

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

IN THE MATTER OF THE APPLICATION OF)	
ROCKY MOUNTAIN POWER FOR ALTERNATIVE)	DOCKET No. 21-035-42
COST RECOVERY FOR MAJOR PLANT)	Exhibit No. DPU 2.0 SR
ADDITIONS)	

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

SURREBUTTAL TESTIMONY OF

WILLIAM A. POWELL, PhD

NOVEMBER 18, 2021

1 ***Introduction***

2 **Q: Please state your name, employer, and business address.**

3 A: My name is Dr. William “Artie” Powell; my business address is Heber Wells Building,
4 160 East 300 South, Salt Lake City, Utah; I am employed by the Utah Division of Public
5 Utilities (“Division” or “DPU”); my current position is manager.

6 **Q: Are you testifying on behalf of the Division?**

7 A: Yes. I also previously filed direct testimony in this matter on behalf of the Division.

8 **Q: What is the purpose of your testimony?**

9 A: I will address comments made by Rocky Mountain Power (RMP or Company) witnesses
10 Ms. Joelle Steward and Mr. Steve McDougal in rebuttal testimony and clarify the
11 Division’s position on the treatment of production tax credits (PTC).

12 ***Surrebuttal Testimony Summary***

13 **Q: Please summarize your surrebuttal testimony.**

14 A: The Division’s position on RMP’s application remains unchanged from direct testimony.
15 The Company’s application does not meet the one percent statutory requirement and,
16 therefore, the application should be denied. In this testimony, the Division is modifying
17 its recommendation on the treatment of the additional PTCs and other net power cost
18 (NPC) benefits.

19 In setting base NPC in the last general rate case, the capital and other costs, and benefits
20 of the two wind plants were treated on an average-of-period basis. The Division
21 recommends that this treatment continue until the next (and possibly subsequent) energy

22 balancing account filing(s) when actual NPC are trued up with the base NPC. This means
23 that the additional PTCs and other benefits of the two wind plants will flow through the
24 EBA. In a future rate case, the Company can seek recovery of the additional costs not
25 already in customer rates that are the subject of the current application. This treatment
26 would be consistent with any capital investment the Company made that was treated on
27 an average-of-period-basis in a general rate case. Specifically, this treatment is consistent
28 with the design and intent of the EBA.

29 ***Response to Rebuttal Testimony***

30 **Q: In her rebuttal testimony, at lines 45-47, Ms. Steward states, “The economic**
31 **analyses that support the prudence of the investments used projections for full**
32 **project costs, not just the portion of the projects that would fall under an average-**
33 **of-period ratemaking treatment.” Do you agree with this statement?**

34 **A:** Yes, I agree. But the statement misses the point entirely. While the total costs of each
35 plant were considered in the general rate case for a prudence determination, the plants
36 were treated, as Ms. Steward indicates, on an average-of-period basis. Therefore, all
37 capital costs were not included at their full in-service amounts in setting customer rates. It
38 is only the additional costs, the costs not already included in customer rates that the
39 Company is seeking recovery for in this case. The additional costs the Company seeks
40 recovery for in this docket do not meet the one percent of rate base threshold specified in
41 the statute.

42 **Q: At lines 128-130, Ms. Steward states, “The DPU’s recommendation would more**
43 **fairly allow the Company to retain a portion of the benefits to offset the capital costs**
44 **in rates if the Commission denies the application.” Mr. McDougal makes a similar**

45 **statement at lines 82-95. Is the Division recommending that the Company be**
46 **allowed to retain the additional PTCs if the Commission denies the application?**

47 A: No. Upon reading rebuttal testimony and further research and consideration the Division
48 is recommending that the Company's application be denied and that the additional PTC
49 and other NPC benefits should flow through the EBA. Thus, in future EBA filings, base
50 NPC will be trued up to actual NPC consistent with the design and intent of the EBA.

51 **Q: Will you explain the basis for the Division's modified recommendation?**

52 A: The Company's approved tariff, Schedule 94, defines the EBA as, "The mechanism to
53 collect or refund the accumulated difference between Base [EBA Costs] and Actual
54 [EBA Costs]." The EBA statute in Utah Code 54-7-13.5 also contemplates recovery for
55 prudently incurred actual costs. As Mr. McDougal explains in his rebuttal testimony, at
56 lines 94-95, to retain the PTC and other NPC benefits would require the Company to
57 adjust the actual NPC before calculating the monthly EBA deferrals. There is no
58 provision in the tariff that allows for this type of adjustment. Truing up the EBA base to
59 actual NPC includes NPC benefits from generation assets that are in customer rates on an
60 average of period basis during the rate effective period. Similarly, because PTCs are
61 included in the EBA as part of NPC, PTCs should be treated like actual NPC components
62 that flow through the EBA in the normal course.

63 Additionally, the Division has in the past argued that inclusion of PTC in the EBA shifts
64 the production risk of the wind plants to rate payers — through the annual EBA filing the
65 Company can recover any costs associated with a short fall in generation or under-

66 realization of PTCs while the benefits to ratepayers of over-realization is likely to be
67 short lived.¹

68 **Q: If the Commission denies the application and allows the NPC benefits to flow**
69 **through the EBA, will there be a delay before rate payers realize those additional**
70 **benefits?**

71 A: Yes. As Ms. Steward observes, everything else being equal, there will be an approximate
72 two-year delay before customers realize these additional benefits. The additional benefits
73 will be part of actual 2021 NPC included in a Company EBA filing in March 2022, with
74 a rate effective period starting around February 2023.

75 **Q: If the Commission denies the Company's application could the delay in customers**
76 **realizing those additional benefits be shortened?**

77 A: Yes, when the Company files its March 2022 EBA application, the Company or another
78 party could request interim rate treatment. Thus, customers would realize the additional
79 benefits starting approximately in April 2022, shortening the delay by about a year.

80 Again, the intent of the EBA is to true up on an annual basis actual NPC with base NPC,
81 and interim rate treatment is allowed under the EBA statute.

82 **Q: At lines 130-136 of her rebuttal testimony, Ms. Steward suggests a third alternative,**
83 **the Commission could approve the application for recovery and defer the additional**
84 **PTC and other NPC benefits for future recovery? Do you agree that this is a**
85 **reasonable outcome?**

86 A: No. For reasons stated in my direct testimony and previously summarized in this
87 testimony, approval of the Company's application is not in the public interest.

¹ See Gary Smith, Direct Testimony, Docket Nos. 18-035-36 and 20-035-04, September 2, 2020, lines 200 ff.

88 Additionally, deferral of the additional NPC benefits is inconsistent with the design and
89 intent of the EBA. The Company has consistently supported the EBA and sought
90 legislative fixes to the design of the EBA, including eliminating the sharing band that was
91 intended to discipline the Company's NPC procurements. To unnecessarily defer NPC
92 benefits would delay the true up of actual and base NPC and undermines the integrity of
93 the EBA and its process.

94 **Q: Does this conclude your surrebuttal testimony?**

95 A: Yes, it does.