

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE)
APPLICATION OF ROCKY) CASE NO. PAC-E-21-07
MOUNTAIN POWER FOR)
AUTHORITY TO INCREASE ITS) Direct Testimony of Gary W. Hoogeveen
RATES AND CHARGES IN IDAHO)
AND APPROVAL OF PROPOSED)
ELECTRIC SERVICE SCHEDULES)
AND REGULATIONS)**

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-21-07

May 2021

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ATTACHED EXHIBITS

Exhibit No. 1—Average Retail Rates by State

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address, and present position with PacifiCorp**
3 **dba Rocky Mountain Power (“Rocky Mountain Power” or the “Company”).**

4 A. My name is Gary W. Hoogeveen. My business address is 1407 West North Temple,
5 Suite 310, Salt Lake City, Utah 84116. I am the President and Chief Executive Officer
6 of Rocky Mountain Power.

7 **II. QUALIFICATIONS**

8 **Q. Please summarize your education and business experience.**

9 A. I have a B.S. degree in Physics from the University of Northern Iowa and Masters and
10 Ph.D. degrees in Space Physics from Rice University. For the last 21 years, I have
11 worked for the Berkshire Hathaway Energy family of companies. I joined Rocky
12 Mountain Power in November 2014. Prior to assuming my current position in
13 November 2018, I was Senior Vice President and Chief Commercial Officer of Rocky
14 Mountain Power. Prior to joining Rocky Mountain Power, from 2010 until 2014, I
15 served as President of the Kern River Gas Transmission Company headquartered in
16 Salt Lake City.

17 **III. PURPOSE OF TESTIMONY**

18 **Q. What is the purpose of your direct testimony?**

19 A. My testimony provides an overview of Rocky Mountain Power, its Idaho service area,
20 and the strategies the Company is pursuing to provide its Idaho customers with safe,
21 reliable, and affordable electricity to power their homes, businesses, and communities.
22 I also discuss why the Company is filing a rate case at this time. Finally, I introduce the
23 Company witnesses that provide direct testimony in support of Rocky Mountain

1 Power's rate request.

2 **IV. DESCRIPTION OF THE COMPANY AND IDAHO SERVICE AREA**

3 **Q. Please provide a brief description of the Company.**

4 A. The Company, an Oregon corporation, provides retail electric service as Rocky
5 Mountain Power in the states of Idaho, Utah, and Wyoming, and as Pacific Power in
6 the states of Washington, Oregon, and California. As an investor-owned, multi-
7 jurisdictional electric utility, the Company serves nearly two million customers in six
8 western states: California, Idaho, Oregon, Utah, Washington, and Wyoming. In addition
9 to its distribution system in the six states, the Company serves its customers with a vast,
10 integrated system of generation and transmission that spans 10 states and connects
11 customers and communities across the West.

12 The Company owns or has interests in thermal, hydroelectric, wind-powered,
13 solar, and geothermal generating facilities, with a net-owned capacity of 11,465
14 megawatts ("MW"). The Company buys and sells electricity in the wholesale market
15 with other utilities, energy marketing companies, financial institutions, and other
16 market participants to balance and optimize the economic benefits of electricity
17 generation, retail customer loads, and existing wholesale transactions.

18 The Company provides wholesale transmission service under its open access
19 transmission tariff approved by the Federal Energy Regulatory Commission and owns
20 or has interests in approximately 16,600 miles of transmission lines. It operates two
21 Balancing Authority Areas, PacifiCorp East ("PACE") and PacifiCorp West
22 ("PACW"), that together comprise the largest privately owned and operated grid in the
23 Western United States.

1 **Q. Please provide a brief description of Rocky Mountain Power’s operations in**
2 **Idaho.**

3 A. Rocky Mountain Power provides retail electric service in the following 14 counties:
4 Bannock, Bear Lake, Bingham, Bonneville, Butte, Caribou, Clark, Franklin, Fremont,
5 Jefferson, Madison, Oneida, Power, and Teton.

6 The Company has the privilege and opportunity of providing safe, reliable, and
7 reasonably priced electric service to over 85,600 customers in Idaho.¹ In doing so, it
8 employs over 150 people in the state to operate and maintain over 8,000 miles of
9 transmission and distribution lines. The Company also has contracts with a number of
10 independent power producers in the state of Idaho that operate facilities representing
11 over 200 MW of installed capacity.²

12 The Company’s sales and revenues are distributed among residential and
13 irrigation customers, small businesses, and large businesses served under retail tariffs
14 subject to the jurisdiction of the Idaho Public Utilities Commission (“Commission”).
15 Table 1 below provides the December 2020 number of retail customers and usage for
16 each of the major customer classes that account for the majority of the Company’s
17 customer base.

¹ Rocky Mountain Power provides service to about 9 percent of customers and 15 percent of electricity sales in Idaho. U.S. Energy Information Administration - EIA - Independent Statistics and Analysis (Oct. 5, 2020). Retrieved May 21, 2021 from <https://www.eia.gov/electricity/data/eia861>.

² *PacifiCorp’s Integrated Resource Plan (IRP) for 2019*, Case No. PAC-E-19-16, IRP at Table 5.5 (Oct. 18, 2019).

1
2

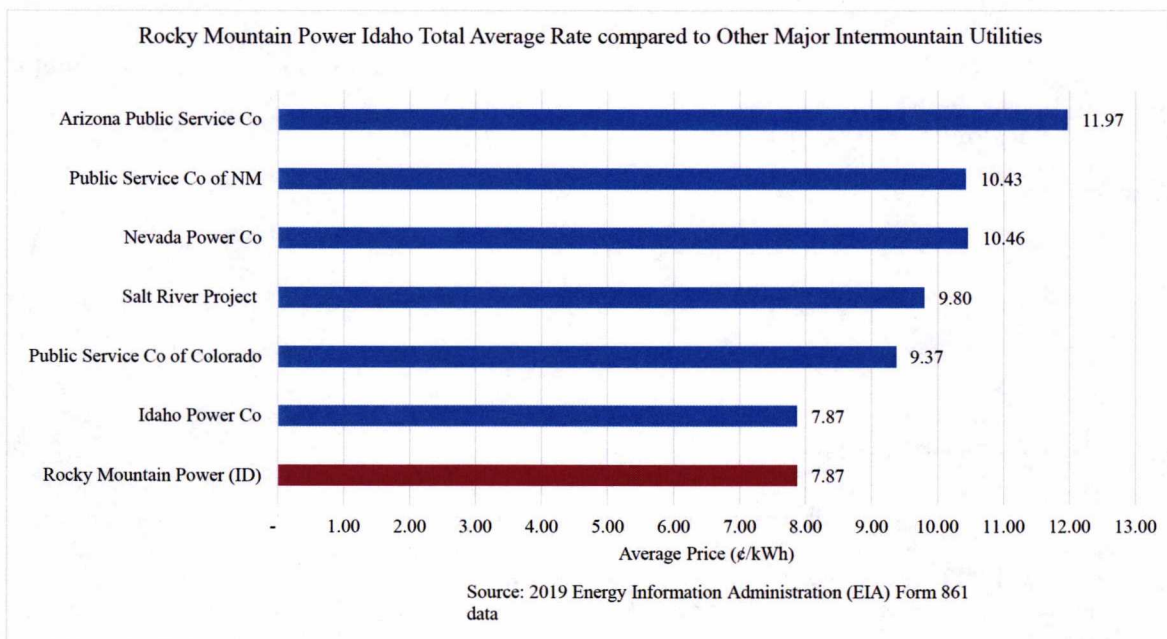
**Table 1: Rocky Mountain Power's Number of Customers
and Usage in Idaho Service Area**

Class	Number of Customers	Usage (megawatt-hours)
Residential	68,7868	742,801
Commercial	10,156	492,420
Industrial	602	1,642,114
Irrigation	5,789	646,312
Lighting	336	2,712
Total	85,670	3,526,359

3 **Q. How do the Company's rates compare to other utilities?**

4 A. PacifiCorp's integrated system allows it to be one of the lowest cost electric utilities in
5 the Intermountain West. Figure 1 shows that Rocky Mountain Power has one of the
6 lowest average rates of all the large utilities in the Intermountain West.

Figure 1



1 On a national scale, the comparison of the Company's current average rate is
2 even more dramatic and compelling. Attached to my testimony as Exhibit No. 1 is a
3 chart that compares Rocky Mountain Power's rates in Idaho to national averages. This
4 shows that Rocky Mountain Power's average rate was more than 25 percent lower than
5 the national average of 10.64 cents per kilowatt-hour ("kWh").³ The Company's
6 average rate after the increase in this filing will be 8.55 cents per kWh, and continue to
7 be well below other utilities both locally and nationally, due in part to the Company's
8 cost saving initiatives and rate increase mitigation proposals reflected in this filing. In
9 fact, as I show later in my testimony, the proposed rates will be less than the rates would
10 have been if they had increased at the rate of inflation.

11 **Q. Are there other advantages to the Company's large regional footprint?**

12 A. Yes. The Company's integrated system allows it to deliver low-cost generation from a
13 diverse portfolio of resources, including from some of the best renewable generation
14 sites in the country to the Company's customers, reducing power costs and emissions
15 for customers, and supporting local economies and communities throughout the West.
16 As the Company looks toward the future, there are even more opportunities for
17 customers to benefit from the connected west that the Company's integrated system
18 creates. These opportunities may come from participation in a regional resource
19 adequacy program and expansion of markets that allow participants to more efficiently
20 operate their systems or from the future expansion of the Company's vast transmission
21 network. The Company is, and will remain, actively engaged in finding additional ways
22 to leverage our vast, integrated system for the benefit of our customers. It is also

³ Edison Electric Institute - EEI - Winter 2019 Typical Bills and Average Rates Report. Published May 2019.

1 committed to fulfilling the policy goals of the states in which it serves and in a manner
2 that provides the most cost-effective solutions for customers.

3 **V. COMMITMENT TO CUSTOMERS AND COMMUNITIES**

4 **Q. What is Rocky Mountain Power's core principle in providing service to**
5 **customers?**

6 A. The Company's core principle is to provide safe, reliable, and affordable energy to
7 customers in Idaho and throughout the West. The Company has upheld this ideal for
8 close to 110 years and remains steadfast in this commitment even as the electricity
9 sector transforms through changing economics and public policies, emerging and
10 maturing technologies, and the rise of a regional energy market. The Company is
11 meeting the new demands of this transformation without losing focus on its
12 commitment to deliver safe, reliable, and affordable energy.

13 The provision of safe, reliable, and affordable service became even more
14 important during the Coronavirus 19 ("COVID-19") pandemic. The Company has a
15 long history of preparing for multiple emergencies that might impact our ability to
16 generate or deliver electricity to our customers and the communities we serve. The
17 Company's provision of safe and reliable electric service during the pandemic was a
18 testament to its preparedness and commitment to the obligation to serve its customers.

19 **Q. What measures did the Company take with respect to COVID-19 over the last**
20 **year?**

21 A. The Company supported its customers and communities in a number of ways over the
22 last year. First and foremost, throughout the pandemic the Company kept its
23 commitment to keep the lights on. The Company's provision of safe and reliable

1 electric service was critical to support families that stayed at home during the lockdown
2 and helped keep important community services, such as hospitals, functioning. While
3 many of its support personnel were able to work remotely, the Company's frontline
4 employees, such as linemen, generation plant employees, and grid operators continued
5 to report to work onsite, following Centers for Disease Control guidelines that included
6 social distancing and enhanced sanitation measures, to ensure the provision of safe and
7 reliable electric service. The Company also suspended residential disconnections for
8 non-payments beginning in mid-March 2020 and began to resume normal billing
9 practices in late June 2020 with the provision of flexible payment plans and waived
10 late fees to help customers through the challenging time. The Company's website
11 continues to provide information regarding payment plans, energy assistance for
12 individuals and businesses, and energy saving tips.⁴

13 The Company also contributed funds to local food banks and other critical
14 organizations in Idaho specifically for COVID-19 community support through the
15 Rocky Mountain Power Foundation.⁵

16 Finally, through collaborative efforts with Idaho Commission staff and other
17 stakeholders, the Company was able to postpone filing this rate case in 2020 and avoid
18 a general rate increase during this challenging time. The Company appreciates the
19 efforts of the Commission and stakeholders to support a balanced outcome.

⁴ <https://www.rockymountainpower.net/about/newsroom/service-safety-covid-19.html>.

⁵ The Rocky Mountain Power Foundation is funded by shareholder funds.

1 **Q. In addition to the targeted COVID-19 response, what are some of the ways the**
2 **Company engages with its communities and customers within its Idaho service**
3 **area?**

4 A. The Company has a deep connection to its communities through employee
5 engagement, sponsorship of community events, and donations to organizations
6 providing services to Idaho communities.

7 Company employees serve communities by providing leadership to and
8 volunteering for community organizations such as the Madison Cares Celebrate Youth
9 event. This is a large annual back-to-school community event involving approximately
10 10,000 youth. The Company's linemen participated in the fall 2019 event by teaching
11 attendees about electrical safety and energy efficiency.

12 In 2020, the Company contributed \$53,200 to various organizations, programs
13 and communities throughout Idaho.⁶ These organizations help provide Idahoans with
14 entertainment, community engagement and personal support in times of need. The
15 Company has provided support for events like the Idaho Governor's Cup, Caribou
16 County Fair and Rodeo and various city holiday celebrations. The Company also
17 donates to Idahoans in need through our Energy Assistance Program and to local
18 community and recreational organizations.

19 In addition to the donations listed above, the Company supports the community
20 through donations from the PacifiCorp Foundation. In 2020, the Foundation provided
21 \$2.35 million in grants to organizations in the six-state service area. In Idaho, the grants
22 contributed to community projects such as the preservation of clothing and quilt

⁶ Rocky Mountain Power does not recover charitable contributions in rates.

1 collections at the Oneida Pioneer Museum and new camp area playground equipment
2 for Jefferson County. The Foundation also provided grants to several other
3 organizations in 2020, including the College of Eastern Idaho Foundation in part for
4 computer and technology scholarships, Idaho STEM Action Center Foundation, and
5 the Junior Achievement Programs for the Jefferson School District. In the first quarter
6 of 2021, the Foundation gave \$525,000 in grants for health, safety, and wellness
7 throughout its service territory, including grants to several Idaho organizations.

8 The Company overhauled its website to make customer transactions faster,
9 easier, and more secure, supporting the ever-increasing number of customers who want
10 to do business with us online. To increase customer awareness during service
11 interruptions, the Company improved its outage map and outage status
12 communications.

13 **VI. PROVISION OF SAFE, RELIABLE AND AFFORDABLE ELECTRIC**
14 **SERVICE**

15 **Q. Please describe how the Company has been able to maintain safe and reliable**
16 **service at affordable rates.**

17 A. The Company proactively implemented cost control measures and made investments
18 in cost-effective energy solutions, while developing new market opportunities.

19 For example, the Company partnered with the California Independent System
20 Operator to create the Western Energy Imbalance Market (“EIM”) and has supported
21 the successful expansion of the EIM across the West, saving PacifiCorp customers in
22 excess of \$296 million dollars since its inception. The Company has also taken
23 advantage of the declining cost of renewable energy resources and the availability of

1 federal production tax credits (“PTCs”) to repower the existing fleet of wind resources
2 and invest in new renewable resources and transmission in the West, including the
3 Energy Vision 2020 projects, which are nearing completion.

4 **Q. Please describe the Company’s cost control efforts.**

5 A. The Company proactively and aggressively controls the costs that it can. These efforts
6 are demonstrated by the Company successfully minimizing the frequency of general
7 rate cases. The Company filed a general rate case in Idaho, the 2011 Rate Case, ten
8 years ago.⁷ Rates were last increased seven years ago, when the Commission approved
9 a Stipulated Agreement in lieu of the Company filing of a rate case (“2013 Stipulation
10 Agreement”).⁸

11 Further, the Company's rates decreased in 2017 as part of a rate stability plan
12 proposed by the Company and again in 2018 and 2019 to reflect the change in federal
13 corporate tax rates.⁹ The Company has attempted to align, as closely as possible, its
14 capital expenditures with its depreciation expense to manage the growth of rate base
15 and the resulting rate impacts it would otherwise have. The Company is also managing
16 its controllable costs in a prudent manner, which is evident in that they are not a material
17 driver in this case. In fact, this case reflects a decrease in Idaho operation and
18 maintenance expense since the last general rate case. In other words, the Company was

⁷ *In the Matter of the Application of PacifiCorp, DBA Rocky Mountain Power, for Approval of Changes to Its Electric Service Schedules*, Case No. PAC-E-11-12, Order No. 32432, approving the Settlement Stipulation with one condition (Jan. 10, 2012).

⁸ *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 No. 32910 (Oct. 24, 2013).

⁹ *In the Matter of the Application of PacifiCorp dba Rocky Mountain Power to Update Base Net Power Costs and Implement a Rate Stability Plan*, Case No. PAC-E-16-12, Order No. 33668 (Dec. 14, 2016); *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. 34072 (June 1, 2018) and Order No. 34331 (May 3, 2019).

1 able to reduce costs while completely offsetting 10 years of inflation that occurred since
2 the last general rate case was filed in 2011. Please see Company witness
3 Ms. Joelle R. Steward's direct testimony for a discussion of the major drivers of this
4 rate case proceeding.

5 **Q. Please explain the EIM.**

6 A. The EIM is a real-time bulk power trading market, which uses advanced systems to
7 automatically find and deliver the lowest-cost energy to serve customer demand on a
8 real-time basis across a wide geographic area. Utilities voluntarily participating in the
9 EIM maintain control over their assets and remain responsible for balancing
10 requirements while sharing in the benefits the market produces. Additional benefits of
11 the EIM include improved situational awareness for increased reliability and more
12 effective integration of renewables and utilization of the transmission system.

13 Since the market launched in November 2014, the EIM has produced benefits
14 of over \$1.287 billion, as of April 29, 2021.¹⁰ PacifiCorp customers' share of the EIM
15 benefits are an estimated \$296 million.¹¹ In addition to monetary benefits, participation
16 in the EIM has enabled the Company to operate its thermal generation fleet in a manner
17 that allows more zero carbon-emitting, zero-fuel cost, and variable-energy resources,
18 such as wind and solar, to serve our customers. As such, the EIM has resulted in a
19 reduction in regulated emissions or pollution. Since its inception, 14 utilities have
20 joined the EIM, and eight more have committed to join by 2023, which together will
21 represent over 80 percent of the West's total electricity demand. PacifiCorp customers

¹⁰ Western Energy Imbalance Market - Quarterly Benefits. Retrieved April 30, 2021 from
<https://www.westerneim.com/Pages/About/QuarterlyBenefits.aspx>.

¹¹ *Id.*

1 and the customers of other market participants will continue to benefit from market
2 participation.

3 **Q. Please describe Energy Vision 2020.**

4 A. PacifiCorp's Energy Vision 2020 projects increase the Company's zero-fuel cost
5 generation portfolio with new and repowered wind generation resources and new
6 transmission, while leveraging federal PTCs to provide savings to customers over the
7 life of the projects. These projects support an energy future that decreases the amount
8 of emissions, while providing benefits to customers over the lives of the resources.

9 Energy Vision 2020 consists of two major components: (1) wind repowering;
10 and (2) construction of new wind and transmission. These new projects deliver more
11 generation to the Company's system along with long-term savings for customers.
12 Please see the direct testimonies of Company witnesses Messrs. Timothy J. Hemstreet
13 and Richard A. Vail, who provide construction updates of the new wind generation and
14 wind repowering projects and transmission projects, respectively, associated with
15 Energy Vision 2020.

16 **VII. THE COMPANY'S CURRENT RATE FILING**

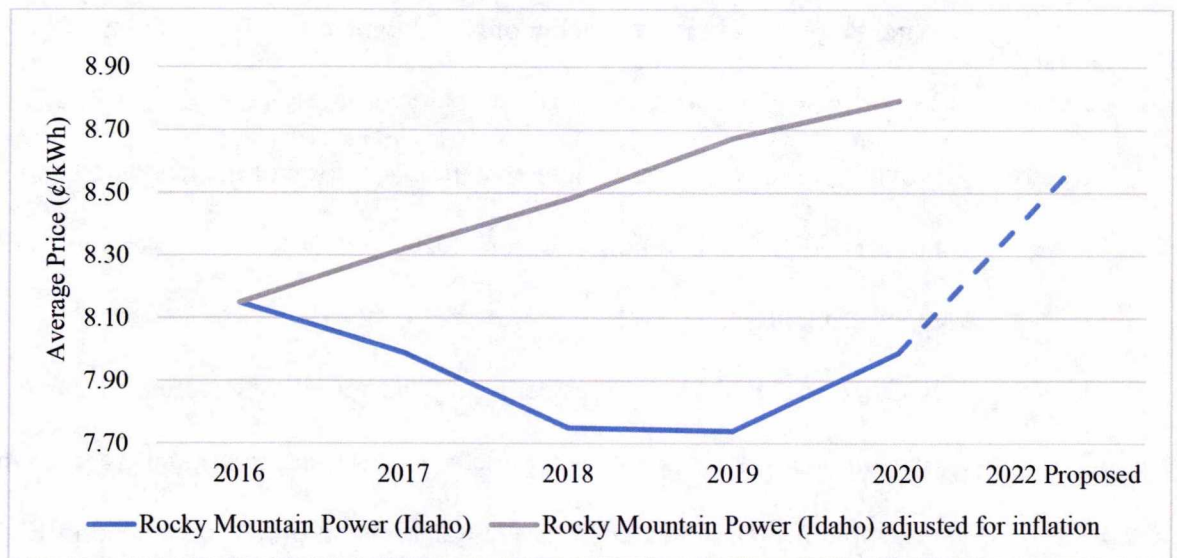
17 **Q. Why is the Company filing a rate case at this time?**

18 A. Since the Company's last rate case in 2011, the Company has completed two new
19 depreciation studies and has invested in a number of major capital projects. The major
20 capital projects include the Lake Side 2 natural gas plant, selective catalytic reduction
21 equipment at several coal-fired plants, Energy Vision 2020, the Pryor Mountain wind
22 project, repowering of the Foote Creek wind project, conversion of Naughton Unit No.
23 3 from coal to natural gas, and several transmission expansions. The rates set in this

1 proceeding will allow us to recover these prudently incurred investments made since
2 the last rate case and enable us to move forward to continue meeting the Company's
3 core principle of providing safe, reliable, and affordable energy to its customers.

4 As I mentioned earlier in my testimony, the Company's rates have actually
5 decreased since 2016 and will remain low after this case, as shown in Figure 2 below.
6 Furthermore, after adjusting for inflation the proposed rates demonstrate a reduction in
7 real costs.

Figure 2



8 **VIII. INTRODUCTION OF WITNESSES**

9 **Q. Please identify the witnesses supporting the Company's application and the**
10 **subject of their testimony.**

11 **A.** In addition to myself, the Company witnesses filing direct testimony in support of the
12 application and the subjects of their testimony are as follows:

13 **Joelle R. Steward**, Vice President, Regulation, Rocky Mountain Power, describes the
14 Company's request in this proceeding in more detail.

1 **Nikki L. Kobliha**, Vice President, Chief Financial Officer and Treasurer, provides the
2 Company's overall cost of capital recommendation, including a capital structure that
3 maximizes value and minimizes risk.

4 **Ann E. Bulkley**, economist and principal at Concentric Energy Advisors, provides a
5 comparison of the Company's business and financial risk compared to peer utilities,
6 recommends a cost of equity, and provides supporting analyses.

7 **Rick T. Link**, Vice President of Resource Planning and Acquisition, provides the
8 economic analyses of repowering the Foote Creek I wind facility, the Pryor Mountain
9 Wind Project, and the conversion of Naughton Unit 3.

10 **Timothy J. Hemstreet**, Managing Director of Renewable Energy Development,
11 provides an update on the implementation and costs of the new wind and repowering
12 projects included in Energy Vision 2020, and an overview of the Foote Creek I
13 repowering project.

14 **Richard A. Vail**, Vice President of Transmission Services, discusses important
15 transmission system upgrades completed to serve customers and provides an update on
16 the implementation and costs of the transmission projects included in Energy Vision
17 2020.

18 **Robert Van Engelenhoven**, Director of Resource Development, provides the details
19 on the development of the Pryor Mountain Wind Project, the conversion of Naughton
20 Unit 3 to natural gas, and details on the development of Lake Side 2 natural gas
21 generating plant. He also sponsors the Company's updated decommissioning studies.

22 **James C. Owen**, Director - Environmental, supports the Company's installation of
23 selective catalytic reduction retrofit projects at three of its joint owned coal plants -

1 Craig Unit 2, Hayden Unit 2, and Jim Bridger Units 3 and 4.

2 **Craig M. Eller**, Vice President of Business Policy & Development, provides an
3 updated analysis for the economic valuation of the interruptible products provided by
4 Bayer under contract with the Company.

5 **Michael G. Wilding**, Vice President, Energy Supply Management, presents the
6 Company's proposed net power costs for the test period.

7 **Melissa S. Nottingham**, Manager of Customer Advocacy, proposes updates to certain
8 customer service fees to reflect prices that are reasonable, fair, and cost-based.

9 **Steven R. McDougal**, Director of Revenue Requirement, summarizes the overall test
10 year revenue requirement, pro forma adjustments, and the rate base calculation
11 methodology.

12 **Robert M. Meredith**, Director of Pricing and Cost of Service, provides the Company's
13 proposed revenue allocation and rate design, and discusses how the proposed tariff
14 changes recover the proposed revenue requirement to achieve fair, just, and reasonable
15 prices for customers.

16 **Q. Does this conclude your direct testimony?**

17 **A. Yes.**