

**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

IN THE MATTER OF THE APPLICATION OF )	
ROCKY MOUNTAIN POWER FOR AN ORDER )	
APPROVING NONTRADITIONAL )	DOCKET NO. 20000-519-EA-17
RATEMAKING RELATED TO WIND )	RECORD NO. 14780
REPOWERING )	

PRE-FILED TESTIMONY OF

Denise Kay Parrish

On Behalf of the Office of Consumer Advocate

IN SUPPORT OF THE AMENDED STIPULATION AND SETTLEMENT AGREEMENT

Testimony Filed: May 24, 2018

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

2 A. My name is Denise Kay Parrish and my business address is 2515 Warren Avenue, Suite  
3 304, Cheyenne, Wyoming 82002.

4  
5 **Q. WHAT IS YOUR OCCUPATION?**

6 A. I am currently the Deputy Administrator of the Wyoming Office of Consumer Advocate  
7 (OCA), an independent division of the Wyoming Public Service Commission. As a  
8 member of the Office of Consumer Advocate, I represent the interests of Wyoming  
9 citizens and all classes of utility customers in this public utility matter, as required by  
10 W.S. § 37-2-401. It is neither my intent nor my charge to represent the position of any  
11 individual, group, municipality, or corporation.

12  
13 **Q. ARE YOU SPONSORING ANY SCHEDULES OR EXHIBITS SEPARATE AND  
14 APART FROM THIS WRITTEN NARRATIVE AS PART OF THIS THIRD  
15 PIECE OF TESTIMONY?**

16 A. No, I am not. The entirety of my testimony is contained within this narrative document.  
17

18 **Q. ARE YOU THE SAME PERSON WHO FILED TESTIMONY EARLIER IN  
19 THIS PROCEEDING, IN BOTH OCTOBER, 2017, AND APRIL, 2018?**

20 A. Yes. I filed direct testimony in this proceeding in October, 2017. In April, 2018, I filed  
21 supplemental testimony. My recommendations in my earlier testimonies included:

- 22 ▪ the Commission's approval of the prudence of the project should be conditioned  
23 on Rocky Mountain Power explicitly agreeing to accept the risk that the  
24 anticipated benefits of the project may not be achieved (OCA Exhibit 201, page  
25 10);
- 26 ▪ the reasonableness of the incurred and/or planned costs should be addressed in  
27 the next general rate proceeding (OCA Exhibit 201, page 20 and OCA Exhibit  
28 202, page 4);
- 29 ▪ the Commission should reject approval of the Resource Tracking Mechanism  
30 (OCA Exhibit 201, page 11 and OCA Exhibit 202, page 9); and

- 1           ▪       the unrecovered capital costs of the plant being replaced should be moved to a  
2                   regulatory asset and amortized over the original remaining life of the assets  
3                   (OCA Exhibit 201, pages 18-19 and OCA Exhibit 202, pages 10-11).  
4

5           As explained in these testimonies, the OCA determined early on in this proceeding that  
6           it would not object to the repowering project itself, as long as the cost recovery and  
7           prudence review are done within the confines of traditional regulation. The primary  
8           OCA efforts in this case focused on addressing various cost recovery alternatives.  
9

10 **Q.       WHAT IS THE PURPOSE OF THIS LATEST PIECE OF TESTIMONY IN THIS**  
11 **PROCEEDNG?**

- 12 A.       The purpose of this piece of testimony is to explain how and why the OCA has come to  
13       support the Amended Stipulation and Settlement Agreement (Amended Stipulation)  
14       offered by all of the Parties in this proceeding. These Parties include the OCA, the  
15       Wyoming Industrial Energy Consumers, Northern Laramie Range Alliance, Interwest  
16       Energy Alliance, and Rocky Mountain Power.  
17

18 **Q.       THERE SEEM TO BE TWO AGREEMENTS THAT HAVE BEEN SUBMITTED**  
19 **IN THIS PROCEEDING. PLEASE EXPLAIN THE DIFFERENCE BETWEEN**  
20 **THE ORIGINAL STIPULATION SUBMITTED ON APRIL 10, 2018, AND THE**  
21 **AMENDED STIPULATION NOW BEING DISCUSSED.**

- 22 A.       The original stipulation was an agreement among only three of the five Parties to the  
23       proceeding, and in my opinion, was unclear, flawed, and did not adequately address all  
24       of the issues in the proceeding, in spite of claiming to do so. While I have read statements  
25       that indicate otherwise, the OCA did not have a true seat at the table when the original  
26       stipulation was negotiated. My supplemental testimony in this proceeding (OCA Exhibit  
27       202) sets forth a number of the concerns I had regarding the original stipulation.  
28

29       Following the filing of my supplemental testimony, settlement discussions with all of  
30       the Parties restarted, and the signers of the original stipulation expressed an openness to  
31       make additional modifications to address some of the OCA's expressed concerns. As

1 with any negotiation, not all of our preferred positions were incorporated into the final  
2 agreement. Yet, a fair number of the OCA's identified concerns were addressed in the  
3 Amended Stipulation. After considerable internal debate as to whether the Amended  
4 Stipulation incorporated enough improvements to warrant the OCA becoming a  
5 signatory, we made the decision that we would become a Party to the Amended  
6 Stipulation. Northern Laramie Range Alliance also made the decision to be a signatory  
7 to the Amended Stipulation, resulting in an agreement signed by a representative of each  
8 Party in this proceeding.  
9

10 **Q. PLEASE WALK THROUGH AND COMMENT ON THE PRIMARY**  
11 **PROVISIONS OF THE AMENDED STIPULATION, BEGINNING WITH THE**  
12 ***AGREEMENTS REGARDING RESOLUTION OF SPECIFIC ISSUES ON PAGE***  
13 **5.**

14 A. In my Supplemental Testimony, questions were raised as to the costs and planned  
15 equipment that comprised the repowering project as referenced in the Original  
16 Stipulation (OCA Exhibit 202, pages 4-6). Paragraphs 34 and 35 of the Amended  
17 Stipulation are intended to provide additional clarity to the repowering project definition  
18 by detailing the number and location of turbines to be replaced, and by defining certain  
19 costs that are not intended to be part of the project definition and cost caps.  
20

21 This detail should assist interested parties and the Commission when reviewing the  
22 project costs at the time of the next general rate case or other cost recovery proceedings.  
23 It provides a detailed list of the items for which costs should be included when reviewing  
24 the construction prudence and overall costs of the project. It should assist when  
25 determining whether the cap has been exceeded and when comparing the overall actual  
26 costs of the project to the cost estimates.  
27

28 **Q. HAVE THE PARTIES REACHED AN AGREEMENT ON WHETHER THE**  
29 **RESOURCE TRACKING MECHANISM SHOULD BE AUTHORIZED BY THE**  
30 **COMMISSION?**

1 A. Yes. In paragraph 36a of the Amended Stipulation, the Parties agree that the proposed  
2 Resource Tracking Mechanism should not be adopted. Instead, normal ratemaking  
3 mechanisms, such as general rate cases and the Energy Cost Adjustment Mechanism,  
4 are to be used. This is consistent with the position I presented in both my direct and  
5 supplemental testimonies. The Resource Tracking Mechanism is not needed at this time  
6 – given the expectation of a general rate case being filed in 2020 -- to keep Rocky  
7 Mountain Power financially sound even with the construction costs associated with  
8 repowering. Current regulatory mechanisms are expected to be adequate for the short-  
9 term until a rate case is filed and processed before the Commission.

10

11 Furthermore, paragraph 36b of the Amended Stipulation explicitly indicates that the  
12 Parties agree to “support a test period in the next general rate case that reflects the  
13 annualized costs and benefits for the portion of the Repowering Project in-service by the  
14 rate effective date.” As noted above, the next rate case is expected to be filed in 2020  
15 with a rate effective date in 2021. To achieve the expected benefits, the repowering  
16 project is required to be completed by the end of 2020. This means that the costs and  
17 benefits associated with the repowering project are anticipated to be included in  
18 Wyoming customers’ rates resulting from the next Rocky Mountain Power general rate  
19 case. Given that (a) the rate case filing and the project completion sync up rather nicely,  
20 (b) there is agreement that the Parties will not oppose the inclusion of the repowering  
21 costs in the next rate case, and (c) the treatment of costs and benefits within the existing  
22 retail rates and cost recovery mechanisms appears to provide adequate cost recovery in  
23 the short-term, the OCA is comfortable with the Parties agreement to forego any  
24 approval of the Resource Tracking Mechanism in this proceeding.

25

26 **Q. IN BOTH YOUR DIRECT AND SUPPLEMENTAL TESTIMONY, YOU**  
27 **EXPRESSED THE VIEW THAT ROCKY MOUNTAIN POWER NEEDED TO**  
28 **ACCEPT THE RISK THAT THE ANTICIPATED BENEFITS OF THE**  
29 **PROJECT MAY NOT BE ACHIEVED. HOW IS THIS MATTER ADDRESSED**  
30 **IN THE AMENDED STIPULATION?**

1 A. Paragraphs 36c through 36g of the Amended Stipulation address the issue of risk in a  
2 multitude ways. While the OCA's earlier testimonies addressed risk simply by having  
3 the construction occur before any assurance of cost recovery and without preapproval of  
4 cost estimates, the Amended Stipulation contains more explicit provisions to address the  
5 various facets of risk identified by the Parties.

6  
7 Paragraph 36c addresses the matter of what-if any particular turbine that is part of the  
8 repowering project does not qualify for the production tax credits that are an integral  
9 part of the expected benefits. The agreement calls for the production tax credit to be  
10 recognized for ratemaking purposes for each and every one of the turbines listed as part  
11 of the repowering project, whether or not that particular turbine actually qualifies with  
12 the Internal Revenue Service to receive that credit. However, there are two stated  
13 exceptions to this production tax credit imputation provision. The first exception is if  
14 there is a change in the law and the second is if there is an event beyond the reasonable  
15 control – defined as a force majeure event -- of Rocky Mountain Power or its contractors,  
16 vendors, and suppliers.

17  
18 Paragraphs 36d through 36g address the risk related to construction cost overruns. It  
19 establishes a construction cost cap based on the cost estimate for the repowering project  
20 provided by Rocky Mountain Power plus a defined amount over the estimate for  
21 contingencies. Rocky Mountain Power has agreed that it will not be permitted to recover,  
22 through Wyoming retail rates, any actual repowering project construction costs that  
23 exceed the defined cost cap, or any costs determined to be due to Rocky Mountain  
24 Power's mismanagement. However, Rocky Mountain Power will be first in line, ahead  
25 of Wyoming ratepayers, to retain any liquidated damages received from vendors.  
26 Retaining these liquidated damages will allow for some potential recovery by Rocky  
27 Mountain Power of construction costs that exceed the defined cost cap. If any liquidated  
28 damage payments exceed the amount of the cost overruns above the defined cost cap,  
29 those funds would then go to offset capital costs included in retail rates. Meanwhile, the  
30 Parties agree that any challenges to the recovery of the repowering construction costs  
31 are limited to costs that exceed the Rocky Mountain Power cost estimate (without the

1 contingency amount added) of \$1.01 billion, or costs related to Rocky Mountain Power's  
2 mismanagement of the repowering project.

3  
4 The OCA's earlier proposal for addressing risk would have allowed interested parties to  
5 address the issues and concerns that arose in later rate proceedings where cost issues are  
6 explicitly addressed. It would have taken on these issues when more actual cost  
7 information was available and once the specific circumstances were known relative to  
8 the risk concern that needed to be addressed. The Amended Stipulation takes a different  
9 approach of identifying specific risks, such as qualifying for production tax credits and  
10 construction costs, and defining the situation and solution in advance. Both approaches  
11 have different advantages and disadvantages over the other.

12  
13 The OCA approached its analysis and information gathering process in this proceeding  
14 assuming that there would be further opportunities to examine costs and benefits and  
15 make specific decisions on their reasonableness at a later time. Yet, we ultimately agreed  
16 with the alternative means of addressing risk as found in in the Amended Stipulation at  
17 paragraphs 36c through 36g. This was one of the compromises made by the OCA in  
18 spite of the fact that we did not do a thorough analysis of the construction cost estimates  
19 offered by Rocky Mountain Power.

20  
21 **Q. THE OCA'S RECOMMENDATIONS IN YOUR DIRECT TESTIMONY AND**  
22 **REITERATED IN YOUR SUPPLEMENTAL TESTIMONY ADDRESS THE**  
23 **REGULATORY TREATMENT OF THE UNRECOVERED CAPITAL COSTS**  
24 **OF THE PLANT BEING REPLACED AS PART OF THE REPOWERING**  
25 **PROJECT. HOW DOES THE AMENDED STIPULATION RESOLVE THIS**  
26 **OCA CONCERN?**

27 A. The assets in question are comprised of the wind generation equipment that will no  
28 longer be used once repowering is completed. One might crudely think of these items  
29 as the "trash" from the project. However, a significant portion of the cost of these assets  
30 is yet to be recovered through rates. Since this plant and equipment is currently part of  
31 the wind generation itself, it is being depreciated like other wind assets based on a total

1 life of 30 years, with approximately 20 years remaining. According to paragraph 37, the  
 2 provisions of the Amended Stipulation do not “either address or seek to modify the  
 3 depreciation rates or remaining lives for the retired wind plant assets.” Nothing will  
 4 change in customers’ retail rates until the resolution of the next general rate case.

5  
 6 However, there will be changes on the Rocky Mountain Power books and records just  
 7 from the way depreciation accounting works. Once the asset is retired, the original cost  
 8 of the asset is removed from both plant in service and accumulated depreciation. In  
 9 other words, the plant balance is reduced but the accumulated depreciation balance is  
 10 also reduced by the same amount. Thus, the net plant remains the same but its  
 11 composition is different. It is now comprised partly of currently used plant and plant  
 12 that is no longer actively used in the provision of service. The following example using  
 13 illustrative numbers in Table 1 may help explain the situation.

14  
 15 **Table 1: Net Plant Impact of Retiring Plant**

	<b>Wind Plant Balance Immediately Prior to Retirement</b>	<b>Retirement of No Longer Needed Wind Plant</b>	<b>Net Wind Plant in Service Before Additions</b>	<b>Repowering Plant Additions</b>	<b>Net Plant After Repowering</b>
<b>Wind Plant in Service</b>	\$1,000	(\$800)	\$200	\$1,000	\$1,200
<b>Accumulated Depreciation</b>	(\$300)	\$800	\$500	\$0	\$500
<b>Net Plant</b>	\$700	\$0	\$700	\$1,000	\$1,700

16  
 17  
 18 Thus, the rate base and amount of return required would remain the same. However,  
 19 there would be an impact on the on-going booked depreciation expense, as shown on  
 20 Table 2.



1 **Table 2: Depreciation Expense Impact of Retiring Plant**

	<b>Balance Immediately Prior to Retirement</b>	<b>Retirement of No Longer Needed Plant</b>	<b>Net Wind Plant in Service Prior to Additions</b>	<b>New Plant Additions</b>	<b>Net Wind Plant in Service</b>
<b>Gross Wind Plant in Service</b>	\$1,000	(\$800)	\$200	\$1,000	\$1,200
<b>Depreciation Rate based on 30 year life</b>	3.33%		3.33%	3.33%	3.33%
<b>Annual Depreciation Expense for Wind Plant in Service</b>	\$33.30		\$6.66	\$33.30	\$39.96

2

3 The depreciation rate would not change, but the balance of gross plant in service to which  
 4 that depreciation rate applies would be reduced with the retirement of the “trash”, thus  
 5 substantially reducing the booked amount of depreciation expense. In other words, there  
 6 is no depreciation expense associated with that retired plant until some further specific  
 7 action is taken. Without either (a) an increase in the depreciation rate to be applied to  
 8 current plant in service assets to recognize the need to recover the unrecovered retired  
 9 assets or (b) a specific decision to also depreciate or amortize the retired assets, the  
 10 balance of the cost of those assets will simply carry over on the books from year-to-year,  
 11 as they are not included in the depreciation expense computation.

12

13 **Q. HOW DOES THE AMENDED STIPULATION ADDRESS THIS ISSUE OF**  
 14 **DEPRECIATION OR AMORTIZATION OF THE RETIRING PLANT?**

15 A. Rather than establishing a regulatory asset and an amortization period for that regulatory  
 16 asset, as suggested by the OCA in my direct and supplemental testimonies, the Parties  
 17 have chosen to leave the retired wind plant assets in the accumulated depreciation  
 18 reserve. However, as specified in paragraph 37a, a subaccount will be established so  
 19 that this balance may be tracked separately. Furthermore, the balance and depreciation  
 20 expense (if any) that is associated with these retired assets will be reported separately in  
 21 Rocky Mountain Power’s financial results of operations and in the next general rate case.

1 This process of establishing subaccounts is intended to provide transparency within the  
2 normal plant and depreciation accounts without the need to establish a regulatory asset.

3  
4 Finally, paragraph 37c references the upcoming depreciation study that is expected to be  
5 filed on or about September 1, 2018. The bottom line of this provision is that the Parties  
6 will have a jump ball relative to recommending treatment of the retired plant within the  
7 depreciation proceeding. Each Party is free to suggest whatever asset life, depreciation  
8 treatment or amortization treatment that it believes to be appropriate. The matter is  
9 intended to be resolved in that depreciation case rather than this repowering case.

10  
11 Moving the resolution of this issue to the depreciation case, rather than resolving it in  
12 this repowering case is also one of the compromises made by the OCA in order reach an  
13 agreement that all Parties were willing to accept.

14

15 **Q. PLEASE EXPLAIN THE FAVORED NATIONS CLAUSE CONTAINED IN**  
16 **PARAGRAPH 38 OF THE AMENDED STIPULATION.**

17 A. Paragraph 38 calls for a relook at the Amended Stipulation if the Utah parties reach a  
18 settlement agreement on the repowering issues in its case that is a companion case to the  
19 one filed in Wyoming. The relook would be done to make sure that Utah did not receive  
20 a better deal than Wyoming, taking into account the differences in regulatory  
21 environment and differences in existing regulations, rate mechanisms, etc. This type of  
22 provision is not uncommon when addressing matters common to several states and for  
23 which proceedings have been filed in multiple states. The OCA certainly finds it  
24 acceptable to make sure that additional concessions have not been made in other  
25 jurisdictions that would also be appropriate to include in the Wyoming agreement.

26

27

28

29

30

1 **Q. DOES THAT COMPLETE YOUR PREFILED TESTIMONY IN SUPPORT OF**  
2 **THE AMENDED STIPULATION?**

3 A. Yes, it does, other than to ask the Commission to approve the Amended Stipulation and  
4 Settlement Agreement as it has been presented to the Commission in this proceeding.  
5 While each of the Parties, including the OCA, had to compromise and leave behind some  
6 of their preferred positions, we determined that we would not let the perfect be the enemy  
7 of the good. While we may not be enamored with each and every provision of the  
8 Amended Stipulation, overall it provides some certainty as to the regulatory process for  
9 the repowering project's cost recovery and prudence review. This certainty regarding  
10 the process should now allow Rocky Mountain Power to proceed with the repowering  
11 project – a project that is likely to bring long-term benefits to Wyoming customers. This  
12 is the primary reason we support the entirety of this particular Amended Stipulation.

**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

IN THE MATTER OF THE APPLICATION OF )  
ROCKY MOUNTAIN POWER FOR AN ORDER )  
APPROVING NONTRADITIONAL )  
RATEMAKING RELATED TO WIND )  
REPOWERING )

DOCKET NO. 20000-519-EA-17  
RECORD NO. 14780

**AFFIDAVIT, OATH AND VERIFICATION**

Denise Kay Parrish (Affiant) being of lawful age and being first duly sworn, hereby deposes and says that:

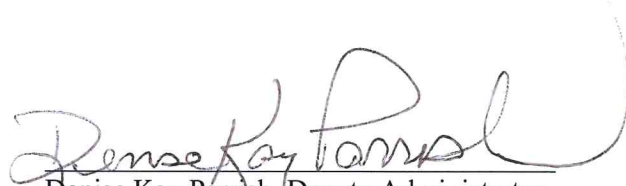
Affiant is the Deputy Administrator of the Wyoming Office of Consumer Advocate which is a party intervener in this matter pursuant to its Notice of Intervention filed on July 19, 2017.

Affiant prepared and caused to be filed the foregoing testimony in support of the Amended Stipulation and Settlement Agreement. Affiant has, by all necessary action, been duly authorized to file this testimony and make this Oath and Verification.

Affiant hereby verifies that, based on Affiant's knowledge, all statements and information contained within the testimony are true and complete and constitute the recommendations of the Affiant in her official capacity as Deputy Administrator of the Wyoming Office of Consumer Advocate.

Further Affiant Sayeth Not.

Dated this 24<sup>th</sup> day of May, 2018.



Denise Kay Parrish, Deputy Administrator  
Wyoming Office of Consumer Advocate  
2515 Warren Avenue, Suite 304  
Cheyenne, WY 82002  
(307) 777-5743

STATE OF WYOMING )  
 ) SS:  
COUNTY OF LARAMIE )

The foregoing was acknowledged before me by Denise Kay Parrish on this 24<sup>th</sup> day of May, 2018. Witness my hand and official seal.



My Commission Expires:

