

Rocky Mountain Power
Docket No. 22-035-07
Witness: Justin B. Farr

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Direct Testimony of Justin B. Farr

March 2022

1 **Q. Please state your name, business address, and present position with PacifiCorp,**
2 **dba Rocky Mountain Power (“the Company”).**

3 A. My name is Justin B. Farr. My business address is 1407 West North Temple Street,
4 Suite 330, Salt Lake City, Utah 84116. I am currently employed as Assistant Revenue
5 Requirement Manager.

6 **Qualifications**

7 **Q. Briefly describe your education and business experience.**

8 A. I have a Bachelor of Science degree in Economics and a Master of Business
9 Administration degree from the University of Utah. I began employment at
10 PacifiCorp in October 2013 and have held various positions within finance and
11 regulation. Prior to employment at PacifiCorp, I was employed for eight years at
12 Energy Strategies, LLC and between 2017 and 2019 I led financial planning and
13 analysis at Magnum Development.

14 **Q. Please explain your responsibilities as Assistant Revenue Requirement Manager.**

15 A. My responsibilities include the calculation of the Company’s revenue requirement, the
16 preparation of business plan regulatory results and the preparation of the Company’s
17 Renewable Energy Credit (“REC”) filings in various states.

18 **Purpose and Summary of Testimony**

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to support and explain the calculation of the balance in
21 the REC Balancing Account (“RBA”). Specifically, I describe the calculation of the
22 \$1.5 million balance the Company is requesting to return to Utah customers, comprised
23 of the outstanding deferral balances associated with Docket No. 21-035-05 (“2021

24 RBA”) and the true-up of calendar year 2021 REC sales. This deferral balance of
25 approximately \$1.5 million will be returned to customers over a one-year period
26 beginning June 1, 2022, pursuant to Schedule 98. My testimony provides details on
27 how these numbers were calculated, including:

- 28 • The determination of the beginning RBA balance on January 1, 2021
29 including true-ups for November and December 2020 actuals and a load
30 issue from 2019 and 2020
- 31 • The allocation of calendar year 2021 REC revenues, including RECs from
32 the Pryor Mountain wind project
- 33 • The inclusion of the ten percent incentive, as provided in the Stipulation in
34 Docket No. 11-035-200 (the “2012 Stipulation”)
- 35 • The revenues associated with the Kennecott REC Supply Agreement
- 36 • The calendar year 2021 REC revenues included in base rates
- 37 • The revenues associated with the California Utah REC transfer
- 38 • The credits associated with Schedule 98, REC Revenue Adjustment
- 39 • The carrying charges that were applied to the 2022 RBA deferral balance

40 **Q. Please provide a brief summary of how the RBA is calculated.**

41 A. On September 13, 2011, a stipulation (the “2011 Stipulation”) was approved by the
42 Commission that resolved several dockets, including Docket Nos. 10-035-14 (“UAE
43 REC Docket”) and 10-035-124 (“2011 General Rate Case”). In the 2011 Stipulation,
44 the parties established a REC balancing account mechanism to track the difference
45 between REC revenues included in rates and actual REC revenues collected. Under the
46 RBA, the variances are identified and deferred each month for one calendar year (the

47 “Deferral Period”). Annually on March 15, an RBA application is filed to present these
48 differences, including applicable carrying charges, with a true-up through Schedule 98
49 of the difference between the amounts in REC sales in rates and actual sales.

50 **Q. Please describe the Company’s 2022 RBA filing.**

51 A. The Deferral Period in this 2022 RBA filing is January 1, 2021 through December 31,
52 2021. The total RBA deferral balance related to calendar year 2021 REC sales to be
53 returned to customers through Schedule 98 is approximately \$1.5 million. This amount
54 will be refunded over one year beginning June 1, 2022. Confidential Exhibit
55 RMP___(JBF-1) provides a table showing the calculation and is linked to Confidential
56 Exhibit RMP___(JBF-2), which includes the detailed calculations.

57 **Q. Please describe how your Confidential Exhibit RMP___(JBF-2) is organized.**

58 A. Confidential Exhibit RMP___(JBF-2) provides the detailed calculation of the
59 \$1.5 million total deferral balance presented in this filing. Confidential Exhibit
60 RMP___(JBF-2) shows the monthly detail for calendar year 2021 for the 2022 RBA
61 Deferral Balance. Page 2.1 of the exhibit shows the calculation for the Utah allocated
62 actual 2021 REC revenues, illustrating the reallocation of revenue for renewable
63 portfolio standard (“RPS”) eligibility. Page 2.2 provides the calculation of the System
64 Generation (“SG”) allocation factor that was used on page 2.1 as the basis to allocate
65 REC revenue to Utah. The allocation factors are consistent with those used in the
66 energy balancing account filing.

67 **Calculation of the 2022 RBA Deferral Balance**

68 **Q. Please describe how the 2022 RBA Deferral Balance was calculated.**

69 A. The \$1.5 million 2022 RBA Deferral Balance represents the difference between the

70 actual REC revenue booked by the Company during calendar 2021, less the 10 percent
71 incentive retained by the Company, and the amount of REC revenue set in base rates.
72 This balance accrued carrying charges during the deferral period (calendar year 2021)
73 and the interim period (January through May 2022). Each item is described below.

74 **Q. How did the Company determine the REC revenue beginning deferred balance as**
75 **of January 1, 2021?**

76 A. The REC revenue deferred balance of \$1.57 million for January 1, 2021 was rolled
77 over from the December 31, 2020 ending balance shown in Exhibit RMP___(GB-2),
78 line 16 in the 2021 RBA.

79 **Q. Are any adjustments to the January 1, 2021 beginning balance necessary?**

80 A. Yes. The resource assignments for the November and December 2020 REC revenue
81 were updated to correct the estimated and actual resource assignments resulting in a
82 \$10,547 increase to the December 31, 2020 balance projected in the 2021 RBA filing.
83 In addition, a load issue due to a faulty sensor which affected the allocation of REC
84 revenue to Utah customers in 2019 and 2020 has been corrected in this filing and results
85 in a credit to customers totaling \$9,167, including carrying charges.

86 **Q. Please describe how the 2021 Utah allocated booked REC revenue was calculated.**

87 A. During calendar year 2021, the Company booked \$7.25 million from REC sales on a
88 total Company basis, excluding RECs sales from the Kennecott REC Supply
89 Agreement and California Utah REC transfer which will be described later. Utah's
90 allocated share of REC revenue is determined using the SG factor, including a
91 reallocation of revenue initially allocated system wide to reflect compliance with state
92 RPSs. Revenue from the sale of RECs associated with the Pryor Mountain wind project

93 are allocated on an SG factor. The resulting Utah-allocated amount of REC revenue
94 during 2021 was \$4.66 million, as shown in Confidential Exhibit RMP___(JBF-2) on
95 page 2.1.

96 **Q. Please describe the 10 percent incentive that parties agreed to in the 2012**
97 **Stipulation.**

98 A. The parties to the 2012 Stipulation agreed that the Company would be allowed to retain
99 10 percent of the revenues obtained from sales of RECs incremental to the forecast
100 REC revenue included in that case of \$25 million through May 31, 2013, and thereafter
101 incremental to the revenues received under contracts entered into after July 1, 2012.
102 These contracts were memorialized in Exhibit B to the 2012 Stipulation. The contracts
103 that were listed as excludable from the 10 percent incentive calculation all expired
104 during 2012. Thus, all the REC revenue, excluding the REC revenue from the
105 Kennecott REC Supply Agreement and California Utah REC Transfer as explained
106 below, booked in calendar year 2021 qualifies for the 10 percent incentive calculation.
107 The Company calculated the incentive by taking 10 percent of the Utah allocated REC
108 revenue as shown in Confidential Exhibit RMP___(JBF-2), line 6, resulting in
109 \$466 thousand.

110 **Q. Please explain the REC revenue attributable to the Kennecott REC Supply**
111 **Agreement shown on Confidential Exhibit RMP___(JBF-2), line 9.**

112 A. The Kennecott REC Supply Agreement revenues shown on line 9 represents the
113 revenue the Company received from the Non-Generation and REC Supply Agreement
114 between Kennecott Utah Copper LLC and PacifiCorp, dated April 18, 2019. The
115 agreement specifies that:

116 “Rocky Mountain Power shall allocate one hundred percent of the
117 revenue from the REC Charge as REC revenue in the Utah REC
118 Balancing Account (of alternative REC regulatory tracking mechanism
119 approved by the Utah Public Service Commission) for the sole benefit
120 of Rocky Mountain Power’s Utah customers. Rocky Mountain Power
121 will forego any REC sale incentive related to the REC Charge under the
122 current REC Balancing Account or future rate tracking mechanism.”

123 The Company booked \$600 thousand during calendar year 2021 related to the REC
124 component of the agreement which is included as a credit to Utah customers in this
125 RBA filing.

126 **Q. Please explain the REC revenue attributable to the California Utah REC Transfer**
127 **shown on Confidential Exhibit RMP___(JBF-2), line 10?**

128 A. The company conducted a REC transfer between state jurisdictions of California and
129 Utah during the 2021 year. Additional details of the REC transfer are provided in
130 Mr. Wilding’s Confidential Exhibit RMP___(MGW-5).

131 **Q. How was the amount of 2021 REC revenue in base rates determined?**

132 A. The REC revenue in rates during 2021 was determined in accordance with the amounts
133 set in the Docket No. 20-035-04 (“2020 General Rate Case”). From January 1, 2021,
134 through December 31, 2021, the amount of REC revenue in base rates was set to
135 \$3.57 million Utah-allocated, which equates to approximately \$298 thousand per
136 month. These monthly amounts are reflected accordingly in Confidential Exhibit
137 RMP___(JBF-2), line 17.

138 **Q. What were the total 2021 Schedule 98 credits included on customer bills?**

139 A. During calendar year 2021, Utah customers were credited approximately \$1.16 million
140 through Schedule 98. The monthly amounts are shown in Confidential Exhibit
141 RMP___(JBF-2), line 18.

142 **Q. Please describe what the Estimated Schedule 98 January 1, 2022 – May 31, 2022**
143 **represents.**

144 A. This represents an estimate of the surcredits that will be credited to ratepayers during
145 January through May 2022 as a result of the 2021 RBA filing. Except for January 2022,
146 the monthly amounts shown on Confidential Exhibit RMP__(JBF-2) line 25 are
147 estimated amounts since the actual amounts are not known at the time of filing. The
148 Company will update the February through May 2022 actual collections as part of the
149 2023 RBA filing.

150 **Q. Did you apply carrying charges to the 2022 RBA Deferral Balance in this filing?**
151 **If so, please describe how they were calculated.**

152 A. Yes. Approximately \$92 thousand in carrying charge credits were applied to arrive at
153 the \$1.5 million in 2022 RBA Deferral Balance. Of this amount, approximately
154 \$70 thousand credit was accrued during the deferral period (calendar year 2021) and
155 approximately \$22 thousand will be accrued during the interim period (January through
156 May 2022). The Commission's most recently approved carrying charge rates were
157 applied to the monthly deferral balance to calculate the monthly carrying charges. The
158 carrying charge rate used from January 1, 2021 to March 31, 2021, was 3.88 percent as
159 ordered in Docket No. 20-035-T01. The carrying charge rate used from April 1, 2021
160 to March 31, 2022 was 3.04 percent as ordered in Docket No. 21-035-T01. The carrying
161 charge rate used from April 1, 2022 to May 31, 2022, was 3.05 percent as approved in
162 Docket No. 22-035-T03.

163 **Q. Does this conclude your direct testimony?**

164 A. Yes.