

Anderson OCS – 2D

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**
)
) **Phase I Direct Testimony of**
) **Alyson Anderson**
) **On behalf of the Utah**
) **Office of Consumer Services**
)

September 2, 2020

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

2 A. My name is Alyson Anderson. I am a utility analyst for the Utah Office of
3 Consumer Services ("OCS"). My business address is 160 East 300 South,
4 Salt Lake City, Utah.

5

6 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

7 A I earned a Bachelor of Business Administration in Accounting from Boise
8 State University. Upon graduation, I worked as an auditor for the Idaho
9 Public Utilities Commission. Prior to joining the OCS, I managed several
10 telecommunications programs as a self-employed consultant. I have
11 completed The Basics Practical Regulatory Training course through New
12 Mexico State University, as well as the NARUC Regulatory Studies and
13 Advanced Regulatory Studies programs through Michigan State
14 University. I have previously submitted testimony before the Utah Public
15 Service Commission ("PSC").

16

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

18 A. I introduce the witnesses who provide revenue requirement and net power
19 cost testimony on behalf of the OCS in this docket and provide the OCS's
20 overall revenue requirement recommendation based on our analysis. I will
21 also present the OCS's policy recommendations regarding expansion of
22 the Subscriber Solar Program proposed by Rocky Mountain Power
23 ("RMP").

24

25 **Q. PLEASE IDENTIFY THE OCS WITNESSES AND THEIR GENERAL**
26 **AREA OF TESTIMONY.**

27 A. The OCS has two witnesses, in addition to myself, who offer direct
28 testimony in Phase I Revenue Requirement of this proceeding. The first
29 witness is Donna Ramas, a certified public accountant with the firm,
30 Ramas Regulatory Consulting, LLC. Ms. Ramas recommends a number
31 of rate base and net operating income (revenue requirement) adjustments,
32 and provides the analysis behind the OCS's revenue requirement
33 recommendation for Rocky Mountain Power. Next is Phil Hayet, Vice
34 President and Principal of J Kennedy & Associates, Inc. His direct
35 testimony presents the OCS's recommended adjustments to base net
36 power costs ("NPC") and for disallowance of certain wind resources. J
37 Randall Woolridge, PhD of Pennsylvania State University previously
38 provided testimony in the Phase I Cost of Capital portion of this
39 proceeding. His direct testimony presented the OCS's recommendations
40 for RMP's cost of capital and return on equity (ROE). Ms. Ramas'
41 testimony incorporates the recommendations of Mr. Hayet and Dr.
42 Woolridge in presenting the overall revenue requirement recommendation
43 for the OCS.

44

45 **Q. WHAT AMOUNT OF REVENUE REQUIREMENT INCREASE DID**
46 **ROCKY MOUNTAIN POWER REQUEST IN THIS DOCKET?**

47 A. RMP is requesting an increase in the Utah revenue requirement of
48 \$95,786,460 in its filing including a 46% Debt/54% Equity capital structure
49 with a 10.2% ROE.

50

51 **Q. BASED ON THE OCS'S ANALYSIS OF ROCKY MOUNTAIN POWER'S**
52 **FILING, WHAT IS THE OCS'S RECOMMENDED CHANGE TO THE**
53 **CURRENT LEVEL OF UTAH REVENUE REQUIREMENT?**

54 A. Based on our analysis the OCS recommends a decrease in RMP's current
55 level of Utah revenue requirement of \$59,285,929. This revenue
56 requirement decrease incorporates the adjustments to expenses and rate
57 base as presented by Mr. Hayet and Ms. Ramas, and OCS's
58 recommended 9.0% ROE and 50/50 capital structure as presented in Dr.
59 Woolridge's testimony.

60

61 **Q. PLEASE SUMMARIZE ROCKY MOUNTAIN POWER'S CURRENT**
62 **SUBSCRIBER SOLAR PROGRAM.**

63 A. In Docket No. 15-035-61 the PSC approved the Subscriber Solar Program
64 settlement agreement.¹ The program is an optional subscriber solar pilot
65 program that allows customers to purchase kilowatt blocks of electricity
66 from a RMP acquired solar resource at a fixed price to offset a portion of

¹ *In the Matter of the Application of Rocky Mountain Power for Approval of its Subscriber Solar Program (Schedule 73)*, Docket No. 15-035-61, Order Approving Amended Settlement Agreement (Utah P.S.C., October 21, 2015).

67 their own billed energy usage. The program also offers an option to offset
68 100% of usage. RMP indicates that the program was designed to be “self-
69 funding, self-sustaining and does not burden non-participants with the
70 costs of the program” and that the program is fully subscribed.²

71

72 **Q. IS IT TRUE THAT NON-SUBSCRIBERS OF THE SUBSCRIBER SOLAR**
73 **PROGRAM ARE UNBURDENED BY THE COSTS OF RMP’S**
74 **SUBSCRIBER SOLAR PROGRAM?**

75 A. Not entirely. The non-subscribers of the program provide a guarantee to
76 RMP’s Subscriber Solar Program. Despite the Subscriber Solar Program
77 being fully subscribed, non-subscribers were assessed through the
78 Energy Balancing Account (EBA) the difference between the subscribed
79 blocks and the actual generation of the solar resource. While the amount
80 included in the test year is negligible, non-subscribers are not completely
81 unburdened by the program and the amount paid by non-subscribers
82 could increase in the future. As explained by Ms. Ramas in her direct
83 testimony, the OCS has concerns that future revenues collected from
84 subscribers of the solar program may not fully cover the program costs
85 and “liability account” amortization, in which case it would fall to the non-
86 subscribers to pay the shortfall.³ This would be in addition to the EBA
87 adjustment for the difference between subscription blocks and generation.

² Docket No. 20-035-04, RMP Direct Testimony of William J. Comeau, lines 72-77

³ Docket No. 20-035-04, OCS Direct Testimony of Donna Ramas, lines 1662-1666

88 The Subscriber Solar Program relies on non-subscribers to provide a
89 guarantee to make RMP whole for the differences between program
90 revenues and costs as well as the difference between subscription blocks
91 and the solar resource generation.

92

93 **Q. IN THIS DOCKET IS ROCKY MOUNTAIN POWER PROPOSING TO**
94 **CHANGE AND EXPAND THE CURRENT SUBSCRIBER SOLAR**
95 **PROGRAM?**

96 A. Yes, RMP is proposing to expand the program by acquiring a new
97 underlying solar resource and opening the Subscriber Solar Program to
98 new participants. The Expanded Subscriber Solar Program will essentially
99 operate like the Legacy Subscriber Solar Program, with non-subscribers
100 carrying the risk that costs exceed revenues.

101

102 **Q. DOES THE OCS SUPPORT THE EXPANSION OF THE SUBSCRIBER**
103 **SOLAR PROGRAM AS PROPOSED BY ROCKY MOUNTAIN POWER**
104 **IN THIS GENERAL RATE CASE?**

105 A. No. The OCS is opposed to an expansion of the subscriber solar program
106 for three reasons. First, OCS has raised accounting concerns that call into
107 question whether the program will continue to pay for its costs. Second,
108 RMP has not provided adequate details about the expanded program,
109 particularly about the interaction between the legacy program and the new
110 expansion. Finally, OCS is opposed to expanding a program designed to

111 serve only a subset of ratepayers yet uses all ratepayers as a backstop to
112 ensure that RMP recovers all costs. Customers who participate in
113 voluntary rates should pay the full costs of those rates, similar to the Blue
114 Sky Program. Non-participating ratepayers should not carry any risk
115 associated with voluntary rate programs.

116

117 **Q. PLEASE EXPLAIN THE OCS CONCERNS WITH THE ACCOUNTING**
118 **FOR THE LEGACY SUBSCRIBER SOLAR PROGRAM.**

119 A. As explained in the direct testimony of Ms. Ramas, the OCS has concerns
120 over the “liability account” that is actually a regulatory asset for RMP, and
121 the complexity of the amortization expense calculation. There is a
122 presumption that the amortization expense will continue to grow and the
123 potential that program revenues will be inadequate to cover expenses
124 thereby falling to non-subscribers to make up the shortfall. RMP should
125 provide a more detailed forecast of future expenses and amortization to
126 demonstrate whether the program is sustainable and will continue to cover
127 its costs. Without such evidence, the PSC should not approve an
128 expansion of the program.

129

130 **Q. HAS ROCKY MOUNTAIN POWER PROVIDED ADEQUATE DETAILS**
131 **FOR THE PROPOSED EXPANSION OF THE SUBSCRIBER SOLAR**
132 **PROGRAM?**

133 A. No. The company has requested pre-approval of the expanded project
134 with the promise of details to come after approval. RMP has indicated that
135 it expects to acquire a resource similar to the legacy program. However,
136 there is no purchased power agreement (“PPA”) in place and no estimated
137 costs of program administration. The Utah Division of Public Utilities
138 (“DPU”) data request 9.14 asked for an example of what the customer
139 billings might look like under the proposed program compared to the
140 current program, the company responded that “it will provide billing
141 examples once the tariff and new rates are known.”⁴ RMP should be able
142 to at least provide billing examples based on estimates of costs for future
143 resources.

144

145 **Q. DO YOU HAVE SPECIFIC CONCERNS ABOUT THE INTERACTION**
146 **BETWEEN AN EXPANDED SUBSCRIBER SOLAR PROGRAM AND**
147 **THE LEGACY PROGRAM?**

148 A. Yes. Before expanding the Subscriber Solar Program consideration
149 needs to be given to the possibility that the new expanded program could
150 have a less expensive resource than the legacy program, thereby causing
151 inequity between the projects. The company has indicated that as
152 customers leave the legacy program the capacity from that PPA will be
153 rolled into the new program and billed on the same rate as the expanded

⁴ Docket No. 20-035-04 DPU Data Request #9.14 to RMP August 11, 2020

154 program.⁵ RMP did not indicate whether or how the associated costs
155 would also be rolled into the new program. Mr. Comeau indicated that
156 there will be no subsidization between the legacy and expanded programs
157 because “the legacy subscriber solar program rates contain adequate cost
158 recovery for all administrative and other costs related to customers on
159 those rates”⁶, though made no mention of what happens to these costs as
160 customers leave the legacy program and the megawatts (“MW”) are rolled
161 into the expanded program. RMP did not adequately address the
162 potential scenario of the program expansion having a lower cost than the
163 legacy program and how this could impact participation levels. The lack of
164 details are of particular concern, because ratepayers not subscribing to
165 either program are underwriting both. While the legacy program currently
166 has more revenue than expenses, and the amount passed through the
167 EBA to non-subscribers is currently negligible, that may not always be the
168 case. All customers should not pay for a program desired by a subset of
169 customers.

170 The OCS cannot support an expanded program as being in the public
171 interest until RMP provides more details about the mechanics of the
172 expanded program and how it will interact with the legacy program and

⁵ Docket No. 20-035-04, RMP Direct Testimony of William J. Comeau, lines 143-146
Docket No. 20-035-04 DPU Data Request #9.12 to RMP August 11, 2020

⁶ Docket No. 20-035-04, RMP Direct Testimony of William J. Comeau, lines 147-150

173 assurances are made that non-subscribing ratepayers will not be liable for
174 program costs.

175

176 **Q. DO YOU HAVE ADDITIONAL CONCERNS ABOUT RATEPAYERS IN**
177 **GENERAL BEARING RISKS ASSOCIATED WITH SUBSCRIBER**
178 **SOLAR?**

179 A. Yes. With ratepayers bearing the risks of costs exceeding revenues, RMP
180 does not have the same kind of incentive to manage its costs carefully.
181 On the other hand, if RMP is confident of its cost management it should be
182 willing to bear the risks of non-recovery or design a program that resets
183 the rates more frequently. The risks should be minimal if RMP has
184 accurately assessed demand for the program and properly manages
185 costs. However, it remains inappropriate for ratepayers to bear any such
186 risk for a voluntary rate program.

187

188 **Q. SHOULD THE PSC APPROVE RMP'S EXPANDED SUBSCRIBER**
189 **SOLAR PROGRAM?**

190 A. No, the Legacy Subscriber Solar and the Expanded Subscriber Solar
191 Programs are worthy concepts, and a subset of RMP's customers desire
192 the program. However, it is unreasonable for RMP to rely on all
193 ratepayers to underwrite the programs. There are too few details
194 surrounding the expanded program and the eventual melding of the two
195 projects into the expanded program. Additionally, the OCS has raised

196 concerns about the amortization of costs associated with the legacy
197 program. Nevertheless, if the PSC approves the expansion it should
198 completely remove the burden of risk from the non-subscribers of the
199 Expanded Subscriber Solar Program.

200

201 **Q. IF THE PSC DECLINES TO APPROVE THE EXPANDED SUBSCRIBER**
202 **SOLAR PROGRAM IN THIS DOCKET, WOULD RMP HAVE OTHER**
203 **OPPORTUNITIES TO PROPOSE SUCH AN EXPANSION?**

204 A. Yes. The OCS believes that it is too late in this proceeding for RMP to
205 provide the necessary details and remedies to demonstrate that an
206 expansion of the Subscriber Solar Program would be in the public interest.
207 However, if RMP is able to develop additional evidence that an expansion
208 of the Subscriber Solar Program is in the public interest and does not shift
209 costs and risk to non-subscribers, it can seek approval of the program as
210 a standalone filing outside the rate case. This would be a reasonable
211 approach because the legacy program was requested and approved
212 outside of a general rate case.

213

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

215 A. Yes.

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