

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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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 )

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**DOCKET No. 20-035-04**  
**Exhibit No. DPU 9.0 SR**

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

Surrebuttal Testimony of

Gary L. Smith

October 29, 2020

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**I. INTRODUCTION**

**Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.**

A. My name is Gary L. Smith. I am employed by the Division of Public Utilities (Division), State of Utah. My business address is 160 East 300 South Salt Lake City, UT 84114.

**Q. ARE YOU THE GARY L. SMITH THAT PREFILED DIRECT TESTIMONY FOR THE DIVISION IN THIS PROCEEDING?**

A. Yes.

**II. SUMMARY**

**Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY.**

A. The purpose of my testimony is to respond to the rebuttal testimony of Kevin Higgins and clarify the position of the Division related to the depreciation of the Replaced Wind Assets.

**III. REVIEW**

**Q. ARE THERE STATEMENTS IN MR. HIGGINS' REBUTTAL TESTIMONY REGARDING YOUR TESTIMONY THAT INDICATE A MISUNDERSTANDING?**

A. Yes, Mr. Higgins argues in rebuttal that “[Mr. Smith’s] contention that under RMP’s proposal future customers would pay for assets for which they do not receive a benefit

21 is incorrect.”<sup>1</sup> Similar statements were repeated by Mr. Higgins in his rebuttal  
22 testimony. These statements are unclear and misleading. The decision that ratepayers  
23 would continue to pay for the Replaced Equipment removed from service due to  
24 facility repowering and to qualify for PTCs had already been approved by the Utah  
25 Public Service Commission in Docket No. 17-035-39. Mr. Higgins appears to have  
26 misunderstood the following from my testimony addressing the ten-year benefit  
27 associated with the PTCs.

28           The Company has proposed to depreciate the Replaced Equipment for  
29 twenty years beyond the end of receiving the benefit from the last  
30 expected production tax credit. As a result, new ratepayers will  
31 continue to pay the cost of the Replaced Equipment while receiving no  
32 benefit from the PTCs, creating intergenerational inequity.<sup>2</sup>

33 My testimony clearly was referring to the ten-year tax credit benefits of the PTCs, not  
34 the overall benefits of increased generation and efficiency derived from repowering  
35 expected over the life of the repowered facilities.

36 **Q. YOUR TESTIMONY FOCUSED ON THE TEN-YEAR BENEFITS OF THE**  
37 **PTCS, DID MR. HIGGINS DIRECTLY ADDRESS THE PTCS AND THEIR TEN-**  
38 **YEAR BENEFIT IN HIS REBUTTAL?**

39 A. No. Mr. Higgins’ references to “benefit(s)” in his rebuttal indicate the overall benefits  
40 of the repowered facilities to customers, including “(near) zero marginal cost energy  
41 production throughout the entire 30-year life of the repowered assets.”<sup>3</sup> Mr. Higgins did

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<sup>1</sup> Docket No. 20-035-04, Higgins, Phase I Rebuttal, lines 44-45

<sup>2</sup> Docket No. 20-035-04, Smith, DPU Exhibit 9.0 DIR, lines 157-161

<sup>3</sup> Docket No. 20-035-04, Higgins, Phase I Rebuttal, lines 49-50

42 not directly address the PTCs and their ten-year asymmetric benefit to customers. The  
43 benefits of the PTCs will only be realized by ratepayers in the first ten years of the  
44 operating repowered facilities, creating a source of inequality to customers in years 11  
45 to 30 who will not receive any benefit from the expected PTCs.

46 **Q. MR. HIGGINS PURPORTED THAT UNDER THE DIVISION**  
47 **RECOMMENDATION, REVENUE REQUIREMENT WOULD INCREASE BY**  
48 **AS MUCH AS \$13.6 MILLION. WHY THEN DOES THE DIVISION**  
49 **RECOMMEND A TEN-YEAR AMORTIZATION OF THE REPLACED WIND**  
50 **ASSETS?**

51 A. The Division recommends the depreciation of the Replaced Wind Assets match the  
52 receipt of the PTCs to minimize the effect of the asymmetrical benefit customers will  
53 receive from the PTCs in the first ten years. Information provided by the company  
54 confirms that the annual estimated amount of the PTCs would exceed the cost of the  
55 ten-year annual depreciation (Exhibit 9.1 SR (CONF)). The expected PTC receipts  
56 alone would more than fully cover the cost of the ten-year depreciation of the Replaced  
57 Wind Assets. Matching the depreciation of the retired Wind Assets with the ten-year  
58 PTC revenue receipts would minimize the inequality of the limited ten-year PTC  
59 benefits. In addition, depreciating the retired Wind Assets over ten years would produce  
60 over \$108 million in estimated net present value savings to customers over the entire  
61 thirty-year depreciable life of the repowered wind facilities (Exhibit 9.1 SR (CONF)).  
62 While it is true that accelerating the depreciation of the retired Wind Assets would put  
63 upward pressure on rates in the current general rate case, this increase would end after  
64 the ten years. Although it is not the Company's preference, RMP does not oppose a ten-

65 year depreciation<sup>4</sup> and customers would receive substantial longer-term benefits that  
66 should be considered.

67 **IV. CONCLUSION**

68 **Q. HAS THE DIVISION CHANGED ITS RECOMMENDATION AFTER**  
69 **REVIEWING MR. HIGGINS' TESTIMONY?**

70 A. No. The Division has reviewed and considered Mr. Higgins' approach to the treatment  
71 of the retired Wind Assets. While Mr. Higgins has argued the preference of UAE in this  
72 matter, there are alternative viable options, and the Division continues to support and  
73 recommend depreciating the remaining balance of the Retired Wind Assets as of  
74 December 31, 2020, over the ten years corresponding with the timeframe for which the  
75 PTC credits are earned. This option will provide savings to ratepayers over the  
76 depreciable life of the repowered facilities and minimize any adverse inequity issues  
77 expressed here and in my direct testimony.

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

79 A. Yes.

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<sup>4</sup> 20-035-04, McDougal, Rebuttal Testimony, lines 948-950