

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

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

Surrebuttal Testimony of

Timothy M. Lenell

December 11, 2025

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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 and rebuttal testimony for the Division of Public Utilities (“Division”) in this proceeding?

A. Yes.

Q. On whose behalf are you testifying?

A. The Division.

II. PURPOSE OF SURREBUTTAL TESTIMONY

Q. Please describe the purpose of your surrebuttal testimony.

A. The purpose of my surrebuttal testimony is to address certain assertions made in the rebuttal testimonies of: (i) Anthony Sandonato for the Office of Consumer Services (“OCS”), (ii) Mark Fulmer for the Sierra Club, (iii) Kevin Higgins and Christopher Thomas for the Community Renewable Energy Agency (“Agency”) (these first three groups will be collectively referred to as “the Intervenor”), and (iv) Daniel J. MacNeil, Craig M. Eller, and Kenneth Lee Elder, Jr. for Rocky Mountain Power (“Company”) regarding the Company’s application to implement the Community Clean Energy Program (“Program”). My testimony:

1. Affirms that an annually updated Schedule 38 valuation is an appropriate approach for determining Program benefits to adhere to statutory requirements while suggesting additional incremental changes to the

utilization of Schedule 38 valuation methodology in determining the Program's avoided cost benefits;

2. Supports the inclusion of Program costs identified since filing, as all costs must be contained within the Program;
3. Addresses the reduction to the program resource reserve fund; and
4. Clarifies the purpose of the maximum accrual threshold for reserve target balances.

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

A. I reviewed the following testimonies and exhibits:

- The rebuttal testimony of Anthony Sandonato for the OCS¹
- The rebuttal testimony of Mark Fulmer on behalf of the Sierra Club²
- The rebuttal testimonies of Kevin Higgins and Christopher Thomas on behalf of the Agency³
- The rebuttal testimonies of Daniel J. MacNeil, Craig M. Eller, and Kenneth Lee Elder, Jr., on behalf of the Company⁴

Q. Have you changed any of your recommendations based on your review of other parties' rebuttal testimony?

A. No. However, acknowledging that the Partial Displacement Differential Revenue Requirement ("PDDRR") method used in the Schedule 38 valuation methodology

¹ Rebuttal Test. of Anthony Sandonato for OCS (Nov. 13, 2025) ("Sandonato Rebuttal").

² Rebuttal Test. of Mark Fulmer for Sierra Club (Nov. 13, 2025) ("Fulmer Rebuttal").

³ Rebuttal Test. of Kevin C. Higgins for Agency (Nov. 13, 2025) ("Higgins Rebuttal"); Rebuttal Test. of Christopher Thomas for Agency (Nov. 13, 2025) ("Thomas Rebuttal").

⁴ Rebuttal Test. of Daniel J. MacNeil for Company (Nov. 13, 2025) ("MacNeil Rebuttal"); Rebuttal Test. of Craig M. Eller for Company (Nov. 13, 2025) ("Eller Rebuttal"); Rebuttal Test. of Kenneth Lee Elder, Jr. for Company (Nov. 13, 2025) ("Elder Rebuttal").

fails to provide capacity valuation in the early stages of the planning period,⁵ I suggest that my recommendation,⁶ that the most recent Schedule 38 valuation be used to annually update the avoided costs, be utilized strictly for the avoided energy benefits, while a more customized approach be developed by the Company for the determination of avoided capacity impacts. This would acknowledge the limits of the Schedule 38 valuation method in providing incremental value for the benefit of Program resources.

III. AVOIDED COST BENEFITS

Q. Do the intervenors and the Company agree with an annually updated Schedule 38 valuation for determining Program benefits?

A. No, the Sierra Club and the Agency do not support the annually updated Schedule 38 valuation.⁷ The Company also recommends having a one-time resource valuation approach rather than an annual update.⁸

Q. Why do some parties disagree with having the Schedule 38 valuation updated annually?

A. The Sierra Club, the Agency, and the Company argue the valuation is dependent on the Program's ability to displace or defer an Integrated Resource Plan ("IRP") resource, which is claimed to be fundamental to the PDDRR method used in the Schedule 38 valuation methodology. In terms of displacement timing and recommendations for an annual update, Mr. Fulmer contends that annual updates

⁵ Fulmer Rebuttal at 3-4:53-72.

⁶ Direct Test. of Timothy M. Lenell at 30:587-601.

⁷ *Id.*; Higgins Rebuttal at 19-20:395-414.

⁸ MacNeil Rebuttal at 8-9:166-96.

63 conflict with the Schedule 38 methodology for valuing avoided costs because it is
64 designed based on displacing a fixed proxy resource.⁹ Mr. Higgins similarly
65 asserts that annual updates would create uncertainty and a moving displacement
66 target that would prevent the Program resource from getting credit for
67 displacement.¹⁰ Mr. MacNeil states that annual updates preclude resource deferral
68 from being incorporated into the valuation due to IRP timing, and argues that a
69 one-time resource valuation better aligns with long-term contract execution in
70 resource planning.¹¹ Collectively, these intervenors oppose annual updates on the
71 basis that Schedule 38 valuation is dependent on fixed displacement timing, and
72 annual updates break this relationship and adversely impact the valuation.

73 **Q. With regard to the avoided cost valuation, what is the primary concern of a**
74 **moving displacement target as a result of annually updating the Schedule 38**
75 **valuation?**

76 A. The primary concern is the avoided capacity costs. The proxy plant that is
77 displaced by the Program resource is often assumed to be built sometime in the
78 future. Only when the proxy plant is displaced by the Program resource does the
79 capacity value get added to the \$/MWh valuation according to the displaced proxy
80 plant's cost. Therefore, by having an annually updated Schedule 38 valuation
81 pegged to the most recent Schedule 38 evaluation, the displaced resource
82 continuously becomes pushed into the future, and no avoided capacity costs are
83 ever credited to the resource.

⁹ Fulmer Rebuttal at 3-4:53-72.

¹⁰ Higgins Rebuttal at 19-20:395-414.

¹¹ MacNeil Rebuttal at 8-9:166-96.

84 **Q. Do you agree that an annually updated Schedule 38 valuation would be**
85 **problematic for this reason?**

86 A. While I agree, all else being equal, that annually updating the avoided cost
87 measure according to the most recent Schedule 38 valuation would effectively
88 reduce the capacity cost avoidance to zero, I do not agree that the solution is a
89 static Schedule 38 valuation. The argument that the Schedule 38 valuation
90 depends upon a displaced resource assumption ignores the fundamental
91 difference between this Program and Schedule 38.

92 **Q. Please explain.**

93 A. This Program is a “but-for” program—that is, the resource would not be in service
94 except for the existence of the Program to support the clean energy goals of the
95 member communities. While displacement is fundamental to Schedule 38’s
96 avoided-capacity calculation, as outlined above, it is not a requirement for valuing
97 capacity under the Program. Rather, the capacity valuation should be based on
98 actual incremental capacity benefits of the Program resources.

99 Schedule 38 valuation functions as the starting point for determining the
100 incremental valuation for the Program resources and is adjusted to account for the
101 unique characteristics of the Program. This aligns with the Company’s opening
102 point that the PDDRR methodology is not the single method used for estimating
103 the Program’s resources and requires incremental analysis.¹²

104 The Schedule 38 valuation is volatile, as pointed out in my direct testimony, and
105 having a static avoided cost measure would result in misaligned valuation with

¹² MacNeil Rebuttal at 3:56-67.

actual benefits throughout the Program's lifetime, which may result in cost shifting to non-participants.¹³ Rather than choosing between having avoided capacity costs negated in an annually updated Schedule 38 methodology or having a static value with an outdated cost avoidance, I recommend the Company utilize Schedule 38 updates annually for avoided energy costs and a custom method be developed by the Company for avoided capacity cost assessments.

Q. Does the nature of the Program indicate how projects should be valued?

A. Yes, the nature of the Program is unique in its intended design to allow communities to reach renewable goals without imposing costs on non-participating customers. The Community Clean Energy Act prohibits *any* shift of costs or benefits to non-participants.¹⁴ The Program's value should be based on its actual benefits through the most recent avoided cost study.

Schedule 38 provides a valid starting point for valuation of the avoided cost methodology, as it is a Commission-approved approach. However, incremental adjustment for Renewable Energy Credit ("REC") values and capacity are necessary to reflect Program-specific attributes.

Annual updates ensure that avoided energy benefits most accurately reflect current market conditions, rather than relying on assumptions that will become outdated. A customized calculation could ensure that Program benefits reflect incremental capacity value. Such a framework would help avoid the potential for

¹³ Direct Test. of Timothy M. Lenell at 31:602-09.

¹⁴ Utah Code Ann. § 54-17-904(4)(b) ("The rates approved by the commission for participating customers . . . may not result in any shift of costs or benefits to any nonparticipating customer, or any other customer of the qualified utility beyond the participating community boundaries . . .").

significant, longer-term deviations between IRP-based assumptions and actual avoided costs provided by the resource.

Q. Do you agree with the Company's statement that the REC value would not be relevant under an annually updated avoided cost methodology?

A. Provisionally, yes. The REC valuation would not need to be considered if the Schedule 38 valuation is limited to avoided energy, a custom valuation is provided for capacity, and the displacement of a proxy resource is in the future. This simplifies one of the more complex modeling concepts for which the Company has yet to propose a defined solution.

Q. Do you agree with the Company's position that transmission costs should be held constant based on forecasted values?

A. No, the Company acknowledges that holding transmission costs constant may result in significant differences from actual costs.¹⁵ Not accounting for these differences may result in cost shifts to non-participants, which would be inconsistent with statutory requirements. The Division does not agree with the claim that "[i]t is reasonable for non-participating customers to face some risk of negative outcomes as a result of the procurement of a Schedule No. 100 resource, so long as that possibility is balanced by potential negative outcomes in the absence of a Schedule No. 100 resource."¹⁶ Costs must be contained to the Program to the level whereby they are known and verifiable. If additional resources

¹⁵ MacNeil Rebuttal at 17:357-61.

¹⁶ *Id.* at 2:33-41.

are required to produce accurate results, the Company can propose additional costs added to the cost of the Program's administration.

Q. Are there components of the Company's modeling that remain obscure?

A. Yes, it remains unclear what the Company's proposed modeling approach is to consider the reasonableness for: (1) price-policy scenarios, (2) stochastic risk considerations, and (3) contract valuation beyond the production cost study horizon. The Division cannot evaluate how the proposed modeling approach would consider the concepts identified above due to the lack of details presented at this time.

IV. OTHER COSTS AND PROGRAM ATTRIBUTES

Q. Do you support the Company including the costs of retiring RECs?

A. Yes, all costs must be contained within the Program. The Company's inclusion of the Western Renewable Energy Generation Information System ("WREGIS") REC retirement charge that was not originally identified should be allowed by the Commission to ensure no costs shift to non-participants.

Q. Do you support the Company revising the Program administrative reserve fund balance to cover three years of costs instead of five years?¹⁷

A. The Division highlights that the Company has yet to provide quantitative evidence regarding the revised reserve balance term. The Division believes the duration should not be based on compromise among parties but on determining quantifiable risk, whether that be two years, three years, or another time frame.

¹⁷ Eller Rebuttal at 8-9:151-90.

Q. What is the purpose of the maximum accrual threshold of the reserve target balance?

A. As provided in my direct testimony, the purpose is to ensure that rates annually adjust so that the target reserve balance is maintained. It was not the intent of the Division to suggest that 12.5 years is the appropriate level under all circumstances,¹⁸ but instead to suggest that the Company should establish a target reserve balance after it selects the resource and the Program's rate should adjust annually to ensure the reserve targets are met.

The primary objective is to have a clear understanding of what drives the Program's rate changes and provide clear guidance to avoid the Company exercising discretion in determining rate adjustments.

Q. Does this conclude your surrebuttal testimony?

A. Yes.

¹⁸ Thomas Rebuttal at 12-13:233-61.