BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power to Implement Community Clean Energy Program Authorized by the Community Clean Energy Act	))))))	**Docket No. 25-035-06** **Exhibit DPU 2.0 R** **Rebuttal Testimony of Timothy M. Lenell**

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

Rebuttal Testimony of

Timothy M. Lenell

November 13, 2025

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Timothy Lenell. My business address is 370 Main Street, Suite 325, Worcester, MA 01608.

Q. Are you the Timothy Lenell who pre-filed direct testimony for the Division of Public Utilities in this proceeding?

A. Yes.

Q. On whose behalf are you testifying?

A. The Division of Public Utilities (Division).

II. PURPOSE OF REBUTTAL TESTIMONY

Q. Please describe the purpose of your rebuttal testimony.

A. The purpose of my rebuttal testimony is to address certain assertions made in the direct testimonies of: (i) Anthony Sandonato for the Office of Consumer Services (OCS), (ii) Mark Fulmer for the Sierra Club, and (iii) Karl G. Boothman for Western Resource Advocates (WRA) (collectively referred to as “the intervenors”) regarding Rocky Mountain Power’s (Company) application to implement the Community Clean Energy Program (Program). My testimony:

1. affirms and refines several recommendations to strengthen the reporting, cost tracking, and transparency in the administration of the Program;
2. clarifies that the valuation approach for the Program resource must comply with Utah Code section 54-17-904(4)’s no-cost shift requirement, including

direct assignment of Program-caused costs and inclusion of the "lost value of Renewable Energy Credits (RECs)"; and

3. demonstrates why the present-value revenue requirement differential model (PVRR(d)) framework should not be used to determine the Program rate under Schedule 100 and reaffirms the use of the adjusted Schedule 38 valuation methodology with annual updates as the most appropriate basis to estimate the net costs of the Program resource.

Q. What information did you review in preparing your testimony?

A. I reviewed the following testimonies and exhibits:

- The direct testimony and exhibits of Anthony Sandonato for the OCS[1]
- The direct testimony and exhibits of Mark Fulmer on behalf of Sierra Club[2]
- The direct testimony and exhibits of Karl G. Boothman on behalf of WRA[3]
- The direct testimony and exhibit of Robert A. Davis for the Division[4]

Q. Have you changed any of your recommendations based on your review of others' direct testimony?

A. No. My core recommendations are unchanged and include:

1. Requiring an annual reconciliation process that ensures target balances are achieved and all cost methodologies are well-defined, auditable, and quantifiable;

[1] Direct Test. of Anthony Sandonato for OCS (Oct. 10, 2025).
[2] Direct Test. of Mark Fulmer for Sierra Club (Oct. 10, 2025).
[3] Direct Test. of Karl G. Boothman for WRA (Oct. 10, 2025).
[4] Direct Test. of Robert A. Davis for the Division (Oct. 10, 2025).

2. Ensuring compliance with Utah Code section 54-17-904(4)'s no-cost shift requirement through including measurable costs in Program rates, such as incremental costs from the acceleration of transmission upgrades (if applicable), interconnection costs, and the "lost value of RECs"; and
3. Using an adjusted Schedule 38 avoided-cost methodology, updated annually to prevent cost shifts to non-participants and avoid inter-year cross-subsidization among participating and non-participating customers.

I will provide additional testimony to support these core recommendations to address concerns from intervening parties under the following sections:

Section III: Reporting, Cost Tracking and Transparency of Approach

Section IV: No-Cost Shift Recommendations

Section V: Rejection of PVRR(d) Method for Avoided Cost Valuation

III. REPORTING, COST TRACKING, AND TRANSPARENCY OF APPROACH

Q. Please summarize your objective for Program reporting, cost tracking, and transparency.

A. My objective is to refine my direct testimony to strengthen the Commission's ability to verify compliance with the Utah Community Clean Energy Act.[5] My suggestions include requiring clear documentation to be able to track how input data translates

[5] Utah Code Ann. §§ 54-17-901 through -909.

to the Program's rate, transparency in the reporting of Program rates, and guidance over governance of Program modifications.

Q. Do you agree with the intervening parties on the need for greater transparency in cost methodology evaluation and reporting requirements?

A. Yes, in addition to the list of minimum annual filing requirements I recommended in my direct testimony,[6] I would like to clarify that the adjustments made to the Schedule 38 evaluation methodology should be provided with an intact formula workbook, rather than hard-coded values, and cited source information. For all Program cost calculations, support must be provided for all underlying assumptions. This ensures auditability and ability for the Commission and the other parties to reproduce the results.

Q. Do you agree with OCS's recommendation for greater transparency in the Program's tariff rates?

A. Yes, I agree with the recommendation for greater transparency of Program rates and support the recommendation of the rate being published with the cost component broken out in the tariff.[7] Unbundling the administrative program costs from the resource costs in the kWh charge should not be difficult given that the Company will track these costs separately in a spreadsheet.[8]

In addition, two elements that I discussed regarding the low-income surcharge component of the Program Rate—the $0.70 limit[9] and floor for the surcharge to

[6] Direct Test. of Timothy M. Lenell at 37:730-55.
[7] Direct Test. of Anthony Sandonato at 18:368-80.
[8] *Id.*
[9] Direct Test. of Timothy M. Lenell at 41:818-28.

not go below $0[10]—are not explicitly outlined in the tariff. I want to clarify that these elements should be addressed explicitly in the Low-Income Assistance section of the tariff.

Q. Do you agree that the Company should not have open-ended authority with regards to modifications to the Program's cost and benefit valuation methods?[11]

A. Yes, while I do not believe the Company is seeking unfettered discretion to modify the Program when it perceives an adjustment is appropriate due to a cost or benefit shift, I do think it is important to acknowledge that after the Program is approved, there should be a process to evaluate and approve systematic changes. With the exception of routine input updates within the Program, methodological modifications and additions should be considered in a Commission proceeding and require Commission approval prior to implementation.

Q. What additional governance in the annual reporting requirement should apply when Program modifications occur?

A. As I suggested, as part of the Program reporting, the Commission should require the Company to provide a list that details and explains the input changes for which updates will be annually reported.[12] These include elements such as participation rates, incorporating any newly acquired resources, updates to Schedule 38 valuation for avoided cost, and updates to other inputs. Over the horizon of the

[10] *Id.* at 42-43:845-55.
[11] Direct Test. of Mark Fulmer at 22:434-46.
[12] Direct Test. of Timothy M. Lenell at 37:730-55.

Program, it is possible that the Company will have a new or adjusted valuation methodology. If such a change occurs, it should require Commission approval.

In its regular reporting, the Company should identify and describe any Commission-approved Program modifications. In addition, the Company should report on the effects of the approved changes on the Program rate and reserve balance trajectories, showing the Program rate and reserve balance trajectory before and after the approved changes. This "change log" requirement of the reporting would allow the Commission to track how Program modifications influence Program rates over the life of the Program.

By having a clear governance process addressing Program modifications and reporting requirements, the Commission will be able to maintain oversight and track the evolution of methodologic frameworks that may occur over time.

IV. NO-COST SHIFT RECOMMENDATIONS

Q. Is there disagreement among the parties on certain Program cost issues?

A. Yes. There are three primary areas for which intervening parties had differing conclusions:

1. The level of administrative reserve required;[13]
2. The inclusion of the lost value of RECs;[14] and
3. Whether the Schedule 38 methodology is the appropriate basis for avoided cost valuation.[15]

[13] Direct Test. of Anthony Sandonato at 14-15:294-316.
[14] *Id.* at 27-28:557-82; Direct Test. of Mark Fulmer at 8-9:166-76; Direct Test. of Karl G. Boothman at 18-20:324-62.
[15] Direct Test. of Karl G. Boothman at 5:70-75.

Q. Is there support for an annual true-up of Program administration costs?

A. Yes, OCS witness Mr. Sandonato pointed out that the Subscriber Solar Program had a variance of roughly 50% below the original forecast for the program expenses over the first eight years of the program.[16] That example provides context for why annual true-ups are necessary. However, Mr. Sandonato did not claim that the Subscriber Solar Program variance provides support for the five-year administrative reserve fund balance, rather, he highlighted the importance of the annual true-up for the Program, a point with which I agree. The Subscriber Solar Program's variance is driven by the fundamentals of that program's attributes, such as bill credit mechanics tied to retail rates and marketing of the Subscriber Solar Program, making it fundamentally different from the Community Clean Energy Program. Nevertheless, it does demonstrate the importance of annual true-ups in program administrative costs.

Q. Have parties provided sufficient support for the five-year Program reserve balance target for administrative costs?

A. Neither the Company nor intervenors have justified why five years is necessary for the Program administration costs. Rather, they have only asserted that the one-year balance is insufficient. While refunds for the Program's draw-down period would return any funds to participants, there is significant time between initial build-up and drawn-down periods that may result in over-collection from current participants. Regarding the need for a five-year balance, Mr. Sandonato points out that one-year administrative reserve balance target, as proposed by the Agency,

[16] Direct Test. of Anthony Sandonato at 15-16:317-27.

is insufficient due to potential unwinding costs of an early termination.[17] Mr. Sandonato supports the Company's five-year recommendation on that basis.[18] However, the Company has not quantified the unwinding costs and does not speak to why a five-year reserve balance is appropriate.

Q. Why would a two-year administrative reserve fund balance be sufficient with annual true-ups?

A. The Program is designed with an annual true-up of Program administration costs, so the reserve balance already corrects for forecast deviations and enrollment changes within one rate-setting cycle. The reserve balance should be a function of what is necessary to protect against Program fluctuations and unwinding costs should the Program terminate. Many of the Program administration costs are short-term in nature and would cease quickly, leaving the majority of the two-year reserve balance to address unwinding costs.

As mentioned in my direct testimony, if the unwinding costs are anticipated to be larger than the ongoing administrative costs, the Company should identify them more clearly and provide sufficient evidence for requiring an administrative reserve fund balance that it is proposing.[19] The Commission should seek to ensure that the administrative reserve fund protects against the risk of unrecovered administrative costs but does not use an arbitrarily large reserve balance that may cause inter-year subsidization, with the Program pre-funded by current participants and costs shifted away from future participants. A two-year balance would protect

[17] *Id.* at 14-15:294-316.
[18] *Id.*
[19] Direct Test. of Timothy M. Lenell at 15-16:282-305.

against annual Program variations and keep non-participants protected from cost shifts during unwinding while avoiding unnecessary over-collection. Nevertheless, if the Company is able to provide sufficient evidence for unwinding costs that support the five-year target for the Program administrative reserve fund balance, the Division could support such a recommendation.

Q. Have intervenors reached a consensus on whether RECs should be retired on behalf of the communities?

A. Yes, the intervening parties acknowledge that the Company should retire RECs on behalf of the communities.[20] If it were otherwise, the communities would not be able to claim renewable attributes, which contravenes the intent of the Program.

Q. Do the intervenors agree on whether a methodological approach is necessary to determine the value of RECs to remove from the avoided cost?

A. No. Sierra Club witness Mark Fulmer argues that REC retirement on behalf of the participants should not be counted as it results in "effectively charging participating customers for avoided REC sales revenue."[21] In contrast to Mr. Fulmer's testimony, Mr. Sandonato acknowledges that the benefits of the environmental attributes are intended for participants and the Company should "charge the Program an appropriate level of additional cost to reflect the lost value of those RECs."[22]

[20] Direct Test. of Karl G. Boothman at 18-20:324-62; Direct Test. of Anthony Sandonato at 27-28:557-82; Direct Test. of Mark Fulmer at 8-9:166-76.
[21] Direct Test. of Mark Fulmer at 8-9:166-76.
[22] Direct Test. of Anthony Sandonato at 27-28:557-82.

All parties agree that the environmental attributes are intended for Program participants and acknowledge that under Schedule 38 the Company retains the RECs produced by qualifying facilities.[23]

While Schedule 38 does not explicitly value RECs, a separate value is not a requirement of the calculation since the Company receives the bundled power. With the benefits of the RECs clearly intended for the participants, developing a methodological approach to remove the value of RECs from the avoided cost seems to best align with Utah Code section 54-17-904(4)'s requirement that the Program rate not result in cost shifts to nonparticipants. Without valuing the RECs, the Program participants would be receiving a benefit without a commensurate reduction in the avoided cost. The avoided cost of Schedule 38 assumes Company retention of the RECs. Not having the ability to monetize the RECs produced by Program resources merits a methodological assessment for RECs. The adjustment to the Schedule 38 valuation for the value of lost RECs is appropriate given the intent of the Program.

Q. Will the Division revisit this issue of REC valuation and non-shifting of Program costs to nonparticipants?

A. Yes, the Division reserves the right to provide additional testimony when the approach is determined.

[23] Direct Test. of Mark Fulmer at 8-9:166-76.

Q. Do the intervenors agree that Schedule 38 is an appropriate starting point for valuing the avoided cost benefits of the Schedule 100 resources?

A. The Division,[24] OCS,[25] and Sierra Club[26] support the use of Schedule 38 as a starting point. All intervenors point out that adjustments are needed to account for the difference in policy objectives between the Schedule 38 approach and the Program. The need to remove subjectivity and opaqueness in modeling of the adjustments will be necessary to ensure the Commission has the requisite information needed to demonstrate that no cost shifts have occurred to non-participants.

The WRA does not support the use of Schedule 38 and advocates for the PVRR(d) methodology.[27] This methodology will be discussed in the section below.

V. REJECTION OF PVRR(d) METHOD FOR AVOIDED COST VALUATION

Q. Please explain the PVRR(d) methodology.

A. The PVRR(d) methodology measures the differential in the present value revenue requirement between two model runs using PLEXOS, with and without the resource.[28] The differential determines the net cost or benefit of the resource and

[24] Direct Test. of Timothy M. Lenell at 28-29:554-72.
[25] Direct Test. of Anthony Sandonato at 24:503-12.
[26] Direct Test. of Mark Fulmer at 4-5:85-92.
[27] Direct Test. of Karl G. Boothman at 5:70-75.
[28] *PacifiCorp's 2025 Integrated Resource Plan*, Docket No. 25-035-22, Utah 2025 Integrated Resource Plan Volume I (Mar. 31, 2025).

the PVRR(d) serves as a key metric to justify resource investments in the Company's IRP.[29]

Q. On what bases does WRA advocate for the PVRR(d) methodology?

A. Mr. Boothman provides three main reasons for using the PVRR(d) methodology:

1. The bifurcated IRP process makes the Schedule 38 valuation method unsuitable for the Program, as the Schedule 38 avoided cost method is "heavily dependent on the timing and technology of proxy resources in the Company's Preferred Portfolio;"[30]
2. The PVRR(d) method is more stable, and the PVRR(d) costs "depend on the system's embedded resource mix and forecasted costs that, while impacted by IRP inputs, are unlikely to change nearly as markedly between published IRPs;"[31] and
3. The net cost calculation "should reflect the actual price of the PPA, not a generic utility avoided cost."[32]

Q. Please explain how the Commission could address Schedule 38's dependence on the IRP process.

A. Mr. Boothman stated that his main concern is Schedule 38's dependence on the current IRP plan and sensitivity to current assumptions in the Company's Preferred Portfolio.[33] This is precisely why the Division advocates for an annual update to the Schedule 38 avoided costs for the Program.[34] With the Schedule 38 avoided

[29] *Id.*
[30] Direct Test. of Karl G. Boothman at 8-10:131-76.
[31] *Id.* at 10:174-76.
[32] *Id.* at 10:158-59.
[33] *Id.* at 10:160-68.
[34] Direct Test. of Timothy M. Lenell at 30:587-601.

cost value updated annually as part of the annual reconciliation, the issue of dependency on a particular IRP is resolved and avoids some of the more complex modeling techniques, such as the weighting of price-policy scenarios[35] and contract valuation estimated beyond the production cost study.[36]

Q. Do annual updates to the Schedule 38 avoided costs address stability concerns?

A. No. As pointed out by Mr. Boothman, the Schedule 38 avoided costs could have significant volatility in annual changes.[37] However, the goal of the Program is not to reduce volatility but to correctly value the costs and benefits of the Program resources and have them reflected in Program rates. An annually updated Schedule 38 methodology provides a nominal and time-specific valuation more aligned with the intent of the no-cost shift mandate and more suitable to account for changes in annual benefits reflected in the net resource costs used to determine the Program rate under Schedule 100.

Q. Does a present value approach provide a more appropriate basis for valuing Schedule 100 resources?

A. No. The nature of the PVRR(d) inherently lends itself to inter-year subsidization. In its response to Division data request DPU 2.33, the Company noted that levelization results in cost shifts to non-participants even if it cancels over time, stating:

> With regard to the avoided costs associated with Schedule 100 resources, PacifiCorp anticipates that Schedule 100 rates in each year would use the net cost for that year, as calculated at the time of

[35] *Id.*
[36] *Id.* at 25-26:484-97.
[37] Direct Test. of Karl G. Boothman at 8-10:131-76.

> contract execution and approved by the Public Service Commission of Utah (UPSC). A levelized net cost and the stream of nominal net costs upon which it was based would be expected to result in equal net present values, however, the recovery of those net cost streams over time would be different. The difference between the levelized net cost and the stream of nominal net costs in a given year is inherently a cost shift between participating and non-participating customers in that year, even if it is expected to cancel out over the life of the resource on a net present value (NPV) basis. Levelization frequently results in higher value at the start of a contract term relative to the nominal value in those years, which could represent additional risk related to repayment.[38]

The present value approach provides a level of stability and certainty for the Company and Program participants but leaves non-participants exposed to year-to-year nominal differences. Given the intent of the Program to prevent cost shifts to non-participating customers, an approach that does not rely on a present value methodology is more appropriate.

In my direct testimony, I provided a similar rationale for why the Commission should reject the weighted price-policy scenarios and instead rely on annually updated avoided costs according to the most recent Schedule 38 valuation, where the Official Forward Price Curve reflects the current market conditions and provides the most accurate cost avoidance measure.[39]

Q. Does the PVRR(d) method better reflect the system benefits for this Program?

A. No. The PVRR(d) is a planning tool that estimates the total cost of the resource over time. It provides an ability to justify investments and compares resource portfolios in integrated resource planning, but it is distinctly different from providing

[38] DPU Ex. 2.1 R, Company Response to Division Data Request 2.33.
[39] Direct Test. of Timothy M. Lenell at 26-27:508-31.

a value of the avoided cost of the resource. Rather than providing an avoided cost valuation, the PVRR(d) provides a reference to the costs. In contrast, an avoided cost method estimates the value of the resource based on market conditions and utility economics. The Schedule 38 method reflects a Commission-approved valuation for determining the avoided costs of renewable resources and has been in implementation for over a decade.

Q. Do you suggest the Commission use an adjusted-Schedule 38 approach instead of the PVRR(d) method to estimate the Program's cost and benefits?

A. Yes. The need for transparent procedures with auditable cost tracking is a primary objective to ensure compliance with the requirements of the Community Clean Energy Act. I support using Schedule 38 as a starting point and addressing adjustments to capture the differences between the Program's objectives and the intent of Schedule 38. This method provides a more transparent and simpler approach and is more easily audited. I do not support the consideration of the PVRR(d) methodology. The PVRR(d) method relies on complex system modeling through PLEXOS that would limit the ability for the Commission and the parties to audit and reproduce results even with access to software, assumptions, and portfolio selection.

Q. Does this conclude your rebuttal testimony?

A. Yes.