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UTILITIES COMMISSION

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IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR AUTHORITY TO INCREASE ITS RATES AND CHARGES IN IDAHO AND APPROVAL OF PROPOSED ELECTRIC SERVICE SCHEDULES AND REGULATIONS	))))))	CASE NO. PAC-E-21-07

DIRECT TESTIMONY OF DONN ENGLISH IN SUPPORT OF THE SETTLEMENT STIPULATION

IDAHO PUBLIC UTILITIES COMMISSION

NOVEMBER 8, 2021

Q. Please state your name and business address?

A. My name is Donn English. My business address is 11331 W. Chinden Blvd., BLDG 8, STE 201-A, Boise, Idaho 83714.

Q. By whom are you employed and in what capacity?

A. I am employed by the Idaho Public Utilities Commission as a Program Manager overseeing the Accounting and Audit Department in the Utilities Division. I am also the Program Manager overseeing the Technical Analysis Department, also within the Utilities Division.

Q. Please describe your educational background and professional experience.

A. My educational background and professional experiences are shown in Exhibit No. 101.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to describe Rocky Mountain Power's ("Rocky Mountain" or "Company") Application to increase its rates and charges for electric service in Idaho, describe the proposed Settlement Stipulation ("Settlement") reached by the parties in this case, and explain Staff's support for the proposed Settlement.

Q. How is your testimony organized?

A. My testimony is organized under the following headings:

Background

Q. Please describe Rocky Mountain's Application.

A. Rocky Mountain made its original filing with the Idaho Public Utilities Commission on May 27, 2021, requesting authority to increase its revenue by $19.0 million, or approximately 7.0 percent. The Company's proposed increase was based on a historical twelve-month period ending December 31, 2020, adjusted for known and measurable changes through December 31, 2021. The Company proposed a capital structure of 47.16 percent long-term debt and 52.84 percent equity, with a return on equity ("ROE") of 10.2 percent. The Company proposed to allocate the price change to customers in line with the class cost of service results filed in its Application; however, the rate increases for all major rate schedule classes were limited to 10 percent.

The Company's Application reflected net power costs ("NPC") of $1,365.1 million on a total-Company basis and $86.4 million on an Idaho jurisdictional basis. This was a $120 million, or 8.1 percent, decrease in NPC on a total-Company basis compared to the 2016 NPC update. The Application also requested recovery of capital additions, including costs associated with its Energy Vision 2020 project.

Q. How was the case processed after the Company's Application was received?

A. The Commission issued a combined Notice of Application, Notice of Suspension, and Notice of Intervention Deadline ("Notice") on June 17, 2021. The Notice suspended the proposed effective date of July 1, 2021, for thirty days plus five months and established an Intervention Deadline of July 8, 2021. Intervenor status was subsequently granted to the Idaho Irrigation Pumpers Association, Inc. ("IIPA"), Bayer Corporation ("Bayer"), and Pacificorp Idaho Industrial Customers ("PIIC") intervened. Idaho Conservation League and Community Action Partnership Association of Idaho also intervened, but later withdrew from the case.

The Company, Staff, IIPA, Bayer, and PIIC (collectively the "Parties") participated in four settlement conferences, and on October 25, 2021, a Settlement Stipulation was filed with the Commission, signed by the Parties.

Staff Investigation

Q. What type of investigation did Staff conduct to evaluate the Company's rate increase request?

A. Staff's approach in any general rate case is to extensively review the Company's Application and associated testimony, attachments, exhibits, and workpapers; identify adjustments to its revenue requirement, revenue normalization, rate spread, and rate design; and prepare to file testimony for a fully litigated proceeding. There were 15 Staff members analyzing this case, including auditors, engineers, utility analysts, and consumer investigators, and supervisors. Staff auditors reviewed the Company's 2020 results of operations, capital budgets, capital spending trends, operations and maintenance ("O&M") expenses and trends and verified all of the Company's calculations and assumptions regarding the overall revenue requirement. Because of the continued public health emergency due to variant strains of the COVID-19 virus, Staff was unable to conduct onsite audits or reviews of the Company's books and records and they did not have extensive interviews with Company personnel. However, the auditors reviewed thousands of transactions, selected samples, and performed transaction testing in accordance with standard audit practices. Staff reviewed the Company's labor expense, incentive plans, and employee benefits to ensure the appropriate level of expenditures are included in rates.

Staff reviewed both completed and proposed Company investments to determine the prudence of capital additions. Expenditures including pension expense, salaries, and O&M expense were also examined. Additionally, Staff evaluated the Company's cost of capital, capital structure, class cost of service, rate spread, and revenue normalization. In total, Staff submitted 228 production requests and held several virtual meetings with Company personnel as a part of its comprehensive investigation. Staff also reviewed the Company's responses to 365 production requests submitted by intervening parties. Based on its investigation, Staff was prepared to defend over 30 proposed adjustments to the Company's revenue requirement in testimony and at hearing.

Settlement Evaluation

Q. How did Staff determine that the overall Settlement was reasonable?

A. In every settlement evaluation, Staff and other parties must examine the risks of losing positions at hearing and determine if the settlement agreement is a better overall outcome. Staff must evaluate each individual adjustment and determine the likelihood of the Commission accepting or rejecting Staff's rationale for the adjustment. Ultimately, Staff's intent in every settlement conference is to negotiate the best possible outcome for customers.

Q. Does Staff support the proposed Settlement as reasonable?

A. Yes. After a comprehensive review of the Company's Application, thorough audit of the Company's books and records, and extensive negotiations with the parties to the case, Staff supports the proposed Settlement. The proposed Settlement offers a reasonable balance between the Company's opportunity to earn a reasonable return on its investment and affordable rates for customers. Staff believes the proposed Settlement, supported by the Parties, is in the public interest; fair, just, and reasonable; and should be approved by the Commission.

Settlement Overview

Q. Would you please describe the terms of the proposed Settlement?

A. The proposed Settlement provides a reduction in the Company's requested revenue requirement. Instead of the Company's proposed base rate increase of $19.0 million, or 7.0 percent, Idaho base rates would increase by $8.0 million, or 2.9 percent, effective January 1, 2022. The increase is further reduced by the refunding of $8.5 million in excess deferred income taxes ("EDIT") over two years. The net effect is a first-year increase of approximately \$3.8 million, or 1.4 percent, provided the corporate tax rate does not change.

The proposed Settlement provides the amortization period for certain deferred regulatory assets; establishes the NPC, Production Tax Credits ("PTC"), Renewable Energy Credits ("REC"), and the Load Change Adjustment Rate ("LCAR") for inclusion in the Energy Cost Adjustment Mechanism ("ECAM"); the return of the remaining benefits from the Tax Cuts and Jobs Act ("TCJA"); the value of the Bayer curtailment products; and rate spread and rate design. The proposed Settlement does not detail all of the different components of the revenue requirement calculation, including the cost of capital, return on equity, or net rate base balances.

Q. Please explain how the proposed Settlement addresses the amortization of deferred regulatory assets.

A. In Order No. 34754, Case No. PAC-E-18-08, the Commission approved a settlement stipulation allowing the Company to defer incremental depreciation expense of \$13,940,303 as a regulatory asset. Under the terms of the proposed Settlement, this regulatory asset will be amortized over four years and included in the base rate increase.

In Order No. 33304, Case No. PAC-E-14-10, the Commission authorized the Company to defer for future recovery certain costs associated with the closure of the Deer Creek Mine. The Parties agreed to amortize the Deer Creek Mine regulatory asset over three years consistent with the Company's initial filing in this case. The balance in the regulatory asset account is approximately $82.4 million (total system), which includes $14,347,296 in unpaid royalties and $6,521,059 of unpaid future remediation expenses.

In Order No. 33954, Case No. PAC-E-17-06, and Order No. 34104, Case No. PAC-E-17-07, the Commission authorized the Company to defer the costs for certain repowered and new wind facilities through a Resource Tracking Mechanism ("RTM") included as a component of the ECAM up to the amount of the benefits customers received from those projects. Any costs above the benefits were to be deferred as a regulatory asset with recovery to be determined in the next general rate case. The Parties agreed to exclude the RTM regulatory asset from recovery in this case, and the Company will continue to defer the incremental costs in the RTM through December 31, 2021, as a regulatory asset. There will be no carrying charge and recovery of this regulatory asset will be determined in the Company's next general rate case.

Q. Please explain the ECAM components addressed in the Settlement.

A. Attachment 1 to the proposed Settlement provides the calculation of certain components for the Company's annual ECAM filing on a total system basis, which are summarized below:

- NPC - $1.368 billion or $24.54/Megawatt-hour ("MWh")
- PTC - $256,612,477 or $4.16/MWh
- REC - $4,327,004 or $0.07/MWh
- LCAR - $8.74/MWh

Q. Please describe the tax benefits associated with the TCJA.

A. On January 11, 2018, the Commission opened Case No. GNR-U-18-01 to investigate the impact of the TCJA on utility costs and ratemaking. The Commission reduced the rates Rocky Mountain Power charges customers in Idaho to reflect the reduced income tax expense at the new 21 percent corporate tax rate. However, the TCJA also required companies to revalue their deferred tax amounts at the new corporate tax rate which resulted in excess deferred federal income tax reserve balances. Balances associated with regulated utility operations resulted in a balance sheet reclassification from a deferred tax to a deferred regulatory asset or liability. This revaluation affected plant (protected or permanent tax benefit) and non-plant (unprotected or temporary tax benefit) balances.

For plant-related EDIT, the utilities had to amortize the balance over the remaining life of the assets. Non-plant EDIT balances could be returned to customers in any manner approved by the Commission.

On June 1, 2018, the Commission issued Order No. 34072 approving a settlement stipulation that would return $8.385 million to customers, either through a separate tariff schedule, or offsetting deferred amounts in the ECAM. The remaining benefits of the TCJA were to be determined in a separate phase of the case.

On May 3, 2019, the Commission issued Order No. 34331 approving the Phase 2 settlement stipulation, which outlined how the remaining benefits would be returned to customers. Beginning on June 1, 2019, non-protected plant and non-plant EDIT balances were to be amortized over seven years (approximately $2.1 million per year) and be used to offset the 2013 incremental depreciation expense deferral approved by Commission Order No. 32910 in Case No. PAC-E-13-04. However, in that settlement stipulation, the parties agreed that changes to the seven-year amortization period for the unamortized balances could be proposed in the Company's next general rate case.

In Order No. 34384, Case No. PAC-E-20-03, the Commission approved a settlement stipulation, which in part discontinued the seven-year amortization of the remaining EDIT balances and used the balances to offset the unrecovered balances of the Company's Cholla Unit No. 4 that closed at the end of 2020. Remaining EDIT balances would then be used to mitigate the impact of the rate increase in this case.

The Company has approximately $8.5 million in remaining EDIT balances to return to Idaho customers. The Parties to the proposed Settlement agreed to return the balance to customers over two years through Electric Service Schedule No. 197. However, if federal corporate tax rates increase before the balance is completely amortized, the Parties agreed that the Company will stop the amortization as of the effective date of the tax increase. If there is a change to the corporate federal tax rate before the Company's next general rate case, the Parties will support the Company's filing of an application seeking to defer the incremental tax impacts as of the effective date of the new tax rate.

Q. Please explain the value of the Bayer curtailment products contained in the Settlement.

A. The Parties agreed to a credit amount for Bayer's ability to interrupt and curtail electric service during times of high demand on the system. The Parties agreed the amount and method for calculating the credit in this Settlement should not be construed as precedential. The Parties also agreed that the terms and conditions of the

Energy Service Agreement filed with the Commission as Supplemental Exhibit No. 36 on September 16, 2021, are fair, just, and reasonable.

Q. Please explain the rate spread and rate design contained in the proposed Settlement.

A. The Parties agreed to a rate spread based upon the $8.0 million rate increase as set forth in Attachment 2 to the proposed Settlement. The rate design and tariff changes are consistent with the Company's proposed methods to move customer classes toward cost of service utilizing the normalized billing determinants included in the Company's original filing.

The Parties agreed to increase the monthly customer charges based on the proposal in the Company's original filing. This includes, but is not limited to, raising the customer service charge from $5.00 to $8.00 for Schedule 1 residential customers, from $14.00 to $15.00 for Schedule 36 Time-of-Day residential customers, and from $16.00 to $18.00 for Schedule 23 general service customers.

The Parties agreed with the Company's proposal to migrate the Schedule 401 special contract customer to Schedule 9. Rates for Schedule 9 will be designed for the current Schedule 9 customers prior to the migration of the Schedule 401 customer, based on the system average rate increase. Electric Service Schedule 9 will be revised to increase the limit on the customer's maximum power requirement from 15,000 kilowatts ("kW") to 30,000 kW.

Similarly, the Parties agreed with the Company's proposal to migrate current Schedule 19 customers to Schedule 23, since all new customers that once qualified for Schedule 19 are currently being classified as Schedule 23 customers. To mitigate the rate impact of migrating existing Schedule 19 customers to Schedule 23, Schedule 23 customers will use a seasonal difference ratio of 1.20 and a primary customer charge of $48.00.

The Parties also agreed that Schedule 7, Schedule 11, and Schedule 12 street and area lighting customers will receive a rate decrease to move rates 50 percent closer to cost of service.

Q. Do you have any other comments on the proposed Settlement?

A. Yes. Staff has reviewed Attachments 1-4 to the proposed Settlement and verified they are consistent with the agreement. The agreed upon rate design will offer the Company a reasonable opportunity to recover the proposed revenue requirement. As implied throughout this testimony, the proposed Settlement represents a fair, just, and reasonable compromise of the positions put forth by all parties and is in the public interest. Therefore, Staff recommends the Commission approve the proposed Settlement without material changes or modifications.

Q. Does this conclude your testimony?

A. Yes, it does.

Professional Qualifications
Of

Donn English
Program Manager - Accounting and Audit
Program Manager - Technical Analysis
Idaho Public Utilities Commission

EDUCATION

Mr. English graduated from Boise State University in 1998 with a Bachelor of Business Administration degree in Accounting. His studies concentrated on corporate finance and taxation. He was a member of the Alpha Beta Psi honor society for Accounting students. He completed the Annual Regulatory Studies Program, the Advanced Regulatory Studies Program, and the Accounting and Ratemaking Course offered through the Institute of Public Utilities at Michigan State University. Additionally, he regularly attends meeting and conferences sponsored by the National Association of Regulatory Commissioners (NARUC) and the Society of Utility and Regulatory Financial Analysts.

In 2001, Mr. English became a designated member of the American Society of Pension Professionals and Actuaries (ASPPA) and was awarded the professional designation of Qualified Pension Administrator (QPA) and Qualified 401(k) Administrator (QKA). Mr. English was also a member of the Association of Certified Fraud Examinators.

BUSINESS EXPERIENCE

Prior to joining the Idaho Public Utilities Commission (IPUC), Mr. English was a trust Accountant with a pension administration, actuarial, and consulting firm in Boise, Idaho. In 1999, he was promoted to Pension Administrator, and in 2001 he was promoted to Pension Consultant. In that capacity, Mr. English performed actuarial calculations and the required non-discrimination calculations for hundreds of qualified retirement plans. He completed and filed Form 5500s and represented clients during audits by the Department of Labor and the Internal Revenue Service. He also participated on the task force that wrote questions for the ASPPA administrator and actuarial exams.

Mr. English joined the IPUC in 2003 as a Staff Auditor. In 2016, he was promoted to Audit Team Lead, and in 2018 he became the Program Manager for the Accounting and Audit Department within the Utilities Division. In 2020, Mr. English also accepted the responsibility of supervising the Technical Analysis and Energy Efficiency team. At the Commission, Mr. English has audited a number of utilities including electric, water, and natural gas companies, and provided comments and testimony in numerous cases that deal with general rates, tax issues, pension issues, depreciation and other accounting issues, and other regulatory policy decisions. Mr. English participates in the Energy Efficiency Advisory Groups and External Stakeholder Advisory Committees for Idaho Power, Avista Utilities, Rocky Mountain Power, and Intermountain Gas Company. He is the Commission's representative on the NARUC Subcommittee of Accounting and Finance and the Subcommittee on Education and Research. Mr. English is also a volunteer on the faculty of NARUC Rate School.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 8th DAY OF NOVEMBER 2021, SERVED THE FOREGOING **DIRECT TESTIMONY OF DONN ENGLISH IN SUPPORT OF THE SETTLEMENT STIPULATION,** IN CASE NO. PAC-E-21-07, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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