–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

APPLICATION OF ROCKY MOUNTAIN POWER FOR A DEFERRED ACCOUNTING ORDER REGARDING INSURANCE COSTS	))))))))	**DOCKET NO. 23-035-40** **Exhibit No. DPU 1.0 SR** **Surrebuttal Testimony of Jeffrey S. Einfeldt**

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Surrebuttal Testimony of

Jeffrey S. Einfeldt

January 9, 2024

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND TITLE.

A. My name is Jeffrey S. Einfeldt. My business address is 160 East 300 South, Salt Lake City, Utah 84114. I am a Utility Technical Consultant with the Division of Public Utilities ("Division").

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. The Division.

Q. ARE YOU THE SAME JEFFREY S. EINFELDT WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE DIVISION?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN THIS CASE?

A. My testimony responds to the rebuttal testimonies filed by Mariya V. Coleman and Shelley E. McCoy on behalf of Rocky Mountain Power ("RMP" or "Company") and presents the Division's position regarding RMP's Application for a Deferred Accounting Order Regarding Insurance Costs ("Application").

Q. HAVE YOU REVIEWED THE REBUTTAL TESTIMONIES FILED ON BEHALF OF THE COMPANY?

A. Yes. After review of the additional testimonies, the Division's opinion regarding RMP's application for a deferred accounting order remains the same.

The increase in wildfire related insurance is properly addressed in a general rate case, which could have been filed with a request for interim rates and minimal regulatory lag in recovering increased expenses. An exception to the proscription of retroactive ratemaking and single-issue ratemaking is not warranted in this case because a standard ratemaking tool that could have addressed the problem exists: filing a general rate case. Deferred accounting is an inferior tool intended for rare and exceptional cases and has deficiencies in developing a comprehensive analysis of facts and circumstances in setting just and reasonable rates. Deferred accounting should not be allowed when a standard method is readily available.

An erroneous forecast of an expense does not, of itself, justify an exception to the proscription of retroactive ratemaking, even if unforeseeable.[1] If the Company were granted an exception and received permission for a deferred accounting order, the result excludes a more complete and thorough analysis of the facts and circumstances affecting rates and could lead to rates that are not just and reasonable. This situation is the exact reason why retroactive ratemaking and single-issue ratemaking are generally prohibited and exceptions are and should be rarely granted. Ratemaking is meant to be a prospective endeavor.

Deferred accounting is a tool for exceptions. It is not the preferred method for arriving at just and reasonable rates. Before the Company's filing in this matter, the Division suggested the Company file a general rate case with a request for interim rates to specifically address the estimated insurance increase. The

[1] *Utah Dep't of Bus. Regul. v. Pub. Serv. Comm'n*, 720 P.2d.420 (Utah 1986).

Company elected not to file a general rate case and later elected to apply for deferred accounting treatment.

While it is not yet clear exactly when the Company knew or should have known it would face markedly different insurance rates beginning in August 2023, even if it took two to three months to file a general rate case after learning of the increases, the Company could have collected all or substantially all of the difference in insurance costs. It could have begun collecting those dollars right away by requesting interim rates. This would have allowed the Commission to evaluate other revenues and expenses as well as changes in capital markets and capital structures. It would also have allowed the Commission to ensure ratepayers are paying rates reflecting current services instead of past services, which is inherent in deferred accounting. For some of RMP's customers who join or leave the system, this temporal mismatch created by deferred accounting imposes costs on those who received no benefit and benefits those who incur no additional costs.

Frequent and improper use of deferred accounting also runs the risk of diluting the general ratemaking process and turning ratemaking into a reimbursement exercise instead of a prospective process, which can misalign management incentives. Utilities could tend to focus on single-issue "emergencies" that will result in less than prudent and holistic ratemaking practices.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.