

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to Repowered Wind Plants or for Alternative Relief)	Docket No. 19-035-45
)	
)	Direct Testimony
)	of Donna Ramas
)	For the Office of
)	Consumer Services

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March 4, 2020

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1 **INTRODUCTION AND SUMMARY OF POSITION**

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

3 A. My name is Donna Ramas. I am a Certified Public Accountant licensed in
4 the State of Michigan and Principal at Ramas Regulatory Consulting, LLC,
5 with offices at 4654 Driftwood Drive, Commerce Township, Michigan
6 48382.

7 **Q. HAVE YOU PREPARED A SUMMARY OF YOUR QUALIFICATIONS
8 AND EXPERIENCE?**

9 A. Yes. I have attached Appendix I, which is a summary of my regulatory
10 experience and qualifications.

11 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

12 A. I was asked by the Utah Office of Consumer Services (OCS) to review
13 Rocky Mountain Power's (RMP) request for Public Service Commission
14 (PSC) approval of an accounting order allowing it to defer costs and
15 benefits related to repowered wind plants or for alternative relief.
16 Accordingly, I am appearing on behalf of the OCS.

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

18 A. I address RMP's request for authorization to defer costs and benefits
19 associated with the wind plants that either have already been repowered
20 or are in the process of being repowered. I also address RMP's
21 alternative request to be allowed to add power cost that it will not actually
22 incur to the Energy Balancing Account ("EBA") as a sort of proxy cost it

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23 assumes it would have incurred had it not repowered the wind projects.
24 RMP's proposal to revise the EBA by adding proxy costs is also part of its
25 deferral request.

26 **Q. WHAT IS RMP'S CURRENT BEST ESTIMATE OF THE AMOUNT THAT**
27 **WILL BE DEFERRED IF ITS REQUEST IS APPROVED BY THE PSC?**

28 A. Under both RMP's deferral request and its alternative request, RMP
29 proposes to add amounts to the power costs incorporated in the EBA
30 calculations, replacing the incremental zero-cost power produced by the
31 repowered wind assets with replacement power at an assumed proxy
32 power price. Under RMP's deferral proposal and the RMP's current best
33 estimates for the various components of its proposed deferral calculation,
34 RMP would: 1) increase the actual power costs flowing through the EBA
35 calculations by \$1,060,495 for 2019 and \$4,453,000 for 2020, resulting in
36 a combined increase in amounts flowing through the EBA for 2019 and
37 2020 of \$5,513,495; and 2) have a net regulatory liability balance owed to
38 ratepayers of approximately \$5.626 million¹ as of December 31, 2020,
39 which is the anticipated ending date of the projected deferral period. In
40 other words, under RMP's proposal and the calculations it has presented,
41 approximately \$5.5 million would be added to the EBA to be collected from
42 customers for the 2019 and 2020 EBA period while approximately \$5.6

¹ The net regulatory liability balance of \$5.626 million consists of a regulatory asset of \$971,242 for 2019 and a regulatory liability of \$6,597,000 for 2020.

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43 million would be deferred as a regulatory liability to be returned to
44 customers in the next rate case, prior to the consideration of carrying
45 costs being applied to the balances.

46 Once a significant error in the calculation of the amount to be
47 deferred during 2019 under RMP's proposal is corrected, the amount of
48 resulting regulatory liability to be returned to customers increases
49 significantly from the \$5.6 million discussed above to *****BEGIN**
50 **CONFIDENTIAL***** [REDACTED]. *****END CONFIDENTIAL***** Details
51 regarding the error are discussed later in this testimony. These amounts
52 are prior to the application of potential carrying costs which would further
53 increase the regulatory liability balance owed to customers.

54 **Q. WHAT IS YOUR RECOMMENDATION REGARDING RMP'S REQUEST**
55 **FOR AUTHORIZATION TO DEFER CERTAIN COSTS AND BENEFITS**
56 **ASSOCIATED WITH THE REPOWERED WIND FACILITIES?**

57 A. I recommend that RMP's proposal to defer certain costs and benefits
58 associated with the repowered wind facilities be rejected by the PSC. This
59 includes rejection of RMP's proposal to add proxy costs to the net power
60 costs flowing through the 2019 and 2020 EBA calculations.

61 **Q. WHAT IS YOUR RECOMMENDATION REGARDING RMP'S**
62 **ALTERNATIVE REQUEST?**

63 A. I recommend that the PSC reject RMP's alternative request as well.

64 **Q. WILL THERE BE NEGATIVE IMPACTS ON RMP'S SHAREHOLDERS**
65 **IF RMP'S PROPOSED DEFERRAL OF CERTAIN COSTS AND**

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66 **BENEFITS ASSOCIATED WITH THE REPOWERED WIND FACILITIES**
67 **IS REJECTED BY THE PSC?**

68 A. No, not that I am aware of. If RMP's current best projections of the
69 amounts to be deferred under its proposal are accurate, then RMP's
70 shareholders would actually benefit if the proposed deferral is rejected by
71 the PSC. There is no harm to RMP or its investors, that I am aware of, if
72 the proposed deferral is rejected. As indicated above, under RMP's
73 proposal and its current best estimates of the individual components that
74 will be used in the deferral calculation, the result of the proposed deferral
75 would be a regulatory liability owed to customers, not a regulatory asset.
76 Additionally, even if the current best estimates resulted in a regulatory
77 asset, which is not the case, RMP has provided no evidence
78 demonstrating that the completion of the repowered wind assets would
79 cause it to be unable to earn a fair and reasonable rate of return in 2019
80 or 2020.

81 **Q. CONSIDERING RMP'S PROPOSAL, BASED ON ITS BEST**
82 **ESTIMATES, WILL RESULT IN A REGULATORY LIABILITY OWED TO**
83 **CUSTOMERS IF APPROVED, DO YOU STILL RECOMMEND THAT**
84 **THE PROPOSED DEFERRAL BE REJECTED?**

85 A. Yes. As explained in this testimony, RMP's proposed deferral is not an
86 appropriate method for incorporating significant costs and benefits
87 associated with known events within RMP's control into rates charged to
88 RMP's Utah ratepayers.

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89 **Q. ARE ANY EXHIBITS BEING PROVIDED WITH THIS TESTIMONY?**

90 A. Yes. Exhibit OCS 1.1D and Confidential Exhibit OCS 1.2D consist of
91 copies of RMP's responses to various data requests that are referenced in
92 this testimony.

93 **Q. HOW IS THE REST OF YOUR TESTIMONY ORGANIZED?**

94 A. I first provide a background discussing how RMP recovers costs
95 associated with investments used to provide service to its Utah customers.
96 As part of this discussion, I describe the means by which large capital
97 projects, such as the wind repowering projects at issue in this proceeding,
98 are incorporated in rates charged to Utah customers. I also explain why it
99 is my opinion that RMP's proposed deferral is not a reasonable or
100 appropriate means by which to incorporate the project costs and benefits
101 in future rates to be charged to Utah ratepayers.

102 I then discuss why RMP's proposal to include historic costs dating
103 back as far as September 2019 should not be included in a deferral, if a
104 deferral is approved by the PSC.

105 I next provide a summary for the PSC of the total amount that
106 would be deferred under RMP's proposal based on the current best
107 estimates provided by RMP to date. This includes a correction to the
108 amounts that would be deferred in 2019 under RMP's proposal.

109 In the subsequent section, I point out issues with the complexity of
110 the deferral calculations RMP is proposing, as well as some problems and

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111 concerns regarding the proposed methodology for calculating the deferral
112 amounts.

113 In the final section, I explain why RMP's proposed alternative to the
114 requested deferred accounting should be rejected.

115 **REVENUE REQUIREMENT / COST RECOVERY BACKGROUND**

116 **Q. AS BACKGROUND, WOULD YOU PLEASE PROVIDE A GENERAL**
117 **DESCRIPTION OF HOW RMP RECOVERS COSTS ASSOCIATED**
118 **WITH PLANT USED IN PROVIDING SERVICE TO ITS UTAH**
119 **CUSTOMERS?**

120 A. Yes. In establishing revenue requirements in a general rate case
121 proceeding, prudently incurred plant that is used and useful in providing
122 service to RMP's utility customers is included in plant in service. The plant
123 in service balance, less the associated accumulated depreciation reserve
124 balance and less the associated accumulated deferred income tax
125 ("ADIT") balance is included in rate base upon which the rate of return
126 found to be just and reasonable by the PSC is applied. Additionally, the
127 associated impacts of the plant on net operating income are also included
128 in the revenue requirement determination. This includes various net
129 operating income impacts, such as costs of operating and maintaining the
130 plant, property taxes associated with the plant, and depreciation expense
131 associated with depreciating the plant asset over its projected life.
132 Revenues received from customers who are provided energy generated

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133 from the plant or otherwise benefitted from the plant are also included in
134 the net operating income.

135 During a general rate case, all elements of the revenue requirement
136 calculation are matched to a consistent period to ensure that a
137 synchronized approach is used in setting rates. Thus, rate base,
138 revenues, expenses and income taxes are all synchronized using a
139 consistent test period.

140 **Q. MANY CHANGES IN PLANTS AND THE OPERATION THEREOF, AS**
141 **WELL AS VARIOUS DECISIONS MADE BY RMP, CAN IMPACT NET**
142 **POWER COSTS. HOW ARE CHANGES IN NET POWER COSTS**
143 **ADDRESSED FOR RMP IN UTAH?**

144 A. It is my understanding that the Energy Balancing Account is used as a
145 means to true-up net power costs (NPC). As explained in the Application
146 in this case submitted by RMP on December 30, 2019, at page 4,
147 paragraph 5, the EBA "...allows the Company to track and defer 100
148 percent of its prudently-incurred NPC." The EBA is reviewed and trued-up
149 on an annual basis. The result is that RMP neither profits from nor is
150 harmed by prudent changes in net power costs that occur between rate
151 case proceedings. In other words, the actual net power costs prudently
152 incurred by RMP are recovered from customers through the EBA.
153 Numerous factors impact the net power costs incurred by RMP, and the
154 increased output from the wind projects that have been repowered is one

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155 of many factors that have changed since the last rate case that would
156 impact net power costs.

157 **Q. HOW DOES RMP RECOVER COSTS ASSOCIATED WITH NEW PLANT**
158 **THAT IS PLACED INTO SERVICE AFTER THE TEST PERIOD USED IN**
159 **DETERMINING THE REVENUE REQUIREMENT AND SETTING BASE**
160 **RATES, SUCH AS PLANT PLACED INTO SERVICE YEARS AFTER**
161 **THE TEST PERIOD?**

162 A. Many aspects of RMP's operations change between rate case
163 proceedings. While new plant is being added, existing plant continues to
164 be depreciated, and the associated accumulated deferred income tax
165 balance may grow. As the existing plant is depreciated, the net balance
166 associated with the plant declines. Older plant may also be retired or
167 become fully depreciated. Between rate cases, the amount of revenues
168 will change, as will expenses. These changes do not occur in isolation.
169 Depending on the specific circumstances, utilities may often go years
170 between rate case proceedings, even though they are adding plant during
171 the interim years. Other changes in the components of the overall
172 revenue requirement calculation may offset the impact of the increase of
173 plant in service caused by new plant investment.

174 **Q. THE PLANT ADDITIONS ASSOCIATED WITH THE WIND**
175 **REPOWERING PROJECTS ARE FAIRLY SUBSTANTIAL. DO THE**
176 **REPOWERING PROJECTS, WHEN VIEWED IN ISOLATION, RESULT**

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177 **IN A REDUCTION IN THE OVERALL RATE OF RETURN EARNED BY**
178 **RMP?**

179 A. Before responding, I must first reiterate that the addition of the wind
180 repowering projects do not occur in isolation. As indicated above, many
181 other aspects of the overall revenue requirement calculation have
182 changed since a full review and analysis of RMP's overall revenue
183 requirement was conducted in the last general rate case. That being said,
184 based on the various impacts of the wind repowering projects provided by
185 RMP in this docket, the wind repowering projects in and of themselves
186 would not cause a reduction in RMP's overall rate of return during 2019
187 and 2020, which is the deferral period requested by RMP. This is
188 demonstrated by the fact that the deferral calculations presented by RMP,
189 based on RMP's current best estimates, result in a regulatory liability
190 owed to customers, not a regulatory asset. The attachment provided with
191 RMP's response to OCS Data Request 2.18 – 1st Supplemental shows
192 that the total repowering deferral for 2020 based on RMP's current best
193 estimates would be a regulatory liability of \$6,597,000. If RMP's proposed
194 inclusion of proxy costs in the EBA to be deferred is excluded, the total
195 repowering deferral for 2020 would still be an estimated regulatory liability
196 of \$2,144,000. This is because the projected impact of the production tax
197 credits for 2020 exceeds the total net expenses and the return on the net
198 investments.

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199 **Q. SINCE THE INCREASE IN OUTPUT FROM THE WIND PROJECTS**
200 **POST-REPOWERING WILL IMPACT THE NET POWER COSTS**
201 **INCURRED BY RMP, IS RMP SOMEHOW TREATED UNFAIRLY IF IT**
202 **IS NOT PERMITTED TO DEFER THE VARIOUS IMPACTS**
203 **ASSOCIATED WITH THE REPOWERING PROJECTS TO THE NEXT**
204 **RATE CASE PROCEEDING?**

205 A. No. The EBA ensures that ratepayers are paying for the prudently
206 incurred net power costs, resulting in RMP neither over-recovering nor
207 under-recovering net power costs that it prudently incurs to provide
208 electric service to its customers. Many factors impact the total net power
209 costs incurred by RMP between rate case proceedings, yet the purpose of
210 the EBA remains unchanged in that it ensures that the prudently incurred
211 net power costs are recovered by RMP, no more or no less.

212 As explained above, if RMP projects that a large capital investment
213 will cause it to be unable to earn a fair and reasonable return on its
214 investments, it has the ability to file a general rate case to re-establish
215 base rates.

216 **Q. IF THE REPOWERING WIND PROJECTS WERE PROJECTED TO**
217 **RESULT IN A NET COST INSTEAD OF A NET BENEFIT, WHAT**
218 **OPTIONS WOULD HAVE BEEN AVAILABLE TO RMP TO RECOVER**
219 **THE COSTS ASSOCIATED WITH THE PROJECTS?**

220 A. If RMP projected that the new plant being added, combined with all other
221 changes in the components of the revenue requirement equation, would

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222 cause it to be unable to earn a fair and reasonable rate of return on its
223 investments, RMP had the ability to seek to change its base rates by filing
224 a rate case. If not only the projects at issue in this case, but any other
225 changes in RMP's operations had caused RMP to project that it would be
226 unable to earn a fair and reasonable rate of return during the period the
227 repowered wind assets were being placed into service (i.e., during late
228 2019 and 2020), RMP had the ability to seek a change in its base rates by
229 filing a rate case. RMP made a conscious decision to wait until later this
230 year to file a rate case and has sought authorization to use a test period
231 ending December 31, 2021 in the upcoming rate case in Docket No. 20-
232 035-04.

233 As RMP has the ability to utilize a future test year in rate case
234 filings, it had the opportunity to include large new plant investments, such
235 as the wind repowering projects, in rates during the period they were
236 being placed in service or soon thereafter if it projected that it would not
237 earn a fair and reasonable rate of return on its investments. In this
238 instance, RMP has projected that the net impact of the repowered wind
239 projects being placed into service will be net benefits during 2020, or a net
240 reduction to the revenue requirements.

241 **Q. CAN YOU PLEASE ELABORATE ON THE TEST YEAR OPTIONS AT**
242 **RMP'S DISPOSAL?**

243 A. Yes. Section 54-4-4(3) of the Utah Code specifically states:

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244 (a) If in the commission's determination of just and reasonable rates
245 the commission uses a test period, the commission shall select a test
246 period that, on the basis of the evidence, the commission finds best
247 reflects the conditions that a public utility will encounter during the
248 period when the rates determined by the commission will be in effect.
249

250 In addressing the establishment of the test period for use in determining
251 just and reasonable rates, Utah Code Section 54-4-4(3) specifically states:

252 (b) In establishing the test period determined in Subsection (3)(a),
253 the commission may use:
254 (i) a future test period that is determined on the basis of
255 projected data not exceeding 20 months from the date a
256 proposed rate increase or decrease is filed with the
257 commission under Section 54-7-12;
258 (ii) a test period that is:
259 (A) determined on the basis of historic data; and
260 (B) adjusted for known and measurable changes; or
261 (iii) a test period that is determined on the basis of a
262 combination of:
263 (A) future projections; and
264 (B) historic data.
265
266

267 Thus, under the statutory language, if a future test year will best reflect the
268 conditions RMP will encounter during the rate effective period, RMP has
269 the ability to request a future test year as long as the ending date of the
270 test year does not exceed 20 months from the date the case is filed. RMP
271 could have previously filed a rate case that would have incorporated a test
272 period that covered the period in which the repowered wind assets were
273 being placed into service.

274 **Q. HAS RMP PREVIOUSLY REQUESTED AUTHORIZATION FOR THE**
275 **DEFERRAL METHODOLOGY THAT IT IS PROPOSING IN THIS**
276 **DOCKET?**

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277 A. Yes. In Docket No. 17-035-39, RMP requested a new rate mechanism,
278 which it called the Resource Tracking Mechanism (RTM). Under the
279 proposed RTM, RMP proposed to defer the incremental capital and
280 operating costs, net of power cost savings and production tax credit
281 benefits associated with the repowered wind projects. RMP's proposed
282 deferral treatment requested in the current proceeding would operate in
283 almost the exact same way as the RTM it proposed in Docket No. 17-035-
284 39. In fact, in response to OCS Data Request 2.19, RMP stated that it is
285 proposing the same methodology in calculating the proposed accounting
286 deferral that was requested in Docket No. 17-035-39 for determining the
287 incremental rate base amounts, the incremental expense amounts, the
288 production tax credit benefits and the incremental net power cost savings.
289 In other words, RMP is essentially asking for the exact same treatment for
290 deferring the costs and benefits associated with the repowering projects
291 that it requested in Docket No. 17-035-39 and called the RTM.

292 **Q. DID THE PSC APPROVE THE DEFERRAL TREATMENT REQUESTED**
293 **BY RMP IN DOCKET NO. 17-035-39?**

294 A. No, it did not. In the May 25, 2018 Order issued by the PSC in Docket No.
295 17-035-39, the PSC did not adopt the deferral mechanism (i.e., the RTM)
296 proposed by RMP. In addressing the RTM, the Order states at page 25:
297 "We conclude that PacifiCorp can effectively seek recovery of Repowering
298 Project costs and benefits through available ratemaking mechanisms such

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299 as general rate cases, requests for deferred accounting treatment, and/or
300 the EBA.”

301 **Q. THE ABOVE QUOTED ORDER SPECIFICALLY REFERENCES**
302 **REQUESTS FOR DEFERRED ACCOUNTING TREATMENT. DO THE**
303 **UTAH CODE CONTEMPLATE THE ESTABLISHMENT OF DEFERRALS**
304 **ASSOCIATED WITH LARGE CAPITAL PROJECTS, SUCH AS THE**
305 **REPOWERING PROJECT AT ISSUE IN THIS PROCEEDING?**

306 A. Yes. It is important to first keep in mind that if RMP projected that it would
307 be unable to earn a fair and reasonable rate of return during the period
308 that the repowering projects were being placed into service, it had the
309 opportunity to file a general rate case proceeding. A general rate case
310 proceeding is the primary means by which new major plant additions are
311 incorporated in base rates. As part of a general rate case proceeding, all
312 components of the revenue requirement calculations are evaluated, not
313 just limited components isolated to limited plant additions.

314 Outside of a general rate case proceeding, Utah Code Section 54-
315 7-13.4 addresses alternative cost recovery for major plant additions. The
316 alternative cost recovery addressed in the Statute includes the potential for
317 accounting deferrals associated with qualifying major plant additions.

318 Section 54-7-13.4(2) states: “A gas corporation or an electrical
319 corporation may file with the commission a complete filing for cost
320 recovery of a major plant addition if the commission has, in accordance
321 with Section 54-7-12, entered a final order in a general rate case

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322 proceeding of the gas corporation or electrical corporation within 18
323 months of the projected in-service date of a major plant addition.” Section
324 54-7-13.4(1)(c) defines major plant additions as a single capital
325 investment project that exceeds 1% of the rate base determined in the
326 most recent general rate case. The procedures provided for in the statute
327 are more streamlined than a full rate case and are processed over a
328 shorter time-frame.

329 If the repowered wind projects had been placed into service within
330 18 months of an order being issued in a general rate case proceeding,
331 then presumably the costs and benefits associated with the projects would
332 have qualified for deferral accounting treatment under Utah Code Section
333 54-7-13.4 and a decision would have been issued by the PSC on an
334 expedited basis. As RMP has not undergone a rate case proceeding in
335 many years, RMP is unable to rely on the provisions of the alternative cost
336 recovery for major plant addition statute as justification for its proposed
337 deferral accounting treatment.

338 It should be noted that the opportunity under the statutes to request
339 alternative cost recovery for major plant additions alleviates the potential
340 need for back-to-back rate case proceedings that could be caused by
341 major plant additions that fall within a reasonable timeframe after a
342 general rate case proceeding. It is up to RMP to determine if and when it
343 should file a rate case and whether or not to subsequently avail itself of

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344 the cost recovery opportunities for major plant additions forecasted to be
345 placed in service within 18 months of the rate case order being issued.

346 **Q. IS THERE A BENEFIT TO RATEPAYERS FROM LIMITING THE**
347 **ALTERNATIVE COST RECOVERY FOR MAJOR PLANT ADDITIONS**
348 **TO PROJECTS THAT ARE PROJECTED TO BE PLACED IN SERVICE**
349 **WITHIN 18 MONTHS OF AN ORDER BEING ISSUED IN A RATE**
350 **CASE?**

351 A. Absolutely. The time limitation helps to protect RMP's customers from
352 potential increases in rates and deferrals associated with major plant
353 additions without a full and complete review of the overall revenue
354 requirements of RMP. As indicated previously, many changes occur
355 between rate case proceedings, and the changes do not occur in isolation.
356 By limiting the timeframe in which RMP can seek the special alternative
357 cost recovery for major plant additions, the determination of the revenue
358 requirement impacts of a major plant addition would fall within a
359 reasonable proximity to the timeframe over which a full and complete
360 review of the overall revenue requirements of RMP occurred. Such
361 alternative cost recovery provided for in Utah Code Section 54-7-13.4,
362 through either the adjustment of rates or the authorization of an
363 accounting deferral, would occur within a reasonable amount of time of the
364 establishment of new rates that were determined by the PSC to be just
365 and reasonable based on the facts and evidence evaluated in a general
366 rate case proceeding.

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367 **Q. HOW WOULD CUSTOMERS BE HARMED BY ALLOWING DEFERRAL**
368 **OF COSTS FOR RESOURCES PROJECTED TO BE PLACED IN**
369 **SERVICE AFTER 18 MONTHS OF AN ORDER BEING ISSUED IN A**
370 **RATE CASE?**

371 A. Ratepayers could be harmed if RMP is permitted to defer costs associated
372 with major plant additions falling outside of the reasonable 18-month
373 timeframe allowed for in the statute. While RMP is currently projecting its
374 request will result in a regulatory liability to be returned to customers,
375 approval of RMP's deferral request could establish a dangerous precedent
376 that could be harmful to customers in the future. I am greatly concerned
377 that authorization of requested deferral treatment associated with major
378 plant additions outside of the time parameters established in Section 54-7-
379 13.4 could result in RMP being permitted to defer substantial costs in the
380 future while earning in excess of a fair and reasonable rate of return
381 during the same deferral period.

382 The time limitation established in the statutes for alternative cost
383 recovery of major plant additions is a substantial protection measure that
384 benefits RMP's Utah customers and should be adhered to.

385 **Q. WILL REJECTION OF RMP'S DEFERRAL REQUEST RESULT IN RMP**
386 **NOT RECOVERING THE COSTS ASSOCIATED WITH THE**
387 **REPOWERING OF THE WIND FACILITIES?**

388 A. No. RMP's best current estimates show that the benefits associated with
389 the PTCs generated by the repowered wind facilities will exceed both the

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390 incremental net expenses caused by the repowered wind facilities and the
391 return on the net investments for repowering the facilities. In other words,
392 if RMP had filed a rate case based on a test period ending December 31,
393 2020, the impacts of the repowering projects would have served to reduce
394 the overall revenue requirements of RMP, not increase them. If the
395 converse were true and RMP projected that the net costs would exceed
396 the net benefits, and such result would cause RMP to not earn a fair and
397 reasonable rate of return on its investments, it could have filed a rate case
398 proceeding earlier utilizing an earlier test period. It is important to keep in
399 mind that RMP's base rates are not reset annually and individual capital
400 investments and the impacts thereof are not tracked and trued-up annually
401 in the overall revenue requirement calculations. Rather, if RMP
402 determines that it is unable to earn a fair and reasonable rate of return on
403 the investments used and useful in providing service to its ratepayers, it
404 has the ability to request that the PSC reset its base rates through a rate
405 case proceeding.

406 **DEFERRAL TIMING ISSUES**

407 **Q. WHAT IS THE PROPOSED EFFECTIVE PERIOD OF THE DEFERRAL**
408 **TREATMENT RMP IS REQUESTING IN THIS PROCEEDING?**

409 A. In its response to OCS Data Request 2.1, RMP clarified that it is
410 requesting authorization to defer costs and benefits associated with each
411 repowered wind plant beginning when each plant was placed into service,

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412 including those projects that were placed into service before it filed its
413 request in this case. RMP projects that the deferral would stay in place
414 until December 31, 2020 as it anticipates new rates from its upcoming rate
415 case will be implemented on January 1, 2021. The attachment provided
416 by RMP with its response to OCS Data Request 2.18 – 1st Supplemental
417 shows that RMP’s proposed deferral would span from September 2019
418 through December 2020. While RMP did not file its request for accounting
419 deferral until December 30, 2019, it is essentially requesting that the
420 requested deferral be applied retroactively to the September 2019
421 timeframe.

422 **Q. SINCE RMP IS REQUESTING THAT THE PROPOSED DEFERRAL**
423 **TREATMENT AND PROPOSED MODIFICATIONS TO THE EBA**
424 **CALCULATIONS BE APPLIED RETROACTIVELY TO SEPTEMBER**
425 **2019, HAS IT EXPLAINED WHY IT DID NOT FILE ITS REQUEST**
426 **EARLIER THAN DECEMBER 30, 2019?**

427 A. Yes. OCS Data Request 4.1 asked RMP to explain why it did not file the
428 Application before December 30, 2019. In response, RMP indicated, in
429 part, that it “had been contemplating various rate making alternatives” and
430 that it “waited until a number of repowering projects had actually been
431 placed into service before reaching a final decision in November 2019 to
432 file an application requesting an accounting deferral that was ultimately
433 filed December 30, 2019.”

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434 **Q. DO YOU HAVE ANY CONCERNS WITH RMP'S PROPOSAL TO APPLY**
435 **THE REQUESTED ACCOUNTING DEFERRAL RETROACTIVELY TO**
436 **THE SEPTEMBER 2019 TIMEFRAME?**

437 A. Yes, I do. I strongly recommend that the PSC reject RMP's proposed
438 deferral and alternative request in this proceeding. However, if the PSC
439 agrees that either the proposed accounting deferral or the alternative
440 request should be granted, then I recommend such treatment not be
441 applied retroactively. RMP has known since the PSC's order in Docket No
442 17-035-39 was issued on May 25, 2018 that its proposed deferral
443 mechanism, called the RTM by RMP in that proceeding, was rejected.
444 Despite this knowledge, coupled with the repowered wind facilities
445 beginning to go into service in September 2019, RMP waited until
446 December 30, 2019 to file its application in this proceeding. This is 19-
447 months after the PSC's order rejecting the deferral mechanism for the
448 repowered wind projects was issued and three months after the projects
449 began going into service. RMP's request is untimely.

450 While the repowered wind projects do not qualify for the alternative
451 cost recovery provisions provided for in Utah Code Section 54-7-13.4 due
452 to the amount of time that has elapsed since RMP's last rate case
453 proceeding, language in that statute pertaining to deferral accounting for
454 projects that do qualify under the statute is informative and relevant to the
455 timing issue. Specifically, Section 54-7-13.4(6)(a) requires that either
456 deferral or collection of the revenue requirement impacts of a major plant

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457 addition qualifying under the statute section "...shall commence upon the
458 later of: (i) the day on which the commission order is issued approving the
459 deferral or collection amount; or (ii) the in-service date of the major plant
460 addition." (emphasis added) Thus, if the wind repowering projects had
461 qualified for the alternative cost recovery for major plant addition under the
462 statute, which they do not, then deferral would not be permitted to begin
463 until after the PSC issued an order approving the requested deferral
464 treatment.

465 **DEFERRAL AMOUNT**

466 **Q. HAS RMP PROVIDED THE ESTIMATED AMOUNTS THAT WOULD BE**
467 **DEFERRED IF ITS REQUEST IS APPROVED BY THE PSC?**

468 A. Yes, it has. In RMP's responses to OCS Data Request 2.20 – 1st Revised
469 and OCS Data Request 4.13, RMP clarified that its current best estimate
470 of the total amount to be deferred during 2020 would be (\$6.6) million,
471 which is a regulatory liability of \$6.6 million. In response to OCS Data
472 Request 4.12, RMP confirmed that "The confidential attachments provided
473 with the Company's original response to OCS Data Request 2.18 (dated
474 January 29, 2020) continue to be the Company's current estimates for the
475 proposed wind repowering accounting deferral." While the details
476 provided on a project by project basis in the original response to OCS
477 Data Request 2.18 was considered confidential by RMP, RMP
478 subsequently provided a non-confidential summary of the 2019 and 2020

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479 deferral calculations for all projects combined as an attachment to its
480 response to OCS Data Request 2.18 – 1st Supplemental. Based on the
481 response, RMP’s “current best estimate” of the amounts that would be
482 deferred, prior to the consideration of carrying costs, is a regulatory asset
483 for the period September through December 2019 of \$971,242 and a
484 regulatory liability of \$6,597,000 for the period January 1, 2020 through
485 December 31, 2020, resulting in a net regulatory liability of \$5.626 million.
486 Under RMP’s proposed approach the actual power costs flowing through
487 the EBA calculations would be increased by \$1,060,495 for 2019 and
488 \$4,453,000 for 2020 (or \$5,513,495 combined) and a net regulatory
489 liability of \$5.626 million, prior to the application of carrying charges, would
490 be owed to customers. Under the proposal, the resulting regulatory
491 liability would begin to be flowed back to ratepayers with the rate effective
492 date of the upcoming rate case.

493 **Q. COULD YOU PLEASE PROVIDE A BREAKDOWN OF THE**
494 **CALCULATION OF THE PROJECTED ACCOUNTING DEFERRAL?**

495 A. Yes. The table below provides a summary of the deferral calculations
496 provided by RMP as public in the attachment provided with its response to
497 OCS Data Request 2.18 – 1st Supplemental. The amounts provided
498 below are on a Utah allocated basis.

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(Thousands of Dollars)	2019	2020	Total
<u>Incremental Expenses:</u>			
- O&M Expense	(385)	5,174	4,789
- Depreciation Exp.	1,888	13,912	15,800
- Depreciation Exp. (Cr.)	(2,171)	(15,729)	(17,900)
- Property Taxes	-	3,130	3,130
- Wind Tax	32	144	176
Total Incremental Expenses	(636)	6,631	5,995
Pre-Tax Return on Rate Base	3,921	34,202	38,123
Total Repowering Costs	3,285	40,833	44,118
Less: PTC (Grossed-up for Taxes)	(1,254)	(42,978)	(44,232)
Net Impact, Prior to NPC Savings	2,031	(2,145)	(114)
Projected Net Power Cost Savings	(1,061)	(4,453)	(5,514)
Total Benefits, per Company	971	(6,597)	(5,628)

499

500 **Q. PREVIOUSLY IN THIS TESTIMONY, YOU INDICATED THAT THERE**
501 **WAS AN ERROR IN THE AMOUNTS CALCULATED BY RMP FOR**
502 **2019. WOULD YOU PLEASE ELABORATE ON THE ERROR?**

503 A. Yes. Exhibit RMP__(SRM-1), submitted with the Direct Testimony of
504 Steven R. McDougal, provides the “Wind Repowering Deferred
505 Accounting Components.” The exhibit describes each category of cost or
506 benefit that RMP proposes to include for deferred accounting treatment
507 and explains how RMP proposes to calculate each amount. For the
508 benefit from Production Tax Credits, the description indicates that the
509 “New” amount that would be compared to the “Base” amount in calculating
510 the deferral would be the “Actual MWh eligible for PTC produced by
511 repowered wind plants multiplied by the production tax rate.” The “Base”
512 amount is described in the exhibit as “Zero until next general rate case.”
513 Thus, the intent, as described in the exhibit, is that all of the PTCs

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514 generated by the repowered wind plants at issue in this proceeding would
515 be included in the proposed deferral. Since all of the PTCs associated
516 with the repowered wind facilities that will be received during the proposed
517 deferral period are attributable to the repowered facilities, it makes sense
518 that all of the PTCs received by RMP as a result of the repowering efforts
519 would be included in the deferral calculation, as proposed by RMP, if the
520 deferral is approved by the PSC.

521 *****BEGIN CONFIDENTIAL***** [REDACTED]
522 [REDACTED]
523 [REDACTED]
524 [REDACTED]
525 [REDACTED]
526 [REDACTED]
527 [REDACTED]
528 [REDACTED]
529 [REDACTED]
530 [REDACTED]
531 [REDACTED]
532 [REDACTED]
533 [REDACTED]
534 [REDACTED]
535 [REDACTED]
536 [REDACTED]

REDACTED

537 [REDACTED]
538 [REDACTED]
539 [REDACTED]
540 [REDACTED]
541 [REDACTED]
542 [REDACTED]
543 [REDACTED]
544 [REDACTED]
545 [REDACTED]
546 [REDACTED] ***END CONFIDENTIAL***

547 **PROBLEMS AND CONCERNS WITH DEFERRAL CALCULATIONS**

548 **Q. IS THE DEFERRAL METHODOLOGY PROPOSED BY RMP SIMPLE**
549 **AND STRAIGHTFORWARD?**

550 A. No. The deferral approach proposed by RMP is fairly complex,
551 incorporating numerous components, calculations and assumptions. The
552 deferral would need to be calculated on a month by month and project by
553 project basis involving extremely detailed information, magnifying the
554 complexity and review process exponentially. If the proposed deferral is
555 allowed, then in the upcoming rate case and in the subsequent rate case,
556 the parties would need to review the detailed calculations and review each
557 of the numerous individual components included in the calculations on a
558 wind project by wind project basis. That needed review would occur

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559 simultaneous to the review of the numerous issues that are certain to be
560 included in the upcoming rate case filing. Since RMP is proposing to
561 continue deferring the costs until base rates from the upcoming rate case
562 become effective, which would be through December 31, 2020, it would
563 be impossible to review and analyze all of the amounts proposed to be
564 deferred in the upcoming rate case as a large portion of the costs and
565 benefits RMP proposes to defer in this case will not yet be known. Thus, I
566 anticipate that substantial additional review of the proposed deferrals
567 would be required in the subsequent rate case proceeding as well.

568 Under RMP's proposal, the EBA proceedings will also be impacted,
569 adding further complexity to the annual EBA reviews for both the 2019 and
570 2020 EBA periods. RMP agreed in response to OCS Data Request 2.16
571 that under its proposal power costs in the EBA will be increased above the
572 actual costs incurred and changes would need to be made to the currently
573 approved and used EBA methodology.

574 Given the number of years that has transpired since the last RMP
575 rate case in Utah, coupled with the various accounting deferrals previously
576 approved by the PSC that will also need to be reviewed in the upcoming
577 rate case, reviewing the new proposed complex deferral contemplated in
578 this docket would be no simple task. As demonstrated in the confidential
579 attachment provided by RMP in response to OCS Data Request 2.18 for
580 the 2019 deferral period, the calculation of the deferral amounts entails a
581 significant amount of data. As indicated previously in this testimony, there

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582 was an error in the 2019 deferral calculations provided by RMP that had a
583 fairly substantial impact on the resulting deferral amount. That error
584 impacted one of many separate components that would be included in the
585 proposed deferral calculation. This one example shows how important it
586 would be to conduct the complex analysis in each relevant proceeding.

587 **Q. ARE THERE ANY ADDITIONAL PROBLEMS AND CONCERNS WITH**
588 **RMP'S PROPOSED DEFERRAL CALCULATION METHODOLOGY**
589 **THAT YOU WOULD LIKE TO POINT OUT FOR THE PSC'S**
590 **CONSIDERATION IN EVALUATING WHETHER OR NOT THE**
591 **PROPOSED DEFERRAL SHOULD BE APPROVED?**

592 A. Yes. As mentioned previously in this testimony, RMP's proposed method
593 of calculating the various amounts to be deferred is essentially the same
594 methodology RMP proposed for the RTM deferral in Docket No. 17-035-
595 39 and 17-035-40, which the PSC rejected. In each of those dockets, I
596 submitted testimony discussing numerous issues and problems with the
597 deferral calculations proposed by RMP, which are the same calculation
598 methodologies proposed in this case.

599 **Q. WHAT SPECIFIC PROBLEMS OR CONCERNS ADDRESSED IN YOUR**
600 **TESTIMONY IN THE PRIOR DOCKETS DO YOU WISH TO HIGHLIGHT**
601 **FURTHER IN THIS DOCKET?**

602 A. Exhibit RMP__(SRM-1) shows that RMP proposes to compare the actual
603 O&M expenses for each repowered wind project to the historic four-year
604 average of O&M expense for that wind resource based on 2014 through

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605 2017 amounts. Presumably the four-year average amount by facility will
606 be divided by 12 to determine a monthly average expense level that would
607 then be compared to the actual monthly expense incurred at each facility.
608 The difference between the actual O&M expense and the historic four-
609 year average amount would be included in the proposed accounting
610 deferral calculation. First, calculating the deferral associated with O&M
611 expense on an individual wind resource basis is fairly complex given the
612 number of separate wind projects RMP is proposing special deferral
613 treatment for in this proceeding. In reviewing the deferral account in the
614 upcoming rate case, interested parties would need to review and confirm
615 the amounts on a project by project basis. Of even greater concern than
616 the complexity of determining the amount of O&M expense to be deferred
617 is the method by which RMP determines the historic costs that the actual
618 expenses will be compared to in calculating the deferral.

619 **Q. CAN YOU EXPLAIN WHY RMP'S PROPOSED USE OF A FOUR-YEAR**
620 **HISTORIC AVERAGE O&M EXPENSE LEVEL IN THE DEFERRAL**
621 **CALCULATION IS A CONCERN?**

622 A. Yes. The rates currently being recovered from ratepayers were not
623 established based on the recent four-year average of O&M expenses.
624 The most recent RMP rate case proceeding was resolved through the
625 adoption by the PSC of a settlement stipulation. The settlement
626 stipulation did not establish a specific amount that was included in the
627 resulting rates for wind generation O&M expenses. Thus, we cannot know

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628 with certainty how much is included in current base rates associated with
629 the wind facilities being repowered.

630 However, RMP's initial filing in the rate case included non-labor
631 O&M expense for the wind resources of \$23,897,854.² If the non-labor
632 O&M expenses from that docket associated with the Foote Creek wind
633 project is removed since the Foote Creek repowering project is not
634 included in RMP's deferral request in this case, the approximately \$23.9
635 million of non-labor O&M expense declines to \$21.34 million. In response
636 to OCS Data Request 2.4, RMP provided the 4-year average O&M
637 expense for each of the repowered wind facilities at issue in this
638 proceeding that it intends to use in its deferral calculations. The response
639 shows that the total four-year average O&M expense for the facilities is
640 \$20,028,684, which consists of \$18,427,879 of non-labor costs and
641 \$1,600,805 of labor costs.

642 The non-labor wind generation O&M expense incorporated in
643 RMP's original filing in the most recent rate case, exclusive of the amounts
644 attributable to Foote Creek, was \$21.34 million, which is approximately
645 \$3.11 million greater than the four-year average non-labor O&M expense
646 RMP plans to use in its proposed deferral calculations of \$18.43 million.
647 This would effectively translate to a \$3.11 million benefit to RMP on a total

² Docket No. 13-035-184, Company Exhibit RMP__(SRM-3), page 4.9.1. This page was provided by RMP in this proceeding in response to OCS Data Request 2.25.

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648 Company basis in its proposed deferral calculations absent any other
649 considerations. If the actual non-labor O&M expenses are instead
650 compared to the amounts considered in the last rate case filing, the
651 resulting estimated regulatory liability presented by RMP would be even
652 larger.

653 This serves as another prime example of why the proposed deferral
654 is problematic and not appropriate, particularly when so much time has
655 passed since the last complete review of RMP's operations in a general
656 rate case proceeding.

657 **Q. ABOVE YOU ADDRESS THE NON-LABOR WIND GENERATION O&M**
658 **EXPENSES. IS THERE ALSO A CONCERN WITH THE LABOR**
659 **EXPENSES RMP PROPOSES TO INCLUDE IN THE DEFERRAL**
660 **CALCULATION?**

661 A. Yes. In the base year in RMP's most recent rate case, spanning from July
662 2012 through June 2013, the actual full-time equivalent employee
663 complement at RMP declined from 5,558.5 employees to 5,364.5
664 employees.³ RMP's adjusted test year labor costs in the case, Docket 13-
665 035-184, was based on the June 2013 employee complement. As of
666 December 2019, the actual full-time employee complement at RMP was
667 4,892, which is 472.5 employees less than at the end of the base year in

³ Response to OCS Data Request 2.11 in Docket No. 17-035-39, which was provided as an attachment to OCS Data Request 2.26 in this proceeding.

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668 the most recent rate case. Under RMP's deferral proposal, it would be
669 able to defer labor costs that would otherwise be charged to O&M
670 expense even though its actual overall employee complement has
671 declined substantially since the last rate case.

672 **Q. PREVIOUSLY YOU ADDRESSED AN ERROR IN THE DEFERRAL**
673 **CALCULATIONS PRESENTED BY RMP FOR THE PROPOSED**
674 **SEPTEMBER 2019 TO DECEMBER 2019 TIMEFRAME. ARE YOU**
675 **AWARE OF ANY ADDITIONAL POTENTIAL PROBLEMS WITH THE**
676 **CALCULATIONS PROVIDED BY RMP FOR THAT PERIOD?**

677 A. Yes. While I have not audited or fully analyzed the amounts included by
678 RMP in the 2019 deferral calculations that were provided in the
679 confidential attachment to the original response to OCS Data Request
680 2.18 for 2019, I did note some items that would require further
681 investigation based on my limited review of the data. *****BEGIN**

682 **CONFIDENTIAL***** [REDACTED]
683 [REDACTED]
684 [REDACTED]
685 [REDACTED]
686 [REDACTED]
687 [REDACTED]
688 [REDACTED]
689 [REDACTED]
690 [REDACTED]

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691 *****END CONFIDENTIAL***** These are just brief examples of several of
692 many complexities that would be involved in the audit and analysis of the
693 deferral calculations if such deferrals are approved by the PSC in this
694 proceeding.

695 **Q. IN DOCKET NO. 17-035-39, THE PSC APPROVED THE VOLUNTARY**
696 **REQUEST FOR RESOURCE DECISION FOR ELEVEN OF THE**
697 **REPOWERED WIND PROJECTS THAT RMP IS SEEKING DEFERRAL**
698 **TREATMENT FOR IN THIS PROCEEDING. DOES RMP PROPOSE TO**
699 **LIMIT THE CAPITAL EXPENDITURES INCLUDED IN THE DEFERRAL**
700 **CALCULATIONS TO THE AMOUNTS SPECIFICALLY AUTHORIZED**
701 **BY THE PSC IN ITS MAY 25, 2018 ORDER IN DOCKET NO. 17-035-39?**

702 **A.** No, it does not. In response to OCS Data Request 2.8, RMP stated that:
703 “No, the Company does not anticipate that it will cap the amount of plant in
704 service at the estimated capital cost approved by the Public Service
705 Commission of Utah (USPC)(sic) in calculating the proposed accounting
706 deferral.” Thus, if the capital expenditures for any of the projects exceed
707 the estimated capital costs pre-approved by the PSC in Docket No. 17-
708 035-39, and the excess expenditures are determined not to be prudent,
709 the deferral calculations would need to be revised if deferral treatment is
710 authorized by the PSC. *****BEGIN CONFIDENTIAL***** [REDACTED]

711 [REDACTED]

712 [REDACTED]

713 [REDACTED]

714 [REDACTED]

715 [REDACTED]

716 [REDACTED]

717 [REDACTED] *****END CONFIDENTIAL*****

718 Additionally, in its May 25, 2018 Order in Docket No. 17-035-39, in
719 Ordering Paragraph 3, the PSC specifically declined to approve the
720 Leaning Juniper project and its individual project cost estimate, stating that
721 “If PacifiCorp chooses to implement the Leaning Juniper project, the
722 prudence of that action will be considered in a future general rate case...”
723 While the project has not been pre-approved by the PSC, RMP proposes
724 to include the Leaning Juniper repowering project in its deferred
725 accounting request. If the project, or a portion thereof, is not found to be
726 prudent in the upcoming rate case, then the deferral calculations would
727 need to be revised to reflect that finding if the PSC approves the
728 requested deferral treatment and allows the Leaning Jupiter repowering
729 project to be included in the deferrals. *****BEGIN CONFIDENTIAL*****

730 [REDACTED]

731 [REDACTED]

732 [REDACTED]

733 [REDACTED]

734 [REDACTED] *****END CONFIDENTIAL*****

735

736 **Q. DO YOU HAVE ANY CONCERNS YOU WOULD LIKE TO BRING TO**
737 **THE PSC'S ATTENTION REGARDING THE METHOD RMP PROPOSES**
738 **TO USE IN CALCULATING THE NET POWER COST BENEFITS**
739 **RESULTING FROM THE REPOWERED WIND PROJECTS?**

740 A. Yes. As indicated previously in this testimony, RMP is proposing to
741 increase the actual net power costs that will be incorporated in its 2019
742 and 2020 EBA filings by adding costs it will not actually incur ("proxy
743 costs"), by replacing the incremental energy generated by the repowered
744 wind projects with energy and energy costs it assumes it would have
745 incurred had it not repowered the wind units. The amounts added to the
746 EBA to be collected from Utah ratepayers for the proxy costs would then
747 be deferred and returned to ratepayers in yet to be determined future
748 periods under its deferral request. It is my opinion that this is not
749 reasonable or necessary.

750 RMP is projecting that the net deferral amount before the
751 consideration of the impacts of associated net power costs savings will
752 result in net benefits (i.e., a regulatory liability), meaning that the benefits
753 of the projects exceed the costs even absent the impact on net power
754 costs that will be incurred by RMP. Given this, I do not see the need to
755 add the complexity of undergoing further calculations to assume power
756 costs that will not be incurred. I also do not see a need to charge Utah
757 customers for proxy costs through the EBA that RMP will not incur to

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758 simply then defer those costs to be returned to customers in subsequent
759 periods with carrying costs applied.

760 **Q. ABSENT THIS OVERARCHING CONCERN WITH THE PROPOSAL TO**
761 **INCREASE THE POWER COSTS BY INCLUDING PROXY COSTS**
762 **THAT WILL NOT BE INCURRED, DO YOU HAVE ANY CONCERNS**
763 **WITH THE METHOD RMP PROPOSES TO USE TO CALCULATE THE**
764 **PROXY COSTS?**

765 A. Yes. The reason for calculating the proxy costs under RMP's proposed
766 accounting deferral and for its proposed alternative request would be to
767 determine the net reduction in power costs that are caused by the
768 incremental energy produced by the repowered wind facilities. The
769 formula that RMP proposes to use to calculate the power cost savings
770 associated with the incremental energy was presented at page 10 of Mr.
771 McDougal's testimony. Under the formula, RMP would multiply the
772 incremental generation by the monthly market price less integration costs.
773 Under the calculation, the incremental generation and associated market
774 prices would be separated between heavy load hours and light load hours.
775 Exhibit RMP__(SRM-1) indicates that the monthly heavy load hour and
776 light load hour prices will be based on "Mid C for west and Four Corners
777 for east resources" less the wind integration costs. Based on my
778 understanding, using market prices in the calculation could overstate the
779 actual cost savings that result from the incremental generation produced
780 by the repowered wind projects. First, the Company's calculation

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781 assumes that in the absence of the repowered energy, the only generation
782 impacts would be increases in purchases at the Mid C and Four Corners
783 market hubs. That would not likely be the case. For example, the
784 Company could increase generation on its own generating units, or it
785 could sell less energy at markets in order to balance the lost repowered
786 energy. While I am not intimately familiar with RMP's power cost
787 modeling and planning, I do understand that along with this, there are
788 many other complexities that go into operating the system, which affect
789 the power costs associated with providing service to RMP's customers.
790 Assuming that the power cost savings resulting from the incremental
791 energy is equivalent to the market price of energy seems extremely
792 simplistic and unrealistic based on my limited understanding of the issue
793 and would result in an overstatement of the cost savings.

794 Using an approach that could result in overstated power cost
795 savings is even more concerning if RMP's alternative request is granted
796 by the PSC in this proceeding as RMP would retain the proxy costs under
797 its alternative request.

798 **ALTERNATIVE RELIEF REQUESTED BY RMP**

799 **Q. PLEASE SUMMARIZE YOUR UNDERSTANDING OF RMP'S**
800 **PROPOSED "ALTERNATIVE RELIEF."**

801 A. At page 8 of his direct testimony, at lines 160 – 169, Mr. McDougal states
802 that if the PSC rejects RMP's proposed deferred accounting treatment,

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803 “the Company requests authority to implement an exception to the EBA to
804 remove the incremental benefits of the Repowered Wind Plants and of
805 Leaning Juniper until the rate effective date of the Company’s next general
806 rate case.” In other words, RMP would increase the actual net power
807 costs to include proxy costs that it will not incur and recover such proxy
808 costs through the EBA. RMP would retain these proxy amounts that it
809 does not actually project to incur. The method RMP proposes to use to
810 determine such proxy amounts, along with concerns regarding the
811 methodology, was addressed in the previous section of this testimony.

812 **Q. DO YOU AGREE THAT THE “ALTERNATIVE RELIEF” SOUGHT BY**
813 **RMP SHOULD BE APPROVED BY THE PSC?**

814 A. No, I do not for the various reasons discussed previously in this testimony.
815 While RMP currently projects that the benefits associated with the PTCs
816 for the repowered wind projects will exceed both the incremental
817 expenses and the revenue requirement impact of the return on the net
818 repowering investments, it would still be able to include non-existent costs
819 in the EBA under its “alternative relief” request.

820 As discussed earlier in this testimony, RMP is not being treated
821 unfairly if it is not permitted to increase the net power costs above the
822 costs it actually incurs. The EBA ensures that ratepayers are paying for
823 the prudently incurred net power costs, resulting in RMP neither over-
824 recovering nor under-recovering net power costs that it prudently incurs to
825 provide electric service to its customers. Having this true-up mechanism

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826 that ensures RMP fully recovers the prudent net power costs it incurs to
827 provide electric service to its customers is a benefit to RMP and protects
828 RMP from potential negative impacts of power cost fluctuations. Many
829 factors impact the total net power costs incurred by RMP between rate
830 case proceedings, yet the purpose of the EBA remains unchanged in that
831 it ensures that the prudently incurred net power costs are recovered by
832 RMP, no more and no less. It is my opinion that it is not fair or reasonable
833 to charge ratepayers more for net power costs than RMP will actually
834 incur.

835 **Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?**

836 A. Yes.

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