

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

---

**IN THE MATTER OF THE APPLICATION OF  
ROCKY MOUNTAIN POWER FOR  
ALTERNATIVE COST RECOVERY FOR MAJOR  
PLANT ADDITIONS OF THE PRYOR MOUNTAIN  
AND TB FLATS WIND PROJECTS**

)  
)  
)  
)  
)  
)  
)  
)  
)  
)  
)

**DOCKET No. 21-035-42  
Exhibit No. DPU 4.0 SR  
Surrebuttal Testimony of  
Gary Smith**

---

**REDACTED**

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

**Surrebuttal Testimony of**

**Gary Smith**

**November 18, 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. ARE YOU THE SAME GARY SMITH THAT SUBMITTED DIRECT TESTIMONY**  
5 **IN THIS DOCKET ON BEHALF OF THE DIVISION?**

6 A. Yes.

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

8 A. My surrebuttal testimony addresses Rocky Mountain Power's (RMP, Company) concerns  
9 raised in Steven R. McDougal's rebuttal testimony and reaffirms the prudence of evaluating  
10 the Company's request to change Base EBA holistically, by considering actual recent results  
11 in evaluating the necessity of its request. That Electric Schedule 94 may contemplate the  
12 possibility of adjusting Base EBA outside of a general rate case is not sufficient alone  
13 without the evaluation of the possible resulting outcomes. The Company has not adequately  
14 addressed the Division's concerns or provided meaningful supporting evidence indicating  
15 the current trends creating a large EBA deferral in 2021 will not continue into the near  
16 future and beyond. This indicates that the current base net power costs may not be  
17 accurately representing conditions RMP, and its ratepayers can expect to encounter going  
18 forward.

19 Changes to Base EBA have historically occurred during a general rate case. Adjusting Base  
20 EBA to accommodate a single project in isolation, without consideration of actual results

21 and the accuracy of the existing Base EBA, would be counterproductive, most likely  
22 creating a less accurate Base EBA resulting in increased rate adjustments. The mere fact that  
23 a periodic change may be made to an element of rates does not remove the duty to consider  
24 the entirety of that rate, its effect, and its reasonableness.

25 **Q. MR. MCDOUGAL CRITICIZED THE USE OF SIX MONTHS OF ACTUAL**  
26 **RESULTS TO EVALUATE THE COMPANY’S PROPOSAL TO ADJUST BASE**  
27 **EBA.<sup>1</sup> WHY DID THE DIVISION USE SIX MONTHS OF RESULTS?**

28 A. The Division’s Data Request No. 4 to the Company requested a comparison of the actual  
29 Net Power Cost (NPC) through the most recent month available to the NPC projected in the  
30 2020 General Rate Case (GRC). On September 21, 2021, the Company provided the EBA  
31 2<sup>nd</sup> quarterly confidential work paper covering only six months, January 2021 through June  
32 2021.<sup>2</sup> As this information did not provide a calculated comparison, the Division used the  
33 Company’s data to formulate comparison results.

34 **Q. WHAT ADDITIONAL EFFORTS DID THE DIVISION TAKE TO OBTAIN MORE**  
35 **THAN SIX MONTHS OF RESULTS?**

36 A. In addition to the Division’s Data Request No. 4 to the Company, the Division followed up  
37 with the Company by issuing Data Request No. 14, requesting actual NPC results from July  
38 2021 through October 2021, or the most recent available month. The Company initially  
39 advised that the requested information would not be available until the end of November.  
40 After additional follow up, on November 5, 2021, the Company provided results for January

---

<sup>1</sup> Rebuttal Testimony of Steven R. McDougal, pages 9 & 10, lines 152-176.

<sup>2</sup> Docket No. 21-035-42, Data Request response 4.3, Direct Testimony Exhibit (Attach\_DPU\_4.3\_Conf).

41 2021 through August 2021<sup>3</sup>. The Division used this information to update the comparison  
42 results used in direct testimony.<sup>4</sup>

43 **Q. CAN YOU PROVIDE THE COMPANY’S WIND GENERATION AND PTC**  
44 **RESULTS FOR THE ADDITIONAL MONTHS OF JULY 2021 AND AUGUST**  
45 **2021?**<sup>5</sup>

46 A. The wind generation and PTC trends addressed in direct testimony continued in July and  
47 August 2021. These trends should be addressed and evaluated when considering the  
48 Company’s proposal. The Company’s Production Tax Credits (PTC) results for the Pryor  
49 Mountain and TB Flats wind projects for July 2021 through August 2021 are presented  
50 below in DPU Table 7. The Division compared the actual realized PTCs to the PTCs  
51 approved in the 2020 General Rate Case and found that the actual generation and PTCs  
52 benefits were lower than the GRC forecast by [REDACTED] Creating an additional  
53 loss of [REDACTED] in actual PTC benefits.

54

---

<sup>3</sup> Docket No. 21-035-42, Data Request response 14.1, 2021 Jan-Aug Actual NPC Report CONF.

<sup>4</sup> Direct Testimony of Gary Smith, DPU Tables 3-6.

<sup>5</sup> Docket No. 21-035-42, Data Request response 14.1, 2021 Jan-Aug Actual NPC Report CONF.

55

DPU Table 7



56

57 **Q. CAN YOU PROVIDE THE COMPANY'S NPC RESULTS FOR THE ADDITIONAL**  
58 **MONTHS OF JULY 2021 AND AUGUST 2021?**<sup>6</sup>

59 A. The NPC trends addressed in direct testimony continued in July and August 2021. The  
60 Company's NPC comparison results for July 2021 through August 2021 are presented  
61 below in DPU Table 8. 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] for July through August 2021.

64

---

<sup>6</sup> Ibid.

65

DPU Table 8

The table is a grid with approximately 5 columns and 6 rows. The top section contains several large black redaction boxes. Below these, there are smaller black redaction boxes in the top row of the data section. The main body of the table consists of rows of black redaction boxes, with some cells containing yellow vertical bars. A horizontal line is drawn across the table, separating the top section from the data rows. The bottom row of the table also contains black redaction boxes.

66

67 The NPC difference presented in direct testimony DPU Table 3 for January 2021 through  
68 June 2021 totaled [REDACTED] the significantly large difference of [REDACTED] for July  
69 2021 through August 2021 created a total increase of [REDACTED] for January 2021  
70 through August 2021. The large increase for the months of July and August 2021 was driven  
71 by Wheeling Expense and Purchased Power. The large increase in Purchased Power resulted  
72 from a [REDACTED] increase in Short Term Firm Purchases as shown in DPU  
73 Table 9.

<sup>7</sup> Direct Testimony of Gary Smith, DPU Table 3, line 65.

74

DPU Table 9

A table with multiple rows and columns. The top portion is mostly blacked out (redacted). The bottom portion contains several rows with yellow highlights in certain cells, indicating specific data points. The table is enclosed in a black border.

75

76 **Q. IS THE LARGE INCREASE IN SHORT TERM FIRM PURCHASES UNIQUE TO**  
77 **THE MONTHS OF JULY 2021 AND AUGUST 2021?<sup>8</sup>**

78 **A.** No, actual Short Term Firm Purchases exceeded Base EBA from January 2021 to August  
79 2021. This large total difference of [REDACTED] in Short Term Firm Purchases  
80 is presented in DPU Table 10.

81

DPU Table 10

A table with multiple rows and columns, similar in structure to DPU Table 9. The top portion is mostly blacked out (redacted). The bottom portion contains several rows with yellow highlights in certain cells. The table is enclosed in a black border.

<sup>8</sup> Docket No. 21-035-42, Data Request response 14.1, 2021 Jan-Aug Actual NPC Report CONF.

82 Q. CAN YOU PROVIDE THE COMPANY'S NPC RESULTS FOR THE MONTHS OF  
83 JANUARY 2021 THROUGH AUGUST 2021?<sup>9</sup>

84 A. The Company's NPC results for January 2021 through August 2021 are presented below in  
85 DPU Table 11.

86 DPU Table 11

87  
88 Actual NPC results were higher than the GRC forecast by [REDACTED] As  
89 discussed above, this difference has increased [REDACTED] for just the months of July  
90 through August 2021 compared to the January through June 2021 total detailed in direct  
91 testimony DPU Table 3.<sup>11</sup>

92 Q. CAN YOU PROVIDE THE COMPANY'S WIND GENERATION AND PTC  
93 RESULTS FOR THE MONTHS OF JANUARY 2021 THROUGH AUGUST 2021?<sup>12</sup>

<sup>9</sup> Docket No. 21-035-42, Data Request response 14.1, 2021 Jan-Aug Actual NPC Report CONF.

<sup>10</sup> DPU Exhibit 16 Conf., page 3.

<sup>11</sup> Docket No. 21-035-42, Data Request response 14.1, 2021 Jan-Aug Actual NPC Report CONF.

<sup>12</sup> Direct Testimony of Gary Smith, DPU Table 3, line 65.



94 A. The Company’s wind generation and PTC benefit comparison results for the Pryor  
95 Mountain and TB Flats wind projects for January 2021 through August 2021 are presented  
96 below in DPU Table 12. Actual generation and PTCs benefits were lower than the GRC  
97 forecast by [REDACTED] This actual loss of [REDACTED] in PTC’s will be 100%  
98 recovered by the Company without any change in the current Base EBA.

99 **DPU Table 12**

100

101 The Company’s wind generation comparison results for all Company wind generation  
102 projects for January 2021 through August 2021 are presented below in DPU Table 13. The  
103 actual total wind project generation for the Company was lower than the GRC forecast by

104

[REDACTED]

<sup>13</sup> Docket No. 21-035-42, Data Request response 14.1, 2021 Jan-Aug Actual NPC Report CONF. Note: the generation results for TB Flats recorded in DR 14.1 and DR 4.1 are different.

<sup>14</sup> DPU Exhibit 16 Conf., pages 1 & 2.

105

DPU Table 13

106

107

**Q. CAN YOU PROVIDE THE COMPANY’S NPC RESULTS FOR THE MONTHS OF JANUARY 2021 THROUGH AUGUST 2021 INCORPORATING THE COMPANY’S PROPOSED ADJUSTMENT TO BASE EBA?**

108

109

110

A. The Division compared the NPC results for January through August 2021 to the forecast NPC approved in the 2020 GRC, plus the MPA proposed incremental generation. The GRC Base EBA and the proposed incremental generation’s effects on the EBA results in an increased calculated total difference of [REDACTED] or [REDACTED] from actual Company reported results. The Utah allocated comparison is found below in DPU Table 14. The Company’s proposed NPC adjustment to reduce Base EBA will lower already significantly under collecting Base EBA rates set in the 2020 GRC. The Company’s proposed Base EBA adjustment will result in a calculated [REDACTED] in NPC under collection and subsequent true up that would be avoided by leaving Base EBA rates as they are now. While collecting that difference is the EBA’s function, the function of the Base NPC component of rates is to reflect, as near as possible, conditions expected to be encountered in the coming year.

111

112

113

114

115

116

117

118

119

120

<sup>15</sup> Ibid.

<sup>16</sup> Docket No. 21-035-42, Data Request response 14.1, 2021 Jan-Aug Actual NPC Report CONF.

121

DPU Table 14

122

123 **Q. CAN YOU PROVIDE THE COMPANY’S WIND GENERATION AND PTC**  
 124 **RESULTS FOR THE MONTHS OF JANUARY 2021 THROUGH AUGUST 2021**  
 125 **INCORPORATING THE COMPANY’S PROPOSED ADJUSTMENT TO BASE**  
 126 **EBA?**

127 A. The Division compared the reported actual wind generation results for January through  
 128 August 2021 for the Pryor Mountain and TB Flats wind projects to the forecast generation  
 129 and PTCs approved in the 2020 GRC, plus the MPA proposed generation adjustment. The  
 130 proposed adjustment of the forecast generation base results in a calculated decrease of █  
 131 █ and a loss of █ in PTCs. The Utah allocated comparison is found below  
 132 in DPU Table 15. The Company’s proposed adjustment would create an additional loss of  
 133 █ in PTC benefits, resulting in a █ additional increase in customer  
 134 rates at true up.

135

DPU TABLE 15

136

137 **Q. PLEASE FURTHER CLARIFY THE DIVISION’S POSITION ON ADJUSTING**  
 138 **BASE EBA NOW.**

139 A. The Division reaffirms that the evaluation of the Company’s request to change Base EBA  
 140 should be done holistically. The basis that Electric Schedule 94 may contemplate adjusting  
 141 Base EBA in a major plant addition application is not sufficient alone to ensure prudent rate  
 142 making. Utah Code Sections 54-3-1 and 54-4-4 establish the duty of the Company and the  
 143 PSC to ensure just and reasonable rates. Section 54-4-4 further outlines the obligation and  
 144 process to fix unjust or unreasonable rates.

145 In light of the 2021 generation and NPC results, it would be imprudent to adjust Base EBA  
 146 in a way that would create increased deviations from actual results. This is not because the  
 147 result would be better for ratepayers or the Company, but because Base NPCs should be set  
 148 as nearly as possible to reflect conditions expected to be encountered in a given year. The  
 149 Company has provided no meaningful analysis or explanation for the deviation, nor has it

150 provided details indicating whether it can be expected to continue. This is the utility's  
151 burden. The Division has significant doubt that the current EBA Base, especially as  
152 modified by the Company's proposal, results in accurate, just, and reasonable rates.

153 Mr. McDougal confirmed that "the EBA now includes a full pass through of both PTC and  
154 NPC. Any variation between the EBA base proposed in this docket and actual NPC and  
155 PTC will be trueed up at 100 percent.<sup>17</sup>" Allowing the true up of any variation from EBA base  
156 inherently allows for any adjustment of rates at true up. It does not, however, obviate the need  
157 for the Commission to ensure ongoing rates are just and reasonable. The proposed single,  
158 isolated change leaves significant doubt about whether the Base NPC is just and reasonable. The  
159 EBA is not an exemption from care or an endorsement of inaccuracy in ratemaking.

160 Adjusting Base EBA to accommodate a single project may be a permissible component of a  
161 major plant addition. However, it does not obligate a decision in isolation. Consideration of  
162 other items such as actual results, and the accuracy of the existing Base EBA should be  
163 considered. Adjusting Base EBA now, as proposed, is counterproductive and will most  
164 likely create a less accurate Base EBA resulting in larger rate adjustments at true up. The  
165 public interest will be better served by leaving the Base EBA as set in the 2020 GRC.

166 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

167 **A.** Yes.

---

<sup>17</sup> Rebuttal Testimony of Steven R. McDougal, page 10, lines 175-178.