

BEFORE THE UTAH PUBLIC SERVICE COMMISSION

Rocky Mountain Power's Application
for Approval of the 2022 Energy
Balancing Account

DOCKET NO. 22-035-01

REDACTED DIRECT TESTIMONY

AND EXHIBITS

OF

KEVIN C. HIGGINS

On Behalf of

Utah Association of Energy Users

October 21, 2022

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LIST OF EXHIBITS

UAE Exhibit 1.1	RMP Responses to Data Requests Referenced in Testimony
UAE CONF Exhibit 1.2	CONFIDENTIAL RMP Responses to Data Requests Referenced in Testimony
UAE CONF Exhibit 1.3	CONFIDENTIAL Attachment 1 to RMP Response to UAE Data Request 5.1

5 **I. INTRODUCTION AND SUMMARY**

6 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7 A. My name is Kevin C. Higgins. My business address is 111 East Broadway, Suite 1200,
8 Salt Lake City, Utah, 84111.

9 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

10 A. I am a Principal in the firm of Energy Strategies, LLC, a private consulting firm that
11 specializes in economic and policy analysis applicable to energy production,
12 transportation, and consumption.

13 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

14 A. My testimony is being sponsored by the Utah Association of Energy Users ("UAE").

15 **Q. PLEASE SUMMARIZE YOUR QUALIFICATIONS.**

16 A. My academic background is in economics, and I have completed all coursework and field
17 examinations toward a Ph.D. in Economics at the University of Utah. In addition, I have
18 served on the adjunct faculties of both the University of Utah and Westminster College,
19 where I taught undergraduate and graduate courses in economics. I joined Energy
20 Strategies in 1995, where I assist private and public sector clients in the areas of energy-
21 related economic and policy analysis, including evaluation of electric and gas utility rate
22 matters.

23 Prior to joining Energy Strategies, I held policy positions in state and local
24 government. From 1983 to 1990, I was an economist, then assistant director, for the Utah
25 Energy Office, where I helped develop and implement state energy policy. From 1991 to
26 1994, I was chief of staff to the chairman of the Salt Lake County Commission, where I

was responsible for development and implementation of a broad spectrum of public policy at the local government level.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE UTAH PUBLIC SERVICE COMMISSION (“PSC” OR “THE COMMISSION”)?

A. Yes. Since 1984, I have testified in 46 dockets before the Commission on electricity and natural gas matters.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE ANY OTHER STATE UTILITY REGULATORY COMMISSIONS?

A. In addition to these Utah proceedings, I have testified in approximately 220 other proceedings on the subjects of utility rates and regulatory policy before state utility regulators in Alaska, Arizona, Arkansas, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, North Carolina, Pennsylvania, South Carolina, Texas, Virginia, Washington, West Virginia, and Wyoming. I have also filed affidavits in proceedings before the Federal Energy Regulatory Commission and prepared expert reports in state and federal court proceedings involving utility matters.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony addresses a limited number of issues in the 2022 Energy Balancing Account (“EBA”) filing by Rocky Mountain Power (“RMP” or “the Company”). Absence of commentary in this testimony regarding other issues is not intended to convey support for, or opposition to, other aspects of the Company’s filing.

49 **Q. PLEASE SUMMARIZE YOUR PRIMARY CONCLUSIONS AND**
50 **RECOMMENDATIONS.**

51 **A.** I offer the following conclusions and recommendations:

52 (1) I recommend that the Commission reject RMP's request to include the new
53 Energy Imbalance Market ("EIM") Body of State Regulators ("BOSR") and Western
54 Power Pool Western Resource Adequacy Program ("WRAP") fees in the EBA. In total,
55 these two adjustments reduce the EBA cost allocated to Utah by **\$102,464** (excluding
56 interest).

57 (2) I recommend that the Commission approve the correction of a small error in
58 the amount of production tax credits ("PTCs") applicable to the EBA. This correction
59 reduces the EBA cost allocated to Utah by **\$787**.

60 (3) There is a material discrepancy between the expected energy and actual
61 energy from wind generation in the 2021 Deferral Period that is attributable to a
62 transformer failure at the Aeolus substation. The cause of that failure is under
63 investigation. RMP asserts that details relating to the failure are subject to attorney-client
64 and work product privileges. I understand this to mean that the Company will not share
65 certain information with parties in this docket because doing so may hamper its efforts to
66 obtain recovery from the party the Company believes to be at fault for the transformer
67 failure. At this point, RMP has not shared sufficient information about the failure for me
68 to reach any conclusions about the cause of the failure. If the Commission is inclined to
69 permit the Company to recover the deferred amounts associated with the substation
70 outage, I recommend that the Commission rule that such recovery is subject to refund

(with interest) pending a final resolution of this issue, which would likely occur after the scheduled hearing in this docket.

II. NEW EBA COST ITEMS PROPOSED BY RMP

Q. HAS RMP PROPOSED TO INCLUDE ANY NEW COST ITEMS IN ITS EBA FILING?

A. Yes. RMP has requested to include in the EBA new fees associated with the EIM BOSR and the WRAP.¹

Q. WHAT IS THE NEW EIM BOSR FEE?

A. According to RMP witness Mr. Jack Painter, the purpose of the EIM BOSR is to provide a forum for state commissioners to select a voting member of the EIM Governing Body Nominating Committee, learn about and discuss the EIM and CAISO markets, and express a common position in CAISO stakeholder processes or the EIM Governing Body on EIM issues. The fee supports the BOSR's expenses. RMP has allocated \$44,639 of these costs to Utah in the 2022 EBA.²

Q. WHAT IS THE NEW WESTERN POWER POOL WRAP FEE?

A. According to Mr. Painter, the new WRAP fee is for expenses related to a new regional resource adequacy initiative. RMP has allocated \$57,825 of these costs to Utah in the 2022 EBA.³

¹ See Direct Testimony of Jack Painter, pages 10-11.

² *Id.* page 10, line 20.

³ *Id.*, page 11, lines 1-19.

90 **Q. HAVE THESE COSTS BEEN INCLUDED IN PREVIOUS EBA FILINGS?**

91 A. No.

92 **Q. ARE THESE COSTS WITHIN THE SCOPE OF COSTS APPROVED FOR EBA**
93 **TREATMENT IN SCHEDULE 94?**

94 A. No. The current Schedule 94 is generally limited to net power costs (“NPC”), but also
95 specifically identifies PTCs and wheeling revenues as non-NPC items that are included in
96 the EBA. Neither the EIM BOSR fee nor the WPP WRAP fee is listed as a specific non-
97 NPC component of the EBA under the current Schedule 94.

98 **Q. WHAT IS YOUR RECOMMENDATION REGARDING RMP’S REQUEST TO**
99 **INCLUDE THESE TWO NEW FEES IN ITS ECAM?**

100 A. I recommend that the Commission reject RMP’s request to include the new EIM BOSR
101 and WRAP fees in the EBA. In my opinion, these fees are outside the scope of the costs
102 authorized to be recovered through Schedule 94, and therefore, are an unwarranted
103 expansion of the EBA mechanism. These fees should be included in the non-EBA Utah
104 rates if these fees are on-going and appropriate for recovery from customers. This
105 adjustment reduces the Utah EBA costs by **\$102,464** (excluding interest).

III. RMP's REQUEST FOR RECOVERY ASSOCIATED WITH WYOMING
WIND PLANT.

Q. HAVE YOU IDENTIFIED ANY ISSUES ASSOCIATED WITH RMP'S REQUEST TO RECOVER ACTUAL NET POWER COST REVENUES ASSOCIATED WITH WYOMING WIND PLANT?

A. Yes, I have identified two issues. First, RMP's filing contains a small error associated with the PTC calculation for the TB Flats II wind project. Second, I have concerns with RMP's calculation of a deferred EBA balance that includes actual NPC revenues associated with a transformer failure at the Aeolus substation, which required curtailment of several wind projects in Eastern Wyoming for a period of time.

Q. PLEASE IDENTIFY THE SMALL ERROR ASSOCIATED WITH THE PTC CALCULATION FOR THE TB FLATS II WIND PROJECT.

A. Consistent with the Commission's order in the 2020 GRC, RMP's application in this docket includes PTCs in the EBA true-up mechanism. The Base EBA Costs included in base rates contain a dollar amount associated with projected PTC revenue, which in this proceeding must be trued-up to the actual PTC revenues generated. In connection with its application, and in response to discovery, the Company provided several workpapers showing the Company's calculation of actual PTCs and PTC revenues generated by each Company-owned wind plant. These workpapers indicated negative PTC generation of (51,000 kWh) at TB Flats II in January of 2021, which was prior to the time that TB Flats II had been placed into service.

127 In response to UAE data requests on this issue, RMP has agreed that this negative
128 energy production at TB Flats II should not be included for the purpose of calculating
129 production tax credits because the negative values occurred at TB Flats II before any
130 facilities at TB Flats II were placed into service.⁴ As such, I recommend that the
131 Commission decline to approve recovery of the EBA deferral amount associated with this
132 PTC calculation error. In response to discovery, the Company has asserted that
133 correction of this PTC calculation error results in an increase in PTC revenues (and,
134 therefore a decrease in NPC deficiency) of \$1,275 on a Total Company basis and of \$787
135 for the Utah jurisdiction.⁵ I accept the Company's numbers on this point.

136 **Q. PLEASE EXPLAIN YOUR CONCERNS WITH RMP'S INCLUSION IN ITS**
137 **DEFERRED EBA CALCULATION THE ACTUAL NPC ASSOCIATED WITH A**
138 **TRANSFORMER FAILURE AT THE AEOLUS SUBSTATION.**

139 **A.** RMP's application in this docket calculates an EBA deferral that includes a substantial
140 discrepancy between the expected energy from wind generation and the actual energy
141 from wind generation. This discrepancy affects both NPC and revenues associated with
142 PTCs generated by Company-owned wind projects. Through discovery, UAE has
143 learned that a portion of this discrepancy in expected and actual energy from wind
144 generation is attributable to a transformer failure at the Aeolus substation.⁶ The cause of

⁴ See UAE Exhibit 1.1 (Response to UAE Data Request 4.1(c)).

⁵ See UAE Exhibit 1.1 (Response to UAE Data Request 4.1(f)).

⁶ See UAE Exhibit 1.1 (Redacted RMP Responses to UAE Data Requests 2.5, 3.5(b), 5.1, 5.3 & 5.4);
CONFIDENTIAL UAE Exhibit 1.2 (CONFIDENTIAL RMP Responses to UAE Data Requests 2.5, 3.5(b), 5.1, 5.3
& 5.4)).

145 that failure is under investigation.⁷ The Company has not shared sufficient information
146 about the failure for UAE to reach any conclusions about the cause of the failure. The
147 Company asserts that details relating to the failure are subject to attorney-client and work
148 product privileges.⁸ I understand this to mean that the Company will not share certain
149 information with parties in this docket because doing so may hamper its efforts to obtain
150 recovery from the party the Company believes to be at fault for the transformer failure.
151 At this point, UAE cannot rule out the potential that the Company itself bears some or all
152 of the blame for the events that led to the transformer failure. To be clear, I do not take a
153 position on fault in this proceeding. I only indicate that I cannot determine from the
154 information provided whether or not the Company bears any such fault.

155 **Q. HAS RMP INDICATED HOW THE TRANSFORMER FAILURE AFFECT**
156 **RMP'S SYSTEM?**

157 **A.** RMP has provided some Confidential responses to UAE data requests on this point.

158 Those responses indicate that [REDACTED]
159 [REDACTED]
160 [REDACTED]
161 [REDACTED]
162 [REDACTED]
163 [REDACTED]

⁷ See CONFIDENTIAL UAE Exhibit 1.2 (CONFIDENTIAL RMP Responses to UAE Data Requests 3.5 & 5.3).

⁸ See UAE Exhibit 1.1 (Redacted RMP Response to UAE Data Request 3.5(b)(i)).

⁹ See CONFIDENTIAL UAE Exhibit 1.2 (RMP Response to UAE Data Request 5.1(a)).

¹⁰ The NPC (non-PTC) impact and PTC impact referenced in my testimony are based on figures provided by RMP in a spreadsheet provided in connection with its CONFIDENTIAL Response to UAE Data Request 5.1. This

164 **Q. DO YOU BELIEVE RMP HAS DEMONSTRATED THAT IT IS REASONABLE**
165 **FOR THE COMPANY TO RECOVER THE EBA-RELATED REVENUES**
166 **ASSOCIATED WITH THE AEOLUS TRANSFORMER FAILURE?**

167 A. The answer to that question is not clear at this point. RMP has the burden to demonstrate
168 that revenues it seeks to recover from ratepayers are the result of prudent utility practice.
169 UAE has sought information regarding this matter but has not received all of the
170 information it has sought. As a result, UAE has not been able to make a determination
171 about the ultimate cause of the substation outage. I do not believe that the information
172 provided to UAE, or to the Commission, is sufficient for anyone to make any conclusions
173 about the reason for the substation outage. As such, it does not appear that the Company
174 has made a clear demonstration that it is reasonable for it to recover the EBA-related
175 revenues associated with the substation outage.

176 **Q. DO YOU RECOMMEND THAT THE COMMISSION REJECT RMP'S**
177 **REQUEST TO RECOVER THE ACTUAL EBA COSTS ASSOCIATED WITH**
178 **THE SUBSTATION OUTAGE?**

179 A. While that would not be an unreasonable outcome, it is not my primary recommendation.
180 UAE has steadfastly argued that a utility that seeks to recover revenue from ratepayers
181 carries a substantial burden to prove that it is entitled to any such recovery. UAE

spreadsheet, titled "Attach UAE 5.1 CONF" has been filed herewith as CONFIDENTIAL UAE Exhibit 1.3. The NPC (non-PTC) impacts are set forth in the Tab labeled "NPC without PTC - Summary". The PTC impacts are set forth in the tab labeled "PTC".

continues to defend that principle and does not support any action that would erode the Company's burden of proof obligations.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Q. WHAT DO YOU RECOMMEND?

A. If the Commission is inclined to permit the Company to recover the deferred amounts associated with the substation outage, I recommend that the Commission rule that such recovery is subject to refund (with interest) pending a final resolution of this issue, which would likely occur after the scheduled hearing in this docket. The EBA process should not require the Company to jeopardize potential recovery from a party at fault when that

¹¹ See CONFIDENTIAL UAE Exhibit 1.2 (RMP Response to UAE Data Request 5.4).

202 recovery could benefit ratepayers, but that consideration should not require ratepayers to
203 forego an opportunity to question whether the Company has acted prudently. A
204 Commission ruling that the Company's recovery at this stage is subject to refund (with
205 interest) in a future proceeding balances the interests of the Company and the ratepayers.

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

207 **A.** Yes, it does.