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IDAHO PUBLIC
UTILITIES COMMISSION

May 21, 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 reply comments in the above referenced matter.

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) REPLY COMMENTS OF
MILLION NET POWER COST DEFERRAL) ROCKY MOUNTAIN POWER**

Pursuant to Rule 202.01(d) of the Rules of Procedure of the Idaho Public Utilities Commission (“Commission”) and the Commission’s April 2020 Notice of Modified Procedure, Rocky Mountain Power a division of PacifiCorp (“RMP” or the “Company”) hereby submits its reply comments in the above-referenced case.

BACKGROUND

On April 1, 2020, the Company filed an application (“Application”) with the Commission pursuant to the approved energy cost adjustment mechanism (“ECAM”) for authority to adjust Electric Service Schedule No. 94, Energy Cost Adjustment, (“Schedule 94”), rates to recover approximately \$21.2 million deferred net power costs from the deferral period beginning January 1, 2019 through December 31, 2019 (“Deferral Period”).

The ECAM balance of \$27.2 million at the end of the Deferral Period included \$21.2 million from the Deferral Period, plus \$6.1 million remaining balance from prior ECAM filings, reduced by approximately \$0.1 million credit balance in the depreciation regulatory asset. The Company estimated that the \$27.2 million would be reduced by approximately \$4.9 million from the Schedule 94 revenue collections less interest accrued from January 1 through May 31, 2019, resulting in an ECAM balance of approximately \$22.3 million. This balance was reduced by approximately \$3.1 million for tax savings from the 2018 Tax Act resulting in a net balance of \$19.2 million to be collected from customers June 1, 2020 through May 31, 2021.

On May 14, 2020, the Commission Staff (“Staff”) and PacifiCorp Idaho Industrial Customers (“PIIC”) filed comments responding to the Application. Staff recommended the Commission approve the Company’s Application as filed.

PIIC’s comments addressed five issues with the Application: 1) repowering lost energy; 2) repowering test energy; 3) California greenhouse gas allowance purchases and Utah retail net metering expenses; 4) Grant Meaningful Priority contract assignment; and 5) Lake Side 2 outage. The Company files the following reply comments in response to these issues.

REPLY COMMENTS

Repowering Lost Energy

PIIC claims that the Company did not mention the cost of lost energy associated with repowering as a recoverable component of the Resource Tracking Mechanism (“RTM”) in its initial filing in Case No. PAC-E-17-06. But Mr. Rick Link’s direct testimony in that case identified a change in amount of coal generation due to repowering as well as the lost energy from the wind turbines. Confidential Figure 3 in Mr. Link’s testimony summarizes the change in annual coal generation from Wyoming coal resources due to wind repowering. The figure shows that re-

dispatch of Wyoming coal resources leads to increased coal generation before installing the new equipment at the end of 2019 and 2020 followed by a decrease in generation.¹ Figure 4 in Mr. Link's testimony showed the incremental change in wind energy output resulting from the repowering project depicting a decrease in generation from 2017 through 2019.² These costs of repowering were included in the economic analysis of the wind repowering projects. The costs of meeting system balancing needs, which may include the cost of replacement power and the re-dispatch of thermal resources, was assessed in the System Optimizer model and the Planning and Risk model based on the estimated wind generation leading up to and during the repowering construction period. The Commission determined that the repowering project was prudent and in the public interest. The incremental repowering "lost energy" was considered in the project economics and should be recovered through the ECAM.

Repowering Test Energy

PIIC's claim that net power costs are increased by \$4.9 million due to test energy is not correct. During the deferral period the repowered generators produced energy before being placed into service, "test energy" which was placed on the grid reducing net power costs. PacifiCorp capitalizes costs incurred associated with test energy in new facilities (e.g., fuel costs, services fees, labor costs) to construction work in-progress ("CWIP"), and credits CWIP for the revenue received or the value of the energy generated. FERC Electric Plant Instruction 3A, *Components of Construction Cost*, is comprised of a list of direct and overhead costs that are properly includible in the electric plant accounts. Included in 3A, subsection 18 – Earnings and Expenses during Construction, states:

The earnings and expenses during construction shall constitute a component of construction costs. (a) The earnings shall include revenues received or earned for

¹ Direct testimony of Rick T. Link, page 30-31, Case No. PAC-E-17-06.

² Direct testimony of Rick T. Link, page 33-34, Case No. PAC-E-17-06.

power produced by generating plants during the construction periods and sold or used by the utility. Where such power is sold to an independent purchaser before intermingling with power generated by other plants, the credit shall consist of the selling price of the energy. Where the power generated by a plant under construction is delivered to and used by the utility for purposes other than distribution and sale (for manufacturing or industrial use, for example), the credit shall be the fair value of the energy delivered... (b) The expenses shall consist of the cost of operating the power plant, and other costs incident to the production and delivery of the power for which construction is credited under paragraph (a) above.

When the test energy was generated, net power costs were reduced by \$4.9 million, either by increased sales or reduced purchases of energy. The Company removed those net power cost savings by increasing net power costs and crediting CWIP per FERC guidelines. Reducing net power costs would double count the value of the test energy, and therefore PIIC's recommendation to remove these costs from the ECAM should be denied.

Allocation of California Greenhouse Gas Allowances and Utah Retail Net Metering Expense

PIIC recommends that costs associated with California greenhouse gas ("GHG") allowance purchases and the Utah retail net metering program should not be charged to Idaho customers. The California Independent System Operator ("CAISO") requires the purchase of GHG allowances for wholesale sales transactions within the state, including transfers in the Western Energy Imbalance Market ("EIM"). Wholesale sales and purchases with the CAISO benefit all of the Company's customers. The California GHG obligation of \$4.4 million is required for wholesale transactions and more than offset by EIM savings alone. Including California GHG costs in net power costs is appropriate. The GHG expense related to wholesale transactions in California and EIM transfers is separate from the retail GHG program for California customers. Therefore, the California GHG expense should be included in net power costs as it has been since the EIM began and system allocated to all states.

PacifiCorp agrees with PIIC that the Utah retail net metering program should be situs-assigned to Utah. Indeed, the Utah retail net metering program is situs-assigned to Utah and treated similarly to other PacifiCorp situs-assigned resources. The \$2.4 million system-wide purchased power expense or \$88.86 per MWh for the Utah retail net metering program does not represent the amount Idaho customers pay. Idaho customers receive an adjustment to net power costs that reduces the \$2.4 million by \$1.6 million for a total adjusted expense of approximately \$770 thousand or \$28.61 per MWh. This reduction brings the net power cost expense to market pricing and is in-line with the 2017 Multi-State Protocol agreement for allocating expenses and energy across PacifiCorp's system including situs assigned programs.

Grant Meaningful Priority Assignment

PIIC recommends that \$533,333 of Other Revenues be included in net power costs. The Grant Meaningful Priority ("Grant") contract provides PacifiCorp with an annual option to take delivery of the contract. PacifiCorp exercised its option to not execute the Grant contract for 2019, so no costs or revenues impact net power costs in the ECAM. If the Company elects not to take the contract, it has the right to sell its contract rights to another entity. Because these are not net power costs the revenues are recorded in FERC account 456 – Other Electric Revenues. The Grant contract assignment revenue was recorded in FERC Account 456 – Other Electric Revenues, not FERC Account 461.1 as stated by PIIC. FERC Account 456 is not a part of PacifiCorp's net power costs. There were no expenses for the Grant contract during 2019, so these revenues were excluded from the Idaho ECAM.

Lake Side 2 Outage

PIIC noted that they did not conduct any discovery regarding the outage but requested that the Company address the prudence of handling the outage in reply comments. The Lake Side

Block 2 Power Station is a natural gas fired 2x1 combined cycle power plant. The facility entered commercial operation on June 1, 2014 and operates in a combination of baseload and cyclic duty.

On August 18, 2019, the Lake Side Block 2 steam turbine tripped following a generator stator fault. Immediate investigation of the protective relays indicated a significant phase-to-phase and phase-to-ground fault had occurred. The generator protection was confirmed to have operated correctly and initiated a unit trip within one cycle.

Due to the faults, a systematic partial disassembly of the generator was completed to allow a unit condition assessment and a root cause failure analysis. The Original Equipment Manufacturer (“OEM”) and a contracted third party consultant concluded that the generator stator was beyond repair. Along with this, fault debris contamination within the rotor necessitated replacement of the rotor windings. The OEM replaced the generator stator and repaired additional generator components, and the unit was returned to service January 10, 2020.

During the outage event, the Company worked with the OEM and third parties to ensure the unit returned to service as economically, quickly, and safely as possible. This also included the return of the combustion turbine units to “simple cycle” operation during the majority of the generator repair.

The OEM performed a root cause analysis, which included the evaluation of sixteen potential factors. All possible contributors were consequently classified as either “eliminated” or “low probability”. In addition, the OEM reviewed operating history and determined that no mis-operation had occurred and the unit had continually operated within the design parameters. The OEM could not identify a root cause. The Company worked with the OEM to protect the generator to assure no further damage was caused and bring the generation unit back on-line as soon as it was safe to do so.

CONCLUSION

The ECAM allows the Company to collect or credit the difference between the actual net power costs incurred to serve Idaho customers and the base net power costs collected through rates assuring customers pay the actual net power costs after sharing.

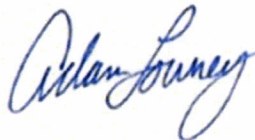
The Company opposes the adjustments to the ECAM proposed by PIIC for the reasons set forth above. Thus, the Company respectfully requests that the Commission approve the deferred balance as filed, and supported by Staff, and approve Electric Service Schedule No. 94 – Energy Cost Adjustment rates effective June 1, 2020.

REQUEST FOR RELIEF

Rocky Mountain Power respectfully requests that the Commission issue an order approving approximately \$21.2 million ECAM deferral for the Deferral Period and approve a 3.0 percent increase to Electric Service Schedule No. 94, Energy Cost Adjustment.

DATED this 21st day of May, 2020.

Respectfully submitted,
ROCKY MOUNTAIN POWER



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