

**–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–**

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<b>IN THE MATTER OF THE APPLICATION OF</b>	)	
<b>ROCKY MOUNTAIN POWER FOR</b>	)	<b>DOCKET No. 21-035-42</b>
<b>ALTERNATIVE COST RECOVERY FOR MAJOR</b>	)	<b>Exhibit No. DPU 4.0 DIR</b>
<b>PLANT ADDITIONS OF THE PRYOR MOUNTAIN</b>	)	<b>Direct Testimony of</b>
<b>AND TB FLATS WIND PROJECTS</b>	)	<b>Gary Smith</b>
	)	

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**Redacted**

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

Direct Testimony of

Gary Smith

October 6, 2021

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

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

4 **Q. BRIEFLY OUTLINE YOUR BACKGROUND.**

5 A. I am a Technical Consultant for the Division and have testified before the Public Service  
6 Commission of Utah (Commission) in water, telecommunications, and energy matters. I  
7 received a Bachelor of Science degree in Economics from the University of Utah.

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

9 A. The Division.

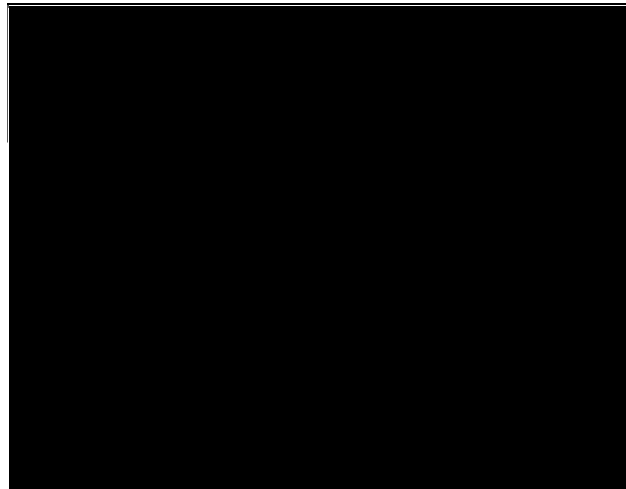
10 **Q. PLEASE SUMMARIZE THE PURPOSE OF YOUR TESTIMONY.**

11 A. The purpose of my testimony is to present the Division's position related to system net  
12 power cost (NPC) and production tax credits (PTC) presented in Rocky Mountain Power's  
13 (RMP or Company) application for cost recovery associated with the Pryor Mountain and  
14 TB Flats Wind Projects not included in the 2020 General Rate Case (GRC or 2020 GRC)  
15 customer rates.

16 **Q. WHAT CHANGE TO NET POWER COST HAS THE COMPANY PROPOSED IN**  
17 **ITS APPLICATION?**

18 A. The Company presented a proposed forecast Utah allocated net power cost reduction of  
19 [REDACTED]<sup>1</sup> resulting from the completed portions of the Pryor Mountain and TB Flats  
20 Wind Projects not included in the 2020 General Rate Case customer rates. The calculated  
21 NPC changes provided by the Company are summarized in the following DPU Table 1.

22 **DPU Table 1**



23  
24 The Company calculated the incremental annualized level of net power cost reduction for  
25 both the Pryor Mountain and TB Flats projects by using the forecasted net power cost  
26 models from the 2020 GRC adjusted to assume that the wind plants were online the entire  
27 year.<sup>3</sup>


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<sup>1</sup> Docket No. 21-035-42, Rocky Mountain Power's Application for Alternative Cost Recovery for Major Plant Additions of the Pryor Mountain and TB Flats Wind Projects, Calculation of Operating Revenue before taxes and other adjustments, Conf Exhibit RMP\_SRM-1, pages 1 and 4, Conf Exhibit RMP\_SRM-1, 6R.

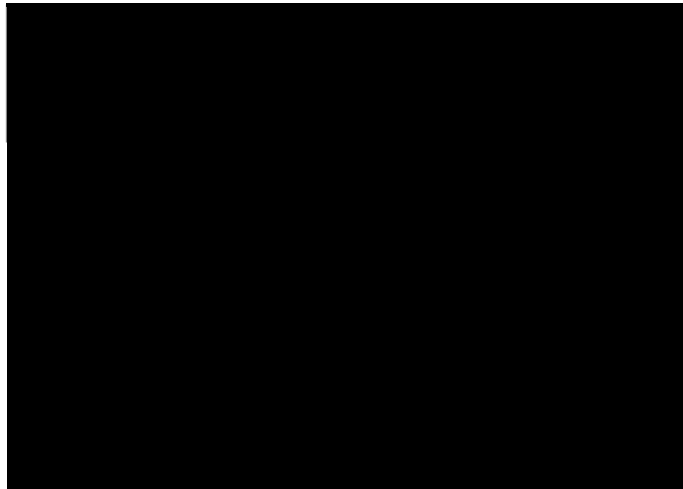
<sup>2</sup> Ibid.

<sup>3</sup> Docket No. 21-035-42, Confidential Direct Testimony of Steven R. McDougal, page 8, lines 162-166.

28 **Q. WHAT CHANGE TO PRODUCTION TAX CREDITS HAS THE COMPANY**  
29 **PROPOSED IN THIS APPLICATION?**

30 A. The Company presented a proposed forecast Utah allocated PTC benefit increase of  
31 <sup>4</sup> from the increased generation at the completed portions of the Pryor Mountain  
32 and TB Flats Wind Projects not included in the 2020 General Rate Case customer rates. The  
33 calculated PTC incremental benefit provided by the Company is summarized in the  
34 following DPU Table 2.

35 **DPU Table 2**



36  
37 The Company calculated the incremental annualized level of PTC benefits for both the

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<sup>4</sup> Docket No. 21-035-42, Conf Exhibit RMP\_SRM-1, pages 1-3.

<sup>5</sup> Ibid.

38 Pryor Mountain and TB Flats projects using the same PTC rate and Tax Gross-up as  
39 assumed in the 2020 GRC.<sup>6</sup>

40 **Q. IS THE COMPANY PROPOSING TO RESET THE NPC AND ADJUST THE PTC**  
41 **BASE IN THE ENERGY BALANCING ACCOUNT BASE?**

42 A. Yes, the Company has requested its proposed forecast NPC and PTC changes be included in  
43 base rates for the Energy Balancing Account (EBA), effective January 1, 2022.<sup>7</sup>

44 **Q. WHAT DOES THE DIVISION RECOMMEND REGARDING THE PROPOSAL TO**  
45 **RESET THE NPC AND ADJUST THE PTC BASE IN THE EBA?**

46 A. The Division's position on the Company's ability to change base EBA rates outside of a  
47 general rate case is presented in the Direct Testimony of Dr. William Powell. The Division,  
48 in addition to the position presented in Dr. Powell's testimony, recommends a review of the  
49 actual net power cost and wind generation performance in evaluating the Company's request  
50 to adjust the NPC and PTCs approved in the 2020 GRC.

51 **Q. IN VIEW OF THE COMPANY'S REQUEST FOR CHANGES TO NET POWER**  
52 **COST AND WIND GENERATION, WHAT DOES A REVIEW OF THE**  
53 **COMPANY'S ACTUAL PERFORMANCE INDICATE?**

54 A. In response to the Division's fourth data request seeking actual results for the Pryor  
55 Mountain and TB Flats wind projects, the Company referred the Division to the confidential  
56 second quarter actual results filed in Docket No. 21-035-01, the EBA cost adjustment filing,

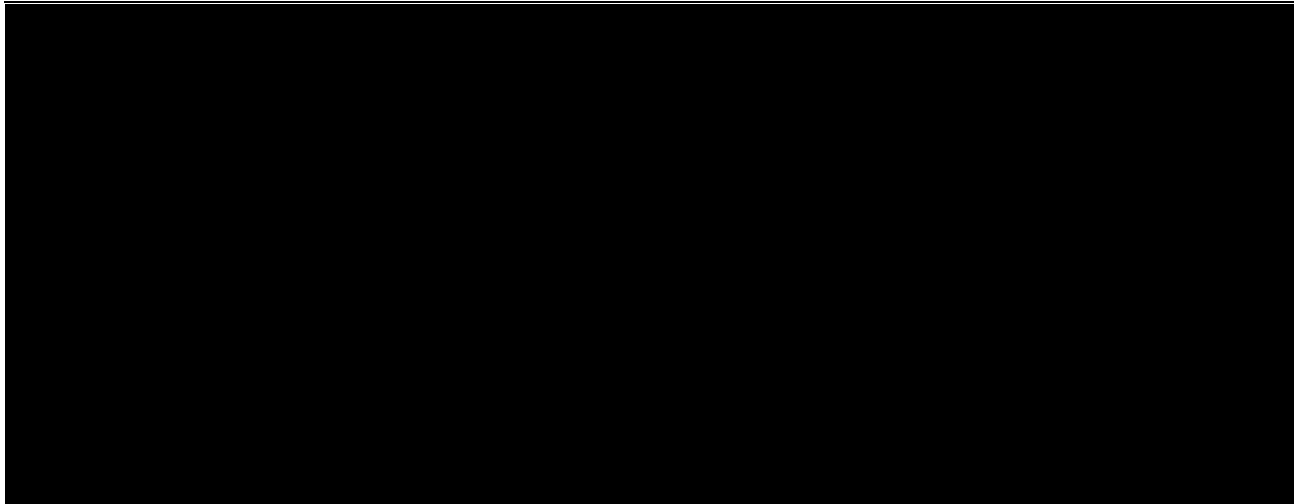
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<sup>6</sup> Docket No. 21-035-42, Conf Exhibit RMP\_SRM-1, pages 1-6.

<sup>7</sup> Docket No. 21-035-42, Confidential Direct Testimony of Steven R. McDougal, page 9, lines 169-176.

57 and provided additional confidential exhibits related to forecasted and actual results. Exhibit  
58 (Attach\_DPU\_4.1-1) provides actual monthly generation for Pryor Mountain and TB Flats,  
59 Exhibit (Attach\_DPU\_4.1-2\_Conf) provides the generation forecasts for the Pryor Mountain  
60 and TB Flats used in the 2020 General Rate Case, and Exhibit (Attach\_DPU\_4.3\_Conf)  
61 provides base and actual NPC. The Division compared the actual realized NPC to the NPC  
62 approved in the 2020 General Rate Case and found that the actual NPC exceeded the GRC  
63 forecast by [REDACTED] The Utah allocated comparison for the period January  
64 through June 2021 is found below in DPU Table 3.

65 **DPU Table 3**



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67 The Division also compared the net power cost from the GRC, plus the addition of the  
68 proposed incremental NPC filed in this docket, with the Company's actual results for

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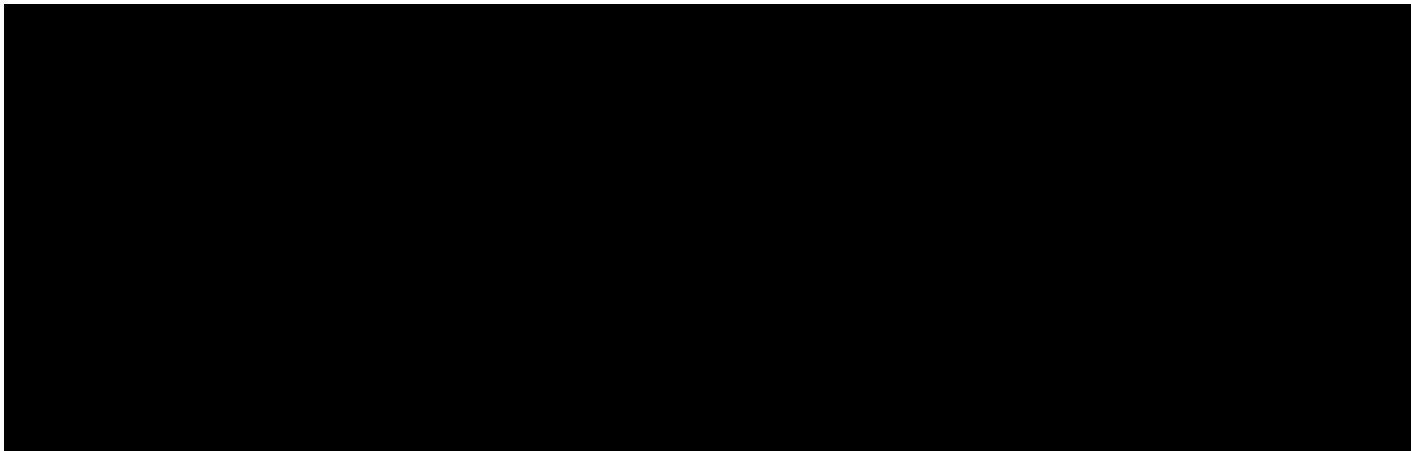
<sup>8</sup> Docket No. 21-035-42, Data Request 4, Attach DPU 4.3 Conf., (3.3) Base UTGRC20, UT allocation calculated.

<sup>9</sup> Ibid. Conf., (2.5) Actual NPC, UT allocation calculated.

69 January through June 2021 and found that actual NPC exceeded the GRC NPC by  
70 [REDACTED] The Utah allocated comparison is found below in DPU Table 4.

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72 **DPU Table 4**



73

74 The Division reviewed and compared the actual generation of the Pryor Mountain and TB  
75 Flats wind projects for January through June 2021 to the generation and PTCs approved in  
76 the 2020 GRC. Actual generation was [REDACTED] lower than the GRC forecast  
77 performance in rates, resulting in a calculated loss of [REDACTED] in PTC benefits. The Utah  
78 allocated comparison for the period January through June 2021 is found below in DPU  
79 Table 5.

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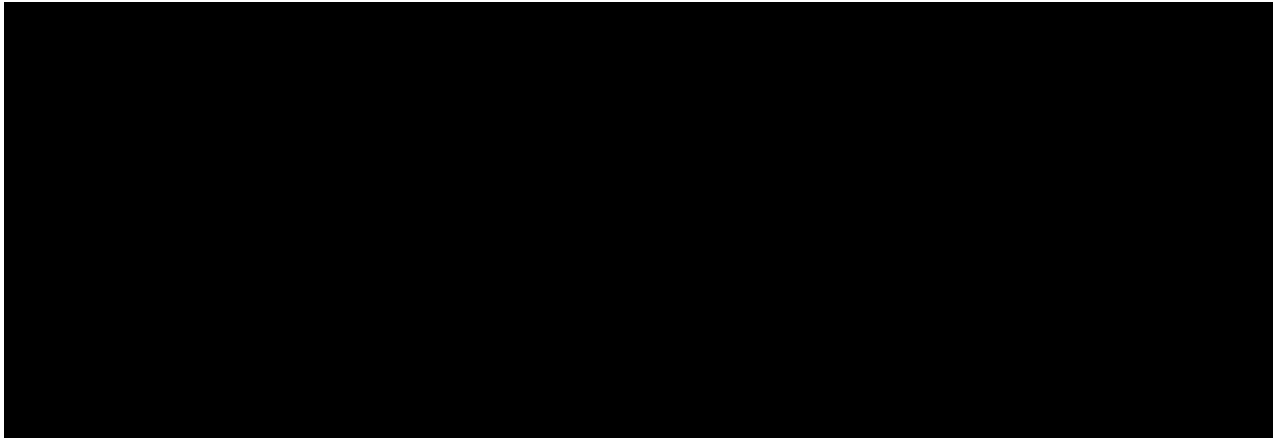
<sup>10</sup> Docket No. 21-035-42, Data Request 4, Attach DPU 4.3 Conf., (3.3) Base UTGRC20, UT allocation calculated.

<sup>11</sup> Docket No. 21-035-42, Conf Exhibit RMP\_SRM-1, pages 1 and 4, Conf Exhibit RMP\_SRM-1, 6R.

<sup>12</sup> Docket No. 21-035-42, Data Request 4, Attach DPU 4.3 Conf., (2.5) Actual NPC, UT allocation calculated.

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**DPU Table 5**



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The Division also compared the forecast generation and PTCs approved in the 2020 GRC

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for the Pryor Mountain and TB Flats wind projects for January through June 2021, plus the

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MPA proposed incremental generation, to the Company's reported actual results. The

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proposed incremental generation results in a calculated decrease of [REDACTED] and a loss of

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[REDACTED] in PTCs. The Utah allocated comparison is found below in DPU Table 6.

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<sup>13</sup> Docket No. 21-035-42, RMP\_SRM-1, pages 2.1, 3.1, Data Request 4, Attach DPU 4.1-2 Conf., UT allocation calculated.

<sup>14</sup> Docket No. 21-035-42, Data Request 4, Attach DPU 4.1-1, UT allocation calculated.



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**DPU Table 6**



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90 **Q. IN SUMMARY, WHAT IS THE DIVISION’S POSITION IN THIS MATTER?**

91 A. The Company’s actual net power cost exceeded the level set in the 2020 general rate case by  
92 over [REDACTED] on a Utah allocated basis for the period of January through June  
93 2021. During this time, the Company lost approximately [REDACTED] in unrealized production  
94 tax credit benefits. The Company has suggested delays related to the Pryor Mountain and  
95 TB Flats projects may account for some of these unrealized production benefits. If the  
96 incremental portion of the Pryor Mountain and TB Flats projects had been approved in the  
97 2020 general rate case, the Company would have realized a greater approximated loss of  
98 almost [REDACTED] in PTCs and increased NPC of [REDACTED] over approved rates, as  
99 calculated in DPU Tables 4 and 6 above. The apparent underperformance compared to base

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<sup>15</sup> Docket No. 21-035-42, RMP\_SRM-1, pages 2.1, 3.1, Data Request 4, Attach DPU 4.1-2 Conf., UT allocation calculated.

<sup>16</sup> Docket No. 21-035-42, Conf Exhibit RMP\_SRM-1, pages 1-3.

<sup>17</sup> Docket No. 21-035-42, Data Request 4, Attach DPU 4.1-1., UT allocation calculated.

100 rates creates a large EBA deferral amount that will be recovered as a bill surcharge in a  
101 future EBA filing. This “true-up” to actual performance allows the Company’s recovery of  
102 100% of its prudently incurred costs as determined and approved by the Commission. The  
103 level of unrealized 2021 reported results compared to existing base rates casts significant  
104 doubt on the necessity to adjust base rates downward at this time. If the original forecast is  
105 proving to be durably inaccurate, adding to that inaccuracy would not be in the public  
106 interest.

107 The Company has requested its proposed forecast NPC and PTC changes be included in  
108 base rates for the Energy Balancing Account (EBA), effective January 1, 2022. These  
109 changes would decrease base rates to customers as detailed by Robert M. Meredith.

110 According to the current EBA schedule in Docket No. 21-035-01, the “true-up” for the 2020  
111 deferral period will occur and be effective March 1, 2022. This “true-up,” as requested by  
112 the Company, would change the EBA surcharge portion of customer rates. Utah Code 54-7-  
113 13.5, amended by Chapter 249 during the 2021 legislative general session, allows the  
114 consideration of an interim rate request with an EBA filing. If the Company requests an  
115 interim rate with its March 2022 filing and is granted approval, customers will again see an  
116 additional change to their rates. Utah Code 54-4a-6(4)(e) established to guide the activities  
117 of the Division outlines criteria to “promote stability in rate levels for customers and  
118 revenue requirements for utilities.” The Division recommends cautious consideration of the  
119 Company’s request to change base rates in light of the apparent underperformance of assets  
120 and the instability in rate levels for customers during 2022. The Company may wish to

121 provide additional information about the reasons for the significant underperformance of  
122 wind generation assets in 2021.

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

124 **A. Yes.**