

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Rocky Mountain Power’s Application for)	Docket No. 21-035-42
Alternative Cost Recovery for Major Plant)	Direct Testimony
Additions of the Pryor Mountain and TB Flats)	of Michele Beck
Wind Projects)	For the Utah Office of
)	Consumer Services

OCTOBER 6, 2021

REDACTED VERSION

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

2 A. My name is Michele Beck. I am the director of the Utah Office of Consumer
3 Services (OCS) located at 160 East 300 South Salt Lake City, Utah.

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

5 A. I will present the OCS's position that Rocky Mountain Power's (RMP) application
6 for alternative cost recovery for major plant additions (MPA) of the Pryor Mountain
7 and TB Flats wind projects does not meet the statutory requirements for a major
8 plant addition. Furthermore, I explain that RMP mischaracterizes this filing as a
9 rate reduction and that, if approved, this filing would set a precedent for future
10 misuse of the MPA statute.

11 **Q. DOES RMP ASSERT THAT ITS APPLICATION MEETS THE
12 STATUTORY REQUIREMENTS FOR AN MPA FILING?**

13 A. Yes, but the calculations provided by RMP are misleading and do not provide a
14 complete picture of the regulatory treatment of the investments at issue in this
15 docket.

16 **Q. DO YOU AGREE THAT RMP'S APPLICATION HAS SHOWN THAT
17 THESE INVESTMENTS MEET THE REQUIREMENTS OF AN MPA?**

18 A. No.

19 **Q. PLEASE EXPLAIN.**

20 A. As a preliminary matter, I note that the Pryor Mountain and TB Flats wind projects
21 are not new plant *additions* that have not already been considered by the PSC. Both
22 projects were approved in RMP's recent general rate case (GRC), Docket Number

23 20-035-04, and are already included in base rates calculated on an average test year
24 basis. RMP did not make any new capital investments at issue in this docket. As
25 RMP witness Steven R. McDougal indicated, RMP is only “requesting in this
26 docket a rate change associated with the unrecovered portions of the Pryor
27 Mountain and TB Flats wind projects.”¹ He acknowledged that RMP sought full
28 recovery in the GRC, which was not granted by the PSC.² RMP did not request
29 reconsideration of the PSC’s order in the GRC. Yet it now seeks to misuse the major
30 plant addition statute to recover the portion of these existing rate base projects that
31 were not included in the test year utilized in the rate case.

32 **Q. WHY IS RMP’S REGULATORY APPROACH A CONCERN?**

33 A. RMP controls when they file to request cost recovery of new resources investments
34 (either in a GRC or other appropriate filing), as well as what test year to propose.
35 Further, Utah statutes give utilities a favorable forecast test year option, allowing
36 up to a twenty-month forward test year.³ The MPA statute was contemplated for
37 new investments within close time proximity to the general rate case to eliminate
38 the need for the full rate review when it has been done recently. To use the MPA
39 statute for recovery of incremental revenue requirements on plant investment that
40 has already been approved (and included in base rates for the months of the test
41 year projected to be in service) really just subverts the test year policy.

¹ McDougal Direct at ln. 53-54.

² *Id.* at ln. 35.

³ Utah Code § 54-4-4(3)(b)(i).

42 **Q. DO THE PRYOR MOUNTAIN AND TB FLATS PROJECTS MEET THE**
43 **1% OF RATE BASE THRESHOLD ESTABLISHED IN THE STATUTE?**

44 A. No. RMP Witness McDougal testifies that one percent of Utah's rate base is \$75.6
45 million.⁴ However, his Confidential Exhibit SRM-1, pages 1.1 and 1.2⁵, shows that
46 RMP is only requesting an additional \$[REDACTED] million of capital investment for
47 inclusion in rate base for TB Flats and an additional \$[REDACTED] million of capital
48 investment for inclusion in rate base for Pryor Mountain. Both requests are below
49 the 1% threshold as is the total request in aggregate. Once again I note that neither
50 request reflects new investment but are simply incremental requests in this MPA
51 docket, as partially evidenced by the headings used by RMP in this exhibit. To give
52 further context to the incremental nature of this request, these same pages of Exhibit
53 SRM-1 specifically quantify the incremental portion of the total revenue
54 requirement associated with these investments. This MPA filing is requesting only
55 a small portion of the total revenue requirement, specifically [REDACTED]% of the total
56 plant revenue requirement of TB Flats and [REDACTED]% of Pryor Mountain⁶.

57 Thus, RMP's application does not meet the statutory requirements because
58 these are not new plant additions, as costs have already been approved in RMP's

⁴ McDougal Direct In. 58-59.

⁵ Page 1.1 and 1.2 of RMP Exhibit SRM-1 are reproduced as a Confidential Exhibit OCS 1.1D attached to this testimony with no alteration except to highlight the numbers referenced in this answer.

⁶ These percentages are calculated using the column entitled "TB Flats (page 1.1)/Pryor Mountain (page 1.2) Total Company" and "Incremental MPA Filing: Total Company" columns from line 9: Total Plant Revenue Requirement.

59 recent general rate case. This is simply a request for incremental cost recovery, and
60 even those incremental costs do not exceed the 1% threshold as required by statute.

61 **Q. RMP CLAIMS ITS REQUEST IS A RATE REDUCTION TO CUSTOMERS.**
62 **DO YOU AGREE WITH THIS CHARACTERIZATION?**

63 A. No. RMP is requesting the incremental amount of revenue requirement to be able
64 to collect the full amount of costs associated with TB Flats and Pryor Mountain
65 after considering the portion already included in base rates. This will result in a
66 small rate increase. RMP characterizes it as a rate decrease by including the
67 production tax credits and other power cost impacts from these projects. Because
68 of the current design of the Energy Balancing Account (EBA), the production tax
69 credits and power cost benefits from TB Flats and Pryor Mountain not already
70 included in base rates will flow through to customers in the year subsequent to the
71 time the benefit is generated via the EBA true-up. This EBA design currently allows
72 this true-up, in part, because of changes made in the recent general rate case to
73 include PTCs in the EBA, a change proposed by RMP. The only new change RMP
74 proposes in this docket is to reset the EBA such that these PTC and power costs
75 benefits will be incorporated in base rates rather than in Schedule 94, which collects
76 the EBA true-up revenues.

77 **Q. DOES RMP ACKNOWLEDGE THAT CUSTOMERS WILL CURRENTLY**
78 **RECEIVE THE PTC AND NPC BENEFITS FROM TB FLATS AND**
79 **PRYOR MOUNTAIN?**

80 A. RMP addresses this issues inconsistently. While RMP witness McDougal indicates
 81 that this filing better matches costs and benefits, stating that "...the cost and
 82 benefits are only matched for the calendar year 2021 test year. Afterwards, the pro-
 83 rated capital and depreciation costs of the Pryor Mountain and TB Flats wind
 84 project will remain embedded in customer rates until the next general rate case, yet
 85 the NPC and PTC benefits are tracked and trued-up through the EBA and included
 86 for a full, annualized level."⁷ This statement acknowledges that customers will
 87 receive the PTC and NPC benefits regardless of the outcome of this MPA case.
 88 However, he also includes the following table:
 89

Table 1

\$-Dollars	TB Flats	Pryor Mountain	TOTAL
Total Plant Revenue Requirement	4,760,098	1,973,728	6,733,826
PTC Revenue Requirement	(5,039,144)	(1,753,299)	(6,792,442)
Allocation Factor Impact	(408)	3,493	3,085
Total Before NPC	(279,453)	223,921	(55,532) (1)
Net Power Costs			(4,107,441) (2)
Rev. Requirement			(4,162,973)

(1) Exhibit RMP__(SRM-1), pages 1.1 and 1.2

(2) Exhibit RMP__(SRM-1), page 1.0

90
 91 I note that in this table Witness McDougal labels the incremental project cost as
 92 Total Plant Revenue Requirement, but I confirmed the numbers with Exhibit SRM-

⁷ McDougal Direct at ln. 47-51.

93 1 to verify that his Table 1 contains incremental project costs only. Further, Mr.
94 McDougal states, “The requested incremental revenue requirement results in a net
95 decrease in rates because the incremental plant costs are offset by incremental PTCs
96 and NPC savings.”⁸ This statement belies the fact that the offsetting PTCs and NPC
97 savings will, in fact, be passed through to customers absent approval of this filing.

98 **Q. RMP CLAIMS ITS PROPOSAL IN THIS DOCKET ALSO BETTER**
99 **MATCHES THE TIMING OF COSTS AND BENEFITS.⁹ HOW DO YOU**
100 **RESPOND?**

101 A. OCS generally supports matching but also believes that following the legally
102 established process is critical for maintaining the public interest. Thus, it must be
103 recognized that while RMP’s proposal results in a small improvement in matching
104 for these specific projects, it does so at the expense of a balanced allocation of risk.

105 RMP has many favorable regulatory mechanisms – EBA without sharing
106 mechanism, forward test year, MPA, pre-approval processes for new resources. In
107 total, these reduce risk and regulatory lag. RMP receives a reasonable rate of return
108 in part to compensate for risk. In my opinion, the allocation of risk between
109 consumers and the utility is certainly tipped toward the utility even though current
110 processes may not provide an ability to recover every penny as soon as incurred.
111 RMP has the choice of when to file, what test year to use, whether to include

⁸ *Id.* at ln. 68.

⁹ *Id.* ai ln. 45-51.

112 delayed projects, which might result in only partial rate recovery, or wait and file
113 the project in a subsequent regulatory process.

114 **Q. DO YOU SEE ANY OTHER PROBLEMS WITH RMP'S**
115 **IMPLEMENTATION OF THE MPA IN THIS DOCKET?**

116 A. Yes. If approved, using the MPA statute in this manner will set a bad precedent and
117 fundamentally affect regulatory processes and risks. RMP has the option to use a
118 future test period approach in GRCs and avails itself of this option. Plant
119 investments that are projected to be placed in service during the future test period
120 are included in plant in service in rate base for the months of the test period for
121 which the plant investments are projected to be in service. The projected addition
122 of large capital investments during a future test period instead of prior to the start
123 of the test period is not a unique circumstance. It appears that RMP is again entering
124 a period of significant investment and while it could be difficult to time regulatory
125 filings and test years, the PSC must not allow a solution where RMP can continue
126 to misuse the MPA statute to recover incremental revenue requirement even though
127 no new capital investments have been made that were not already considered in the
128 test period. This approach is inconsistent with the purpose of the MPA statute and
129 provides convenience and additional risk reduction to the utility without benefit to
130 the customers.

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

132 A. Yes.