Project cost overruns.
- Delays causing facility in-service dates to be beyond the December 31, 2020 deadline for full PTC qualification.
- Reliance on third party wind developers.
- High probability that the Company's forecasts and modeling will be wrong.

The Office also opposes the use of the RTM which would unnecessarily introduce a complex new mechanism when effective methods already exist for the Company to incorporate the Projects into customer rates.

Q. WHAT ARE THE MAJOR POLICY-RELATED CONCERNS THAT THE OFFICE HAS WITH THE COMPANY'S PROPOSED PROJECTS?

A. First, the Projects were chosen to be in the 2017 Integrated Resource Plan (IRP) because they are an economic opportunity to capture PTCs. Second, the Office is concerned about how the Projects will be treated under the evolving Multi State Process (MSP), given the current level of uncertainty surrounding inter-jurisdictional allocations.

Q. WHAT ARE THE POLICY IMPLICATIONS OF PURSUING ECONOMIC PROJECTS?

A. In past IRPs, when resources were chosen to meet a capacity deficit, it has been appropriate to assume that ratepayers would accept certain risks in a tradeoff for maintaining system reliability. In the case of the Projects in this proceeding, they are not being proposed as a remedy to a system reliability problem but instead as an opportunity to collect tax credits. Since we are not solving a system reliability problem, pursuing these Projects represents a disproportionate and unnecessary shift of risk to ratepayers. As described in the testimonies of the Office's witnesses Hayet and Ramas, the risk of negative consequences that could occur is substantial and there is real possibility that ratepayers could be unnecessarily harmed.

Q. WHAT ARE THE OFFICES CONCERNS REGARDING MSP?

A. The Office is concerned about the acquisition of these new resources given the current level of uncertainty in the Multi State Process. In order to mitigate the potential for unfair treatment, if the Commission decides to approve the Projects, the Office recommends that the Commission clearly specify the maximum dollar amount of the Project's costs for which Utah ratepayers would be responsible for under pre-approval. Mr. Hayet calculates our recommended maximum dollar amount for Utah ratepayers in his testimony using existing allocation methods.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes it does.