

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
)
)

SECOND REBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

APRIL 17, 2018

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

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

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

6 A. Yes, I filed direct testimony on December 5, 2017 and rebuttal testimony on
7 January 16, 2018.

8 **Q. WHAT IS THE PURPOSE OF YOUR SECOND REBUTTAL TESTIMONY?**

9 A. I will introduce the other witnesses who are also providing second rebuttal
10 testimony on behalf of the Office. I will also provide a summary of the Office's
11 findings and recommendations concerning the resource decisions that Rocky
12 Mountain Power (Company) has requested in this docket. The second rebuttal
13 testimonies that the Office submits today respond to the Company's January 16,
14 2018 Supplemental Direct and Rebuttal Testimonies, February 16, 2018 Second
15 Supplemental Direct Testimonies and February 23, 2018 Corrected Second
16 Supplemental Direct Testimonies.

17 **Q. PLEASE INTRODUCE THE OFFICE'S OTHER WITNESSES.**

18 A. Philip Hayet of J. Kennedy and Associates and Donna Ramas of Ramas
19 Regulatory Consulting have also prepared second rebuttal testimony on behalf of
20 the Office in this docket. Mr. Hayet has reviewed the Company's economic
21 analyses, identified modeling flaws and presented the significant risks that
22 ratepayers would be forced to shoulder if the projects move forward as proposed
23 by the Company. Should some form of the Company's projects be approved, Ms.

24 Ramas explains that the Company's requested Resource Tracking Mechanism
25 (RTM) is unnecessary and may inappropriately increase costs borne by
26 ratepayers.

27 **Q. WHAT IS THE OFFICE'S OVERALL RECOMMENDATION ON THE**
28 **COMPANY'S REQUEST FOR APPROVAL OF NEW WIND AND NEW**
29 **TRANSMISSION RESOURCES?**

30 A. The Office continues to recommend that the Public Service of Commission of Utah
31 (Commission) should deny the Company's request for approval of new wind and
32 new transmission projects. These projects should not be approved because the
33 Company has not demonstrated that they will most likely result in the acquisition,
34 production and delivery of electricity to ratepayers at the lowest reasonable cost
35 considering risk, the standard required for approval by Utah Code § 54-17-402.
36 Should these projects be approved in any form, then the Office recommends that
37 the Company's proposed RTM should be denied and that the Commission should
38 impose certain ratepayer protections.

39 **Q. PLEASE PROVIDE A SUMMARY OF THE OFFICE'S FINDINGS WHICH**
40 **SUPPORT ITS RECOMMENDATION TO DENY THE COMPANY'S REQUESTS.**

41 A. At a high level, below is a summary of the Office's findings:

- 42 • The Company attempts to justify its resource proposals as economic
43 opportunities but has not shown that the potential benefits outweigh the
44 risks to ratepayers.
- 45 • Considering the risks to ratepayers, the Company has not demonstrated
46 that the proposed resources are needed for future reliability.

- 47 • The Company ignores the fact that a portfolio of solar projects resulting
48 from the 2017S RFP appears to provide greater benefits and lower risks
49 than its proposed new wind and new transmission projects.
- 50 • Late in the process, the Company made modeling changes (e.g. non-
51 levelized PTCs and terminal values) which favor Company ownership of
52 the proposed new resources.
- 53 • The Company's proposal significantly increases shareholder earnings
54 while at the same time asks ratepayers to shoulder significant risks such
55 as potential cost overruns, project delays, underproduction of energy
56 and less-than-full capture of PTCs.
- 57 • The Company's proposed RTM is a complex, specialized new tracker
58 that is unnecessary because it inappropriately shifts risks to ratepayers
59 while an effective mechanism, i.e. a general rate case, already exists if
60 the Company finds that the projects hinder its ability to earn a
61 reasonable return. In addition, the design of the RTM, especially in
62 conjunction with a proposed 2021 test year in the Company's next rate
63 case (as currently projected), would generate maximum interim recovery
64 and then include maximum revenue requirements for the proposed
65 projects in ongoing base rates.

66 **Q. IF THE COMMISSION ISSUES AN ORDER APPROVING SOME FORM OF THE**
67 **COMPANY'S PROPOSED PROJECTS, THE OFFICE RECOMMENDS THE**
68 **INCLUSION OF RATEPAYER PROTECTIONS. PLEASE EXPLAIN.**

69 A. In the event the Commission decides to approve the Company's resource
70 requests, the Office recommends certain conditions be included to protect
71 ratepayers. Office witness Phil Hayet fully explains these ratepayer protections in
72 his testimony, but I will provide a summary here:

- 73 • The capital and O&M costs of the proposed projects should be capped.
- 74 • PTC and energy benefits should be guaranteed at 95% of the forecasted
75 amounts.
- 76 • Recovery of the costs of the new transmission facilities from wholesale
77 (OATT) transmission customers should be guaranteed to be at least
78 12%, i.e. retail ratepayer's share of these costs should be capped at
79 88%.
- 80 • The Commission should specifically approve a Utah jurisdictional total
81 cost for the proposed projects.

82 **Q. WHY IS SETTING A UTAH JURISDICTIONAL COST CAP IMPORTANT?**

83 A. The Company is pursuing these resources as an economic opportunity at a time
84 when there is uncertainty in the Multi State Process (MSP). I raised this concern
85 in my direct testimony and the Office continues to be very concerned with how a
86 new MSP cost allocation method will affect the cost sharing of these proposed new
87 resources. Therefore, if the Commission decides to approve these economic
88 opportunity projects, the Office recommends that the Commission specify the
89 maximum dollar amount of the project's costs for which Utah ratepayers would be
90 responsible for under pre-approval. Office witness Phil Hayet calculates our

91 recommended maximum dollar amount for Utah ratepayers in his testimony using
92 existing allocation methods.

93 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

94 **A.** Yes it does.