

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Application of ) Docket No. 21-035-14  
Rocky Mountain Power to Establish a )  
Balancing Account for Pension ) Surrebuttal Testimony of  
Settlement Adjustments ) Donna Ramas  
 ) For the Office of  
 ) Consumer Services

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**CONFIDENTIAL**

**CONFIDENTIAL INFORMATION INCLUDED**

Subject to Rule 746-100-16

August 3, 2021

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

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

6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**  
7 **DOCKET?**

8 A. Yes. I submitted direct testimony on behalf of the Utah Office of  
9 Consumer Services (OCS) in this docket on June 22, 2021.

10 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

11 A. I respond to several statements in the rebuttal testimony of RMP witness  
12 Nicholas L. Highsmith. The primary focus is on statements made by Mr.  
13 Highsmith regarding the error made by RMP in its general rate case filing  
14 in Docket No. 20-035-04 and the impact thereof.

15 **Q. PRIOR TO RESPONDING TO STATEMENTS MADE BY MR.**  
16 **HIGHSMITH, COULD YOU PLEASE BRIEFLY SUMMARIZE THE**  
17 **PRIMARY RECOMMENDATIONS PRESENTED IN YOUR DIRECT**  
18 **TESTIMONY REGARDING THE PENSION SETTLEMENT**  
19 **ADJUSTMENT BALANCING ACCOUNT (PSABA)?**

20 A. In my direct testimony, I recommend that the amount to be recorded in the  
21 PSABA be calculated as the difference between the \$11.9 million pension  
22 settlement loss RMP included in its general rate case filing, which was the  
23 amount explicitly approved for recovery in rates by the PSC in its

24 December 30, 2020 Order in Docket No. 20-035-04, and the amount of  
25 pension settlement loss or pension settlement gain actually realized by  
26 RMP each year. Each of these amounts should be included in the  
27 calculation on a Utah jurisdictional basis. In other words, I recommend  
28 that the PSABA Base amount to be used in the annual PSABA deferral  
29 calculations be set at \$11.9 million on a total Company basis. The  
30 reasons for setting the PSABA Base amount at \$11.9 million is addressed  
31 extensively in my direct testimony and will not be repeated herein. I also  
32 recommend in my direct testimony that the parties, inclusive of RMP, be  
33 permitted to petition the PSC to request the implementation of a surcredit  
34 or surcharge after the review of the annual PSABA reporting if the balance  
35 in the PSABA reaches a threshold of +/- \$10 million on a Utah  
36 jurisdictional basis.

37 **Q. DO ANY OF THE RECOMMENDATIONS PRESENTED IN YOUR**  
38 **DIRECT TESTIMONY CHANGE AS A RESULT OF THE REBUTTAL**  
39 **TESTIMONY FILED BY RMP WITNESS NICHOLAS L. HIGHSMITH?**

40 A. No. I continue to firmly stand by the recommendations presented in my  
41 direct testimony in this proceeding. Silence on any specific statements  
42 contained in Mr. Highsmith's rebuttal testimony should not be interpreted  
43 as agreement with RMP's position.

44 **Q. WHAT IS THE PRIMARY ISSUE FOR THE PUBLIC SERVICE**  
45 **COMMISSION (PSC) TO DECIDE IN THIS PROCEEDING?**

46 A. In my opinion, the single most important issue for the PSC to decide in this  
47 proceeding is the PSABA Base amount, which is the amount of pension  
48 settlement losses to which the actual pension settlement losses (or gains)  
49 will be compared in the annual PSABA calculations. Is the PSABA Base  
50 amount \$11.9 million or \$7.9 million on a total Company basis? In  
51 evaluating this issue, I recommend the PSC consider two key questions.

52

53 The first key question is what amount of pension settlement loss did the  
54 PSC approve for recovery in rates - \$11.9 million or \$7.9 million on a total  
55 Company basis? Both the OCS and the DPU contend that the PSC  
56 explicitly approved recovery of \$11.9 million in settlement losses for  
57 recovery in rates effective January 1, 2021 in its December 30, 2020  
58 Order in the GRC, while RMP contends that it is only recovering \$7.9  
59 million in rates.

60

61 The second key question is whether RMP should be made whole through  
62 the operation of the PSABA for an error it made in the general rate case  
63 proceeding, which RMP knew about and made a conscious decision not to  
64 correct during the course of the GRC. If RMP is held to the amount  
65 specifically identified by the PSC as included in rates in the 2021 GRC  
66 Order, the PSABA Base should be \$11.9 million on a total Company  
67 basis. This is the amount of PSABA Base advocated by the OCS and  
68 DPU in this proceeding. Setting the PSABA Base at \$7.9 million on a total

69 Company basis, as advocated by RMP, would make RMP whole for the  
70 error it knew about during the GRC and chose not to correct during the  
71 course of the GRC.

72 **Q. DOES MR. HIGHSMITH DISCUSS THE TIMING OF WHEN THE**  
73 **COMPANY BECAME AWARE OF THE ERROR MADE IN ITS**  
74 **GENERAL RATE CASE FILING?**

75 A. Yes. In discussing the timing of when the Company became aware of the  
76 impact of the change in accounting and resulting incorrect assumptions  
77 used in the revenue requirement calculations, Mr. Highsmith states on  
78 lines 77 – 79 of his rebuttal testimony as follows: “For purposes of  
79 calculating revenue requirement, the Company became aware of the  
80 change related to pension settlement losses around August 2020 and fully  
81 aware of all the impacts to revenue requirement in 2021.” This awareness  
82 by RMP of the error in August 2020 is well before RMP’s revenue  
83 requirement rebuttal testimonies were filed in the 2021 GRC on October 5,  
84 2020.

85 **Q. GIVEN THE ACKNOWLEDGED AWARENESS OF THE INCORRECT**  
86 **ACCOUNTING ASSUMPTION CONTAINED IN THE RATE CASE**  
87 **FILING BY “AROUND AUGUST 2020”, ARE YOU AWARE OF ANY**  
88 **REASONS THAT RMP COULD NOT HAVE DETERMINED ALL OF THE**  
89 **IMPACTS TO REVENUE REQUIREMENT CAUSED BY THE ERROR**  
90 **OR INCORRECT ACCOUNTING ASSUMPTION?**

91 A. No. While Mr. Highsmith states that the Company was “fully aware of all  
92 the impacts to revenue requirement in 2021”, I see no reason why all of  
93 the impacts could not have been easily determined and incorporated in  
94 the Company’s October 5, 2021 rebuttal filing. As explained in my direct  
95 testimony, at lines 382 – 386, the change in accounting rules discussed in  
96 Mr. Highsmith’s direct testimony, which were effective January 1, 2018,  
97 result in only the service cost component of both pension costs and other  
98 post-retirement benefit costs being eligible for capitalization. I am not  
99 aware of any factors that would have caused RMP to be unable to correct  
100 the pension costs, inclusive of the pension settlement loss component, or  
101 the post-retirement benefit costs incorporated in its general rate case filing  
102 as part of its rebuttal filing.

103 **Q. DID MR. HIGHSMITH ADDRESS THE REASON WHY THE COMPANY**  
104 **DID NOT CORRECT THE ACCOUNTING ASSUMPTION ERROR IN ITS**  
105 **REBUTTAL FILING IN THE 2021 GRC?**

106 A. Mr. Highsmith’s rebuttal testimony is silent regarding why RMP chose not  
107 to correct the remaining non-settlement loss components of the pension  
108 costs or the other post-retirement benefit costs in its rebuttal filing in the  
109 2021 GRC. However, when addressing why RMP did “not make a  
110 correction for the pension settlement loss in the rebuttal filing of the 2021  
111 GRC”, he states as follows on lines 82 – 87 of his rebuttal testimony:

112 As provided in the direct testimony of Ms. Nikki Kobliha in the 2021  
113 GRC, the Company’s recommendation was to include the projected  
114 pension settlement loss in base rates. This primary recommendation

115 was maintained by Ms. Koblaha in her rebuttal testimony. Updating  
116 the calculation of the revenue requirement in the 2021 GRC for  
117 pension settlement loss would have resulted in a higher requested  
118 rate change for customers.  
119

120 Based on this explanation, it appears that RMP decided not to correct the  
121 accounting assumption error, at least to the extent that the error impacted  
122 the pension settlement loss component of the pension costs, because the  
123 correction would have “resulted in a higher requested rate change for  
124 customers.”

125 **Q. ARE YOU AWARE OF ANY OTHER REASONS WHY RMP DECIDED**  
126 **NOT TO CORRECT THE ACCOUNTING ASSUMPTION ERROR IN ITS**  
127 **REBUTTAL FILING IN THE 2021 GRC?**

128 A. As explained in the confidential section of my direct testimony, at lines 462  
129 – 475, **\*\*\*BEGIN CONFIDENTIAL\*\*\*** [REDACTED]

130 [REDACTED]

131 [REDACTED]

132 [REDACTED]

133 [REDACTED]

134 [REDACTED]

135 [REDACTED]

136 [REDACTED]

137 [REDACTED]

138 [REDACTED]

139 [REDACTED]

140 [REDACTED]

141 [REDACTED]

142 [REDACTED]  
143 [REDACTED]  
144 [REDACTED]  
145 [REDACTED]  
146 [REDACTED]  
147 [REDACTED]  
148 [REDACTED]

149 **\*\*\*END CONFIDENTIAL\*\*\***

150 **Q. IS MR. HIGHSMITH’S EXPLANATION OF WHY THE KNOWN ERROR**  
151 **WAS NOT CORRECTED IN THE COMPANY’S 2021 GRC REBUTTAL**  
152 **TESTIMONY AT ODDS WITH OTHER STATEMENTS MADE IN HIS**  
153 **REBUTTAL TESTIMONY IN THIS PROCEEDING?**

154 **A.** Yes. As discussed above, Mr. Highsmith’s explanation for why the known  
155 accounting assumption error was not corrected in RMP’s 2021 GRC  
156 rebuttal testimonies was, at least in part, because “Updating the  
157 calculation of the revenue requirement in the 2021 GRC for pension  
158 settlement loss would have resulted in a higher requested rate change for  
159 customers.” He also explained that the Company’s primary  
160 recommendation in the 2021 GRC was that the projected pension  
161 settlement loss would be included in base rates. Thus, based on his  
162 explanation, RMP knew that the requested rate change was lower due to  
163 the error and made a decision not to correct that error.

164



165 In the current proceeding, at lines 148 – 153 of his rebuttal testimony, Mr.  
166 Highsmith states:

167 The Company has acknowledged an incorrect accounting  
168 assumption was used in the calculation of the revenue requirement  
169 from the 2021 GRC to set customer rates; however, this error should  
170 not disregard the fundamental intent of the PSABA. This balancing  
171 account was created to track the difference between the amount of  
172 pension settlement loss included in customer rates and the actual  
173 amount expensed. Furthermore, this error should not result in  
174 chronic under-earning. ...  
175

176 Thus, during the course of the rate case proceeding when the Company  
177 was aware of the impacts of the error, it chose not to increase its revenue  
178 requirement request to correct the error. If RMP felt that the error could  
179 have a negative impact on its earnings, it could have corrected the error in  
180 the 2021 GRC rebuttal filing. RMP made a conscious decision not to do  
181 so.

182 **Q. WILL SETTING THE PSABA BASE AT THE \$11.9 MILLION (TOTAL**  
183 **COMPANY BASIS) SPECIFIED IN THE PSC’S ORDER IN THE 2021**  
184 **RESULT IN “CHRONIC UNDER-EARNING” FOR RMP AS**  
185 **SUGGESTED BY MR. HIGHSMITH?**

186 A. As mentioned above, RMP chose not to correct the accounting  
187 assumption error in its 2021 GRC even though correction of the impact of  
188 the accounting assumption error on the forecasted pension settlement  
189 loss would have increased the revenue requirements. Whether or not  
190 RMP is unable to achieve its authorized rate of return is dependent on  
191 many factors. If RMP forecasts that it will under-earn, it has the ability to

192 file a general rate case. Similarly, if RMP had forecasted during the rate  
193 case proceeding that the error in the accounting assumptions for pension  
194 costs and other post-retirement benefit costs would cause it to be unable  
195 to achieve its authorized rate of return, it could have corrected the error  
196 during the rate case.

197 **Q. ARE THERE ANY ADDITIONAL STATEMENTS MADE BY MR.**  
198 **HIGHSMITH THAT YOU WISH TO ADDRESS?**

199 A. Yes. When addressing the discussion of the initial amount for inclusion in  
200 the PSABA balancing account in RMP's Response in Opposition to  
201 Petition for Review, Reconsideration, or Rehearing in his rebuttal  
202 testimony, at lines 104 – 105 Mr. Highsmith states: "I think this illustrates  
203 the complexity of the issue and misunderstanding of the accounting." I  
204 am not sure what "misunderstanding of the accounting" Mr. Highsmith is  
205 referencing to in this statement. It is correct that RMP's rate case filing in  
206 Docket No. 20-035-04 included errors due to RMP's failure to include the  
207 impacts of a change in accounting standards in its revenue requirement  
208 calculations. RMP was aware of the errors approximately six months  
209 before filing its Response in Opposition to Petition for Review,  
210 Reconsideration, or Rehearing on February 16, 2021 and thus should not  
211 have "misunderstood" the accounting when the response was submitted.  
212 Additionally, I do not "misunderstand" how the costs were accounted for in  
213 the Company's 2021 GRC, if that is what is meant by Mr. Highsmith.

214 **Q. DOES THIS COMPLETE YOUR PREFILED SURREBUTTAL**  
215 **TESTIMONY?**

216 **A. Yes.**

CERTIFICATE OF SERVICE  
Docket No. 21-035-14

I CERTIFY that on August 3, 2021 a true and correct copy of the foregoing **Redacted Surebuttal Testimony of Donna Ramas on behalf of the Office of Consumer Services** was served upon the following:

By E-Mail:

Data Request Response Center [datareq@pacificorp.com](mailto:datareq@pacificorp.com), [utahdockets@pacificorp.com](mailto:utahdockets@pacificorp.com)  
*PacifiCorp*

Jana Saba [jana.saba@pacificorp.com](mailto:jana.saba@pacificorp.com)  
Joelle Steward [joelle.steward@pacificorp.com](mailto:joelle.steward@pacificorp.com)  
Emily Wegener [emily.wegener@pacificorp.com](mailto:emily.wegener@pacificorp.com)  
*Rocky Mountain Power*

Patricia Schmid [pschmid@agutah.gov](mailto:pschmid@agutah.gov)  
Justin Jetter [jjetter@agutah.gov](mailto:jjetter@agutah.gov)  
*Assistant Utah Attorneys General for DPU*

Chris Parker [chrisparker@utah.gov](mailto:chrisparker@utah.gov)  
Artie Powell [wpowell@utah.gov](mailto:wpowell@utah.gov)  
Madison Galt [mgalt@utah.gov](mailto:mgalt@utah.gov)  
[DPUdatarequest@utah.gov](mailto:DPUdatarequest@utah.gov)  
*Division of Public Utilities*

Phillip Russell [prussell@jdrslaw.com](mailto:prussell@jdrslaw.com)  
Kevin C Higgins [khiggins@energystrat.com](mailto:khiggins@energystrat.com)  
Courtney Higgins [chiggins@energystrat.com](mailto:chiggins@energystrat.com)  
*Utah Association of Energy Users*

/s/ Alyson Anderson

Alyson Anderson, Utility Analyst  
Utah Office of Consumer Services