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April 1, 2020

VIA ELECTRONIC DELIVERY

Diane Hanian
Commission Secretary
Idaho Public Utilities Commission
11331 W Chinden Blvd.
Building 8 Suite 201A
Boise, ID 83714

Re: CASE NO. PAC-E-20-02
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
REQUESTING APPROVAL OF \$21.2 MILLON NET POWER COST
DEFERRAL

Dear Ms. Hanian:

Please find Rocky Mountain Power's Application in the above referenced matter, along with the direct testimony and exhibits of Company witnesses Messers. David G. Webb, Robert M. Meredith, and Steven R. McDougal.

An original and nine (9) copies of the Application, direct testimony, and exhibits will be provided as soon as possible. A non-confidential CD with the Application, direct testimony, and exhibits and a confidential CD containing the work papers will also be provide with the hard copy filing.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Joelle Steward
Vice President, Regulation

Enclosures

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Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-20-02
OF ROCKY MOUNTAIN POWER)
REQUESTING APPROVAL OF \$21.2) APPLICATION OF
MILLION NET POWER COST DEFERRAL) ROCKY MOUNTAIN POWER**

Rocky Mountain Power, a division of PacifiCorp (“Company” or “Rocky Mountain Power”), in accordance with Idaho Code §61-502, §61-503, and RP 052, hereby respectfully submits this application (“Application”) to the Idaho Public Utilities Commission (“Commission”) pursuant to the Company’s approved energy cost adjustment mechanism (“ECAM”). The Company is requesting approval of approximately \$21.2 million of deferred costs from the deferral period beginning January 1, 2019 through December 31, 2019 (“Deferral Period”) with a 3.0 percent increase to Electric Service Schedule No. 94, Energy Cost Adjustment (“Schedule 94”). In support of its Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation, which provides electric service to retail customers through its Rocky Mountain Power division

in the states of Idaho, Wyoming, and Utah. Rocky Mountain Power is a public utility in the state of Idaho and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Idaho pursuant to Idaho Code §61-129. Rocky Mountain Power is authorized to do business in the state of Idaho providing retail electric service to approximately 82,000 customers in the state.

BACKGROUND

2. The ECAM became effective July 1, 2009 pursuant to an agreement among parties.¹ The ECAM allows the Company to collect or credit the difference between the actual net power costs (“Actual NPC”) incurred to serve customers in Idaho and the NPC collected from Idaho customers through rates set in general rate cases (“Base NPC”).

3. Included in the ECAM are NPC as defined in the Company’s general rate cases and modeled by the Company’s Generation and Regulation Initiative Decision (“GRID”) production dispatch model.² Specifically, NPC include amounts booked to the following FERC accounts:

- Account 447 (sales for resale, excluding on-system wholesale sales and other revenues not modeled in GRID),
- Account 501 (fuel, steam generation, excluding fuel handling, start-up fuel/gas, diesel fuel, residual disposal and other costs not modeled in GRID),
- Account 503 (steam from other sources),
- Account 547 (fuel, other generation),
- Account 555 (purchased power, excluding BPA residential exchange credit

¹ *In the Matter of the Application of Rocky Mountain Power for Approval of an Energy Cost Adjustment Mechanism (ECAM)*, Case No. PAC-E-08-08, Order No. 30904 (September 29, 2009) (“ECAM Order”).

² *Id.* at 2-3.

pass-through if applicable), and

- Account 565 (transmission of electricity by others).

4. On a monthly basis, the Company compares the Actual NPC to the Base NPC and defers the difference into the ECAM balancing account. This comparison is on a system-wide, dollar per megawatt-hour basis.³

5. In addition to the difference between Actual NPC and Base NPC, the ECAM includes six additional components: the Load Change Adjustment Revenues (“LCAR”),⁴ an adjustment for the treatment of coal stripping costs under Emerging Issues Task Force (“EITF”) 04-6, a true-up of 100 percent of the incremental Renewable Energy Credit (“REC”) revenues, Production Tax Credits (“PTC”),⁵ the Lake Side 2 generation resource adder,⁶ and a resource tracking mechanism (“RTM”).⁷ These components are described in more detail below.

6. This is the second year that the ECAM also includes three additional components related to tax benefits (“Tax Savings”)⁸ arising from the federal “act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018” (the “Tax Reform Act”) and the 2013 incremental depreciation regulatory asset that will be described in more detail below.

7. The ECAM includes a symmetrical sharing band of 90 percent (customers) / 10 percent (Company) that shares the differential between Actual NPC and Base NPC, LCAR,

³ *Id.* at 3.

⁴ *Id.* at

⁵ *In the Matter of PacifiCorp DBA Rocky Mountain Power’s Application to Modify the Energy Cost Adjustment Mechanism and Increase Rates*, Case No. PAC-E-15-09, Order No 33440 at 5 (December 23, 2015) (2015 ECAM Order).

⁶ *In the Matter of the Application of PacifiCorp DBA Rocky Mountain Power to Initiate Discussions with Interested Parties on Alternative Rate Plan Proposals*, Case No. PAC-E-13-04, Order 32910, at 2 (October 24, 2013) (“2013 Order”).

⁷ *In the Matter of the Application of Rocky Mountain Power for Binding Ratemaking Treatment for Wind Repowering*, Case No. PAC-E-17-06, Order No. 33954 (December 28, 2018).

⁸ *In the Matter of the Investigation into the impact of Federal Tax Code Revisions on Utility Costs and Ratemaking*, Case No. GNR-U-18-01, Order No. 34331.

and the EITF 04-06 coal stripping costs. The components of the ECAM subject to the sharing band are described in more detail below.

8. The ECAM deferral also includes a resource adder for the Lake Side 2 generation facility that is not subject to the sharing band.⁹ This resource adder is to be recovered through the ECAM for the period that the investment in the facility is not reflected in rates as a component of rate base. Inclusion of the Lake Side 2 resource adder in the ECAM began January 1, 2015. It is calculated by multiplying the actual megawatt-hours of generation from the Lake Side 2 generation facility by \$1.99 per megawatt-hour and is capped at \$5.4 million dollars or 2,729,500 megawatt-hours for the calendar year.¹⁰

9. PTCs are tracked in the ECAM without applying the sharing band.¹¹ Under the Internal Revenue Code (“IRC”), a wind facility generates a PTC equal to an inflation-adjusted 1.5 cents per kilowatt hour of electricity produced and sold to a third-party.¹² The PTC is in place for a period of 10 years beginning on the date the facility is placed in-service for income tax purposes.¹³ In 2019, the inflation-adjusted PTC rate for electricity generated from qualifying wind facilities was 2.5 cents per kilowatt hour.¹⁴ PTCs are reflected as a reduction to current income tax expense on the financial statements and for ratemaking purposes. A forecasted level of PTCs at the then current IRC value was included in base rates benefiting customers; however, the quantity and value of PTCs received is dependent on the inflation-adjusted rate effective when they are produced and the amount of generation at eligible facilities. Generation from these facilities is highly dependent on weather, varying from year

⁹ 2013 Order, at 2.

¹⁰ *Id.*

¹¹ 2015 ECAM Order at 5.

¹² IRC section 45(a).

¹³ IRC section 45(a).

¹⁴ IRS Notice 2019-41.

to year as weather patterns fluctuate. To the extent that actual generation from these facilities varies from the level in base rates, the value of the energy is reflected in Actual NPC and a corresponding adjustment is made to the amount of PTCs that customers receive through the ECAM. Facilities that meet IRC qualifications are eligible for PTCs for the first ten years after becoming commercially operational. While many of the Company's wind facilities have reached their ten-year anniversary and would no longer be eligible for PTCs, the repowering program under taken by the Company has extended this benefit for an additional ten years.

10. The ECAM also includes recovery of the 2013 incremental depreciation expense that was authorized for deferral.¹⁵

11. Parties to the Tax Stipulation agreed to the ratemaking treatment for the deferred balances associated with the Tax Savings arising from the Tax Reform Act, which included refunding certain Tax Savings through the ECAM and offsetting the 2013 incremental depreciation expense with some of those Tax Savings.

12. Specifically, the Tax Stipulation¹⁶ provides that the Tax Savings related to the reduction in the federal income tax rate from 35 percent to 21 percent that had not been refunded to retail customers through Schedule 197, approximately \$1,141,000, will be tracked and amortized over two years (\$570,500 annually) through the ECAM, and are not subject to the sharing band. This is the second and final year of that two-year amortization.

13. Additionally, the Tax Stipulation provided that the annual protected property excess deferred income taxes ("Protected EDIT"), estimated in the amount of \$2,352,309 for

¹⁵ 2013 Order at 3 (permitting deferral of 2013 incremental depreciation expense); *In the Matter of PacifiCorp DBA Rocky Mountain Power's Application for Approval of Its \$16.7 Million Deferral of Net Power Costs, and Authority to Decrease Rates by \$9.0 Million*, Case No. PAC-E-17-02 Order No. 33776 (permitting recovery of 2017 incremental depreciation expense).

¹⁶ Case No. GNR-U-18-01, Order No. 34331.

calendar 2019, less the associated rate base offset, will be refunded to retail customers through a cents per kilowatt-hour credit applied to Idaho retail load effective June 1, 2020 through May 31, 2021 on the ECAM's rate effective date, and not subject to the sharing band.¹⁷

14. Lastly, the Tax Stipulation provides that the non-protected and non-property EDIT, arising from the Tax Reform Act will be amortized over seven years (approximately \$2,126,215 annually less the rate base offset) and used to offset the 2013 incremental depreciation expense through the ECAM, not subject to the sharing band and until the rate effective date in the next general rate case.

PROPOSED ECAM RATE

15. In support of this Application, Rocky Mountain Power has filed the testimony and exhibits of Company witnesses Messers. David G. Webb, Robert M. Meredith, and Steven R. McDougal. Mr. Webb's testimony describes the Actual NPC incurred by the Company to serve retail load for the Deferral Period, and explains the differences between Actual NPC and Base NPC. Mr. Meredith's testimony describes how the Company's proposed rates to recover the 2019 ECAM deferral balances through Schedule 94 were developed. Mr. McDougal's testimony describes the new RTM and changes to the amortization of the protected EDIT balances.

16. Exhibit No. 1 to Mr. Webb's testimony ("Exhibit 1") illustrates the detailed calculation of the ECAM deferral. The deferral is calculated on a monthly basis by comparing Idaho-allocated Actual NPC to the NPC collected in rates. For the Deferral Period the NPC differential was approximately \$13.5 million before the 90/10 percent sharing band.

17. Mr. Webb's testimony specifically addresses the LCAR, EITF 04-6 treatment

¹⁷ The estimated annual Protected EDIT savings will be updated the following year based on actual tax return data.

of coal stripping costs, a true-up of 100 percent of the incremental REC revenues, PTCs, and the Lake Side 2 generation resource adder.

18. The LCAR is a symmetrical adjustment to offset over- or under-collection of the Company's energy-related production revenue requirement, excluding NPC, due to variances in Idaho load. The LCAR decreased the deferral balance by approximately \$0.8 million before applying the sharing band due to higher usage during the Deferral Period.

19. The difference between including coal stripping costs recorded on the Company's books under the guidance of the accounting pronouncement EITF 04-6, and expensing coal stripping costs when the coal was excavated increased the ECAM deferral by \$115,324 before applying the sharing band.

20. The total NPC deferral adjusted for LCAR and EITF 04-6 was approximately \$12.8 million for which customers are responsible 90 percent, and the Company is responsible for the remaining 10 percent. After accounting for the sharing band, the NPC deferral is approximately \$11.5 million.

21. During the Deferral Period, the Lake Side 2 resource adder, described in paragraph 8 above, increased the ECAM deferral approximately \$4.5 million on an Idaho-allocated basis.

22. During the Deferral Period the PTC differential, as described in paragraph 9, increased the deferral approximately \$4.7 million.

23. The ECAM calculation also includes the RTM described in Mr. McDougal's testimony. For the Deferral Period the RTM increased the deferral by approximately \$0.5 million on an Idaho basis, without application of the sharing band.

24. The ECAM also tracks the difference between actual REC revenues during the

Deferral Period and the amount of REC revenues credited to customers in base rates. The REC revenue true-up included in the ECAM is symmetrical, but no sharing band is applied. During the Deferral Period actual REC revenue was approximately \$32 thousand higher than the amount credited to customers in base rates on an Idaho-allocated basis.

25. Interest is accrued on the uncollected balance at the Commission-approved interest rate for customer deposits. During the Deferral Period the interest rate was 2 percent. Interest of \$463 thousand was added to the ECAM balance.

26. As described in paragraphs 10-11, the ECAM includes 2013 incremental depreciation expenses, which are offset by the non-protected Tax Savings. During the Deferral Period approximately \$1.9 million was deferred associated with the 2013 incremental depreciation which was offset by the amortization of the non-protected EDIT balance. The depreciation balancing account had a credit balance of \$76,878 as of the end of the Deferral Period as summarized in Exhibit No. 1 to Mr. Webb's testimony.

27. The ECAM balance at the end of the Deferral Period was \$27.2 million, including \$21.2 million from the 2019 ECAM deferral, plus \$5.7 million remaining balance from prior ECAM filings, and \$0.5 million interest. This amount is reduced by \$0.1 million credit balance in the depreciation deferred balance. The Company estimates the ECAM balance will be reduced approximately \$4.9 million from Schedule 94 revenue collections less interest accrued from January 1 through May 31, 2020 resulting with an expected ECAM balance of \$22.3 million to be collected.

28. Mr. Meredith's testimony describes how Schedule 94 rates were designed to recover the May 31, 2020 estimated ECAM balance of \$22.3 million. These rates were then reduced by 0.089 cents per kWh for the 2019 ECAM tax reform act credits. As a result, the

Company proposes Schedule 94 rates of 0.571, 0.549 and 0.532 cents per kWh for secondary, primary and transmission delivery service voltages, respectively, for all customers.

COMMUNICATIONS

Communications regarding this filing should be addressed to:

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In addition, Rocky Mountain Power requests that all data requests regarding this Application be sent in Microsoft Word to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 Multnomah, Suite 2000
Portland, Oregon 97232

Informal questions may be directed to Ted Weston, Idaho Regulatory Affairs Manager at (801) 220-2963.

REQUEST FOR RELIEF

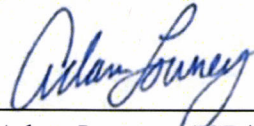
The ECAM allows the Company to collect or credit the difference between the Actual NPC incurred to serve customers in Idaho and the Base NPC collected through base rates

assuring customers pay the actual NPC after sharing. To the best of the Company's knowledge it has accurately calculated the ECAM deferral with all the other associated Commission Orders in this Application.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue an order: (1) authorizing that this matter be processed by Modified Procedure; (2) approving approximately \$21.2 million ECAM deferral; and (3) approving a 3.0 percent increase to Electric Service Schedule No. 94, Energy Cost Adjustment effective June 1, 2020.

DATED this 1st day of April 2020.

Respectfully submitted,
ROCKY MOUNTAIN POWER



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