

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

**IN THE MATTER OF THE APPLICATION OF)
ROCKY MOUNTAIN POWER FOR AUTHORITY)
TO INCREASE ITS RETAIL ELECTRIC UTILITY)
SERVICE RATES IN UTAH AND FOR APPROVAL)
OF ITS PROPOSED ELECTRIC SERVICE)
SCHEDULES AND ELECTRIC SERVICE)
REGULATIONS)**

**DOCKET No. 20-035-04
Exhibit No. DPU 3.0 DIR**

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony of

Brenda Salter

September 2, 2020

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1 **INTRODUCTION**

2

3 **Q. PLEASE STATE YOUR NAME AND OCCUPATION.**

4 A. My name is Brenda Salter. I am employed as a Utility Technical Consultant Supervisor at
5 the Utah Department of Commerce – Division of Public Utilities (“Division” or “DPU”).

6 **Q. WHAT IS YOUR BUSINESS ADDRESS?**

7 A. Heber M Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84114.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

9 A. The Division.

10 **Q. PLEASE DESCRIBE YOUR POSITION AND DUTIES WITH THE DIVISION.**

11 A. I am a Utility Technical Consultant Supervisor for the Division. I joined the Division in
12 2007 and have since attended several professional courses or conferences dealing with a
13 variety of regulatory issues including the NARUC Annual Regulatory Studies Program
14 (2007). During my tenure with the Division I have worked on a variety of issues before
15 the Public Service Commission (“Commission”) including management of major plant
16 addition cases, management of general rate cases, demand side management, renewable
17 energy credits, and revenue requirement. I have a B.S. in Accounting from Brigham
18 Young University.

19 **Q: WILL YOU BRIEFLY REVIEW THE BACKGROUND AND FACTUAL**
20 **FRAMEWORK SURROUNDING THIS DOCKET?**

21 A. Yes. On May 8, 2020, Rocky Mountain Power (“Company”) filed an application
22 requesting an increase to its Utah retail rates by \$95.8 million.¹ The primary cost drivers
23 of the requested rate increase are the additions of major new capital investments and
24 changes in depreciation rates. The Company proposes to phase in the increase through the

¹ Docket No. 20-035-04, Application for General Rate Increase (Application) at Page 6.

25 use of the federal Tax Cut and Jobs Act (“TCJA”) deferred tax savings credit, resulting in
26 a proposed increase of \$51.5 million in 2021, \$73.6 million in 2022, and the full \$95.8
27 million in 2023. The Company anticipates approximately \$4.9 billion in new capital
28 projects, on a total-company basis, will be in service by December 31, 2021. Also, the
29 rate case incorporates the depreciation rates stipulated to in Docket No. 18-035-36. Other
30 components of the case include a decrease to Net Power Costs in the amount of \$70
31 million on a total company basis and rate mitigation efforts decreasing the undepreciated
32 plant balance of certain coal-fired generation units, along with other proposed
33 modifications or additions. The Company is asking for an increase in the authorized
34 return on equity from the current 9.80 percent to 10.20 percent. The Company’s proposed
35 rate increase is based on the twelve months ending December 31, 2019, and a forecasted
36 test period ending December 31, 2021. If approved, the Company requests the changes to
37 the rate schedules become effective January 1, 2021. The recommended changes to the
38 current cost of service and rate design will be addressed under a separate schedule in this
39 docket.

40 **PURPOSE OF TESTIMONY**

41

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

43 A. My testimony introduces the Division’s witnesses in the revenue requirement phase of
44 this docket, as well as the Division witnesses who testified in an earlier phase of the
45 docket and those who will still provide testimony. I present the Division’s overall
46 revenue requirement recommendation, along with a brief explanation of the adjustments
47 recommended by each witness.

48 **Q. PLEASE SUMMARIZE THE WORK, INVESTIGATION, AND ANALYSIS**
49 **THAT HAS BEEN PERFORMED IN THIS CASE.**

50 A. The Division has reviewed the testimony of the Company’s witnesses along with the
51 attachments and exhibits. The Division has submitted numerous data requests, reviewed

52 answers to its data requests and those of other parties, and has participated in meetings
53 with Company representatives to obtain additional information and clarification on
54 multiple topics. The Division has reviewed and analyzed this information.

55 **DIVISION'S ADJUSTMENTS AND RECOMMENDATIONS**

56

57 **Q. WOULD YOU PLEASE SUMMARIZE THE DIVISION'S ADJUSTMENTS AND**
58 **RECOMMENDATIONS IN THIS CASE?**

59 A. The Division recommends an overall annual revenue requirement increase of
60 approximately \$34.1 million. The Division's recommendation is the culmination of four
61 adjustments—totaling a \$61.7 million decrease to the Company's filed case. The
62 Division's recommended decrease in the revenue requirement includes a decrease to the
63 Company's proposed ROE of 10.2% to 9.25% along with various adjustments to rate
64 base and expenses. A summary of the Division's adjustments and recommendation are
65 included in JAM model, DPU Exhibit 3.1 DIR.

66 In all, the Division plans to sponsor seven witnesses in the revenue requirement phase of
67 the case.

68 **Q. HAS THE COMPANY IDENTIFIED ANY CORRECTIONS OR CHANGES TO**
69 **THE ORIGINAL FILING?**

70 A. Yes, the Company has identified an error in the filing related to decommissioning costs.
71 The Company's response to DPU data request 4.4 is as follows:

72 Please refer to Confidential Attachment DPU 4.4. Note: in the process
73 of reviewing the incremental decommissioning costs, the Company
74 discovered a formula error in the adjustment. The remaining life of
75 Colstrip plant has been updated, which resulted in a depreciation
76 expense decrease of \$729,127 on a Utah allocated basis. The Company
77 will update the adjustment in rebuttal.

78 The Company's response included the calculation of the adjustment and is included as
79 DPU Exhibit 3.2 DIR Confidential. The Division's adjustments do not include the
80 formula error in its revenue requirement calculation. It is anticipated that the Company
81 will update the filing with the correction in rebuttal testimony.

82 **DIVISION'S WITNESSES**

83

84 **Q. WOULD YOU IDENTIFY THE DIVISION'S WITNESSES?**

85 A. The Division's witnesses include:

86 • Dr. Abdinasir Abdulla. Dr. Abdulla filed testimony on the Company's proposed
87 test period on February 26, 2020.

88 • Mr. Casey Coleman. Mr. Coleman filed testimony on the Cost of Capital on
89 August 20, 2020. The Division recommends a return on equity of 9.25%, which
90 represents on a Utah basis a decrease to the Company's filed position of
91 approximately \$52.9 million.

92 • Ms. Brenda Salter. I introduce the Division's witnesses in the revenue
93 requirement phase of the docket, as well as the Division witnesses who testified in
94 an earlier phase of the docket.

95 • Mr. Bob Davis. Mr. Davis provides the Division's review of RMPs proposed
96 enhancements to the subscriber solar program.

97 • Mr. Eric Orton. Mr. Orton recommends adjustments to lobbying, civic goodwill,
98 and incentive expenses. Mr. Orton is sponsoring three adjustments, which reduce
99 revenue requirement by approximately \$425,111.

100 ■ Mr. JJ Alder. Mr. Alder provides the Division's recommended adjustment to the
101 Company's property tax expense. On a Utah basis, Mr. Alder's adjustment
102 reduces revenue requirement by approximately \$7.6 million.

- 103 • Dr. William (“Artie”) Powell. Dr. Powell offers the Division’s support of the
104 Company’s methodology for estimating generation overhaul expense.
- 105 • Dr. Joni Zenger. Dr. Zenger provides the Division’s review and recommendations
106 regarding the Company’s purchase of the Pryor Mountain Wind Project.
- 107 • Mr. Gary L. Smith. Mr. Smith provides the Division’s recommendation regarding
108 the retired plant associated with the repowered wind facilities. In addition Mr.
109 Smith presents the Division’s position on the Company’s recommended changes
110 to the Energy Balancing Account.

111 The Division plans to provide additional witnesses in the cost of service phase of this
112 case.

113 **CONCLUSION**

114

115 **Q. WOULD YOU SUMMARIZE YOUR RECOMMENDATIONS?**

116 A. Based on the Division’s investigation and analysis in this case, the Division has made a
117 number of adjustments as part of its direct testimony. The total impact of these
118 adjustments indicates that the Company’s annual revenue requirement request should be
119 reduced by approximately \$61.7 million. The Company’s proposed phase in of the TCJA
120 deferred tax savings credit, including the Division’s adjustments, results in an
121 approximate decrease of \$10.2 million in 2021, an increase of \$11.9 million in 2022, and
122 the Division’s proposed increase of \$34.1 million in 2023.

123 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

124 A. Yes.