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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION REQUESTING APPROVAL OF $32.5 MILLION ECAM DEFERRAL	))))))	**CASE NO. PAC-E-23-09** **COMMENTS OF THE COMMISSION STAFF**

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 30, 2023, PacifiCorp dba Rocky Mountain Power ("Company") applied for authorization to adjust its rates under the Energy Cost Adjustment Mechanism ("ECAM"). The Company seeks an order approving approximately $32.5 million in ECAM deferred costs and a 2.3% increase to Electric Service Schedule No. 94, Energy Cost Adjustment ("Schedule 94"). The monthly bill of an average residential customer using 783 kilowatt-hours of electricity would increase by about $1.57. The Company requests its proposed adjustment be processed by Modified Procedure and become effective on June 1, 2023.

The ECAM allows the Company to increase or decrease its rates each year to reflect changes in the Company's power supply costs. These costs vary by year with changes in the Company's fuel (gas and coal) costs, surplus power sales, power purchases, and associated transmission costs. Each month, the Company tracks the difference between the actual net power costs ("NPC") it incurred to serve customers, and the embedded (or base) NPC it collected from customers through base rates. The Company defers the difference between actual NPC and base NPC into a balancing account for later disposition at the end of the yearly deferral period. At that time, the ECAM allows the Company to credit or collect the difference between actual NPC and base NPC through an increase or decrease in customer rates. Neither the Company nor its shareholders will receive any financial return because of this filing.

Besides the NPC difference, this year's ECAM includes: (1) the Load Change Adjustment Revenues ("LCAR"); (2) an adjustment for coal stripping costs;[1] (3) a true-up of 100% of the incremental Renewable Energy Credit revenues ("REC"); (4) Production Tax Credits; (5) reasonable energy price ("REP") qualified facility ("QF") adjustment;[2] (6) wind liquidation damages; and (7) interest on deferral.

With its Application, the Company seeks an order approving the Company's: (1) request for a $32.5 million ECAM deferral; and (2) a 2.3% increase for Schedule 94. The Company states that if its proposal is approved, prices for customer classes would *increase* as follows:

- Residential Schedule 1 – (1.6%)
- Residential Schedule 36, Optional Time-of-Day Service – (1.9%)
- General Service Schedule 6 – (2.3%)
- General Service Schedule 9 – (2.9%)
- Irrigation Customers – (2.1%)
- General Service Schedule 23 – (2.0%)
- General Service Schedule 35 – (2.2%)
- Public Street Lighting – (1.1%)
- Tariff Contract, Schedule 400 – (3.0%)

Application, Meredith Direct, Exhibit No. 2.

[1] The ECAM includes a "90/10 sharing band" in which customers pay/receive 90% of the increase/decrease in the difference between actual NPC and base NPC, LCAR, and the coal stripping costs; and the Company incurs/retains the remaining 10%.

[2] The REP QF adjustment flows from the 2020 Inter-Jurisdictional Allocation Protocol where, during the Interim Period, "energy output of New QF PPAs will be dynamically allocated . . . using the SG Factor, priced at a forecasted [REP] . . . and any cost of a New QF PPA above the forecasted [REP] will be situs assigned and allocated to the State of Origin." Direct Testimony of Jack Painter at 10; Order No. 34640.

STAFF ANALYSIS

ECAM Calculation

Staff verified the Company's method for calculating the ECAM complies with previous Commission orders. Staff further verified that the Company used accurate actual loads, actual costs incurred, and revenues received, and applied the correct loads, costs, and revenues embedded in base rates. Based on its review, Staff believes the Company's ECAM deferral balance properly accounts for the difference between energy costs and revenues included in base rates and the actual costs and revenues during 2022. Staff recommends the Commission authorize the 2022 ECAM deferral as shown below:

Table No. 1: Deferred ECAM Balance

NPC Differential for Deferral	$ 35,322,826
EITF 04-6 Adjustment	190,656
LCAR	(1,578,588)
Total Deferral Before Sharing	33,934,894
Sharing Band	90%
Customer Responsibility	30,541,405
Production Tax Credits	1,388,020
REP QF Adjustment	634,305
Wind Liquidated Damages	(295,039)
REC Deferral	(130,679)
Interest on Deferral	326,544
Annual Deferral (Jan - Dec 2022)	32,464,556
Unamortized Previous Balance	29,925,543
Total ECAM Rider Revenues	(20,448,621)
Total Company Recovery	$ 41,941,478

Staff reviewed the Company's external audit reports, journal entries, invoices, contracts, and customer bills. Staff also reviewed the Company's adjustments to actual costs and reconciled the general ledger amounts to the NPC provided in Company Exhibit No. 1.

Additionally, Staff reviewed the Company's hedge contracts and policies and believes these mechanisms reasonably safeguard price and fuel stability. Staff also reviewed transactions and invoices for Energy Imbalance Market ("EIM") revenues. Finally, Staff reviewed the Resource Tracking Mechanism ("RTM") adjustment calculations included in the ECAM. Staff concludes that the ECAM deferral shown in Table No. 1 is accurate and complies with ECAM orders.

Net Power Cost Deferral

The NPC adjustment within the ECAM allows the Company to collect or credit the difference between NPC incurred to serve customers in Idaho and the NPC collected from Idaho customers through base rates during the deferral period. In Order No. 35277, the NPC embedded in rates was set at $24.54 per megawatt hour ("MWh").

The revenue collected through base rates is calculated by multiplying $24.54 by 3,706,984 MWh of actual Idaho sales, for a total of $90.9 million. The difference between base rate revenue and Idaho's share of actual 2022 NPC of $126.3 million, leaves an under-collected balance of $35.3 million. The under-collected balance is subject to a 90/10 customer sharing band, with the Company paying 10% of the NPC balance.[3] After removing the Company's 10%, the amount customers are responsible for through Schedule 94 rates is $30.5 million.

Emerging Issues Taskforce ("EITF")

The EITF 04-6 adjustment is the difference between coal stripping costs the Company incurred and recorded, as stated in the accounting pronouncement EITF 04-6, and the amortization approved by Order No. 30987 in Case No. PAC-E-09-08. The Company uses this account to "undo" the effects of EITF 04-6 that requires the Company to expense coal stripping costs opposed to amortizing it over the coal produced from the section of open mines. The adjustment decreases the deferral by $190,656. Staff reviewed the adjustment and believes it was accurately calculated.

[3] Under the 90/10 sharing band customers pay 90% of the under-collected balances and the Company pays the remaining 10%. For over-collected balances, customers receive 90% of the benefit and the Company keeps 10%.

Load Change Adjustment Revenues

Staff believes the Company's LCAR adjustment complies with Order No. 35277. The LCAR adjusts for the under- or over-recovery of fixed energy-classified production cost (excluding NPC) resulting from the difference between Idaho sales used to determine base rates and the sales from the deferral year. The LCAR of $8.74 per MWh was set in Case No. PAC-E-21-07. Multiplying the LCAR by the actual Idaho sales of 3,706,984 MWh shows that the Company collected $32.4 million of energy-classified fixed production costs through base rates. The $1.5 million difference between the actual energy-classified fixed production costs collected and the $30.8 million embedded in base rates will be returned to customers by offsetting the ECAM deferral.

Lake Side 2 Resource Adder

In Order No. 32910, the Commission approved a stipulation wherein the parties to that case agreed the Company could recover its investment in the Lake Side 2 generation facility through the ECAM until its investment was included in base rates. In the Company's recent general rate case, Case No. PAC-E-21-07—rates effective January 1, 2022—Lake Side 2's recovery was moved into base rates and is no longer included in the ECAM.

Production Tax Credits ("PTC")

In Order No. 33440, the Commission approved a settlement in Case No. PAC-E-15-09 that moved the PTC true-up to the ECAM, with a $1.99 per MWh benefit to customers included in base rates. In Order No. 35277 the Commission approved a settlement increasing the PTC to $4.16 per MWh. In 2022, base rates included a $15.5 million benefit from PTCs; however, the actual PTCs allocated to Idaho customers in 2022 was $14.1 million. The $1.4 million difference between the PTCs in base rates and the actual PTCs is a surcharge to the customers. Compared to last year's PTCs, this is a significant decrease to the number of PTCs the Company received.

RTM Adjustment

In Order No. 33954, the Commission approved a stipulation allowing the Company to recover costs related to wind repowering projects through the ECAM. After the Company's most recent general rate case, Case No. PAC-E-21-07 with rates effective January 1, 2022, the recovery of costs for these wind repowering projects moved into base rates so they are no longer included in the ECAM.

Reasonable Energy Price QF Adjustment

The 2020 Protocol, approved by Order No. 34640, included a provision that all QF contracts approved in 2020 and after would be subject to a reasonable price adjustment. The amount the Company paid for energy under each QF contract over a reasonable energy price would be SITUS allocated to the state that approved the QF contract. Painter Di. at 10.

In this case, there are 11 contracts requiring comparison for the reasonable energy price QF adjustment—with four incurring a SITUS allocation adjustment to Idaho. Staff reviewed the process for creating the reasonable energy price and the energy price for those contracts and Staff believes it complies with the 2020 Protocol. The reasonable energy price QF adjustment results in a $634,305 increase to the deferral to Idaho.

Renewable Energy Credits ("REC")

In Order No. 35277, the Commission approved $0.07 per MWh in REC revenues to be included in base rates. The difference between the embedded amount and actual REC revenue is trued-up in the ECAM. In 2022, base rates included $253,744 in benefits from REC revenues. Idaho's share of the Company's actual REC revenues was $384,423. The difference of $130,679 offsets the deferral balance.

Wind Availability Liquidated Damages

The Company has included a $295,039 credit to customers for a wind availability liquidated damages credit. In the stipulation approved in Order No. 33954, Case No. PAC-E-17-06, the Company agreed to pass on all liquidated damages received from suppliers in case the repowered equipment does not meet the specifications required. The Company allocated liquidated damages by the system generation ("SG") factor and then applied that credit to customers. Staff reviewed the supporting documentation provided by the Company and agrees with the inclusion of this reduction to NPC.

Analysis of Actual NPC

Staff reviewed the Application, exhibits, and testimony to identify and understand the various contributors to this years' higher levels of actual NPC, compared to the base amount set to be recovered through rates during the 2022 deferral period. The 2022 annual ECAM deferral of $32.5 million is the largest ever requested for recovery in Idaho. On a total Company basis, actual NPC for 2022 increased 47.5% to $2.02 billion. For Idaho, the allocated actual NPC was 45.9% above the amount recovered in base rates. The Company's base rates were reset by the Commission in Case No. PAC-E-21-07, with the new base rates going into effect on January 1, 2022.

There are indications that the root cause for the high actual NPC is attributed to a lack of coal generation due to a shortage of coal supply. Staff recommends the Commission withhold its decision on whether actual NPC attributed to the 2022 ECAM deferral is prudent, but allow actual NPC included in the filing to be used to calculate the ECAM deferral and Schedule 94 rates. Staff also recommends the Company provide the Commission and customers a full accounting of the issues causing the extraordinarily high NPC, with a focus on the lack of coal generation and coal supplies, by directing the Company to perform a full investigation starting with a comprehensive report from the Company within six months of the Commission's final order.

Under Staff's proposal, this report would comprehensively assess events and factors that contributed to the inability of the Company to dispatch its coal plants to meet native load and to dispatch into the market by providing a detailed analysis of the factors, impacts, and actions taken by the Company leading up to and during the 2022 ECAM year. Following submission, Staff believes the Commission should direct Staff to review and assess the results of this report and recommend to the Commission whether any subsequent adjustment should be made in the balancing account in next year's ECAM filing. This report should include, but not be limited to, the items listed below:

1. Provide past details of the Company's forecasted 2022 load and how the Company planned to meet this load requirement at a least-cost to customers prior to the 2022 ECAM year;
2. For each coal plant, if shortages occurred, provide an analysis and a timeline of events such as decisions and actions taken by the Company relative to coal supply

contracts or investments in coal mines to maintain coal supply leading up to shortages in coal supply and the inability to dispatch coal plants that occurred during the ECAM year;

3. List issues that occurred during the ECAM year (high natural gas cost, lack of hydro generation, high market prices, etc.) which caused the significant increase to NPC and for each, provide:
   a. A full explanation of the issue and how lack of coal generation factored into the issue; and
   b. The cost impact of the issue and how much of the impact could have been mitigated if coal generation was available.
4. For each coal plant, if shortages occurred, provide an analysis that traces and compares the Company's coal generation forecasts and the corresponding coal supply orders and deliveries starting in January 2021 to the present documenting who was aware of any shortfall between the two, and when;
5. For each coal plant, if shortages occurred, discuss alternatives the Company considered, decisions made, and action plans taken (with dates and action owners) to either acquire additional coal supply, or mitigate the impact of a lack of coal supply;
6. For each coal plant, if shortages occurred, discuss and fully explain what the Company will be doing differently in the future to maintain operation of its coal plants needed to meet delivery of electricity at least cost to customers; and
7. Provide an appendix to the report with documents that supports the Company's analysis and provides evidence showing what the Company knew, and when they knew it.

Root Cause Analysis

Staff believes that the cause of high actual NPC in this year's ECAM was due to the Company's inability to dispatch its coal plants, while required to dispatch its higher cost natural gas plants and purchase higher cost market power in order to meet its load obligations. Staff's conclusion, is based on four types of analysis:

1. A comparison of costs used to determine NPC in base rates to actual cost broken down by sources the Company uses to meet load;
2. A comparison of the amount of generation from each source used to determine NPC in base rates versus the amount of generation used to meet load during the ECAM year;
3. A comparison of the actual monthly amounts of coal generation across the 2022 ECAM year to historical amounts; and
4. Information contained in discovery and from other sources to identify the root cause leading to lack of coal generation.

Staff compared 2022 actual NPC by FERC account/resource type to NPC embedded in base rates, as shown in Table No. 2 below. It illustrates the impact of actual NPC on the deferral amount with positive amounts showing an increase in the deferral and negative amounts showing a decrease.

Table No. 2:

Source	Adjusted Actual NPC	Base NPC[4]	Impact to Deferral	Percentage Impact
Wholesale Sales (revenue)	($285,405,303)	($463,692,258)	$178,286,955[5]	38.4%
Purchased Power / Net Interchange (cost)	$942,771,832	$844,451,804	$98,320,028	11.6%
Wheeling (cost)	$164,088,727	$154,137,105	$9,951,622	6.5%
Coal (cost)	$581,031,513	$599,876,421	($18,844,908)	-3.1%
Gas (cost)	$610,525,466	$228,727,764	$381,797,702	166.9%
Other - Primarily Wind (cost)	$5,382,209	$4,416,584	$965,625	21.9%
Total System	$2,018,394,444	$1,367,917,419	$650,477,024	47.6%

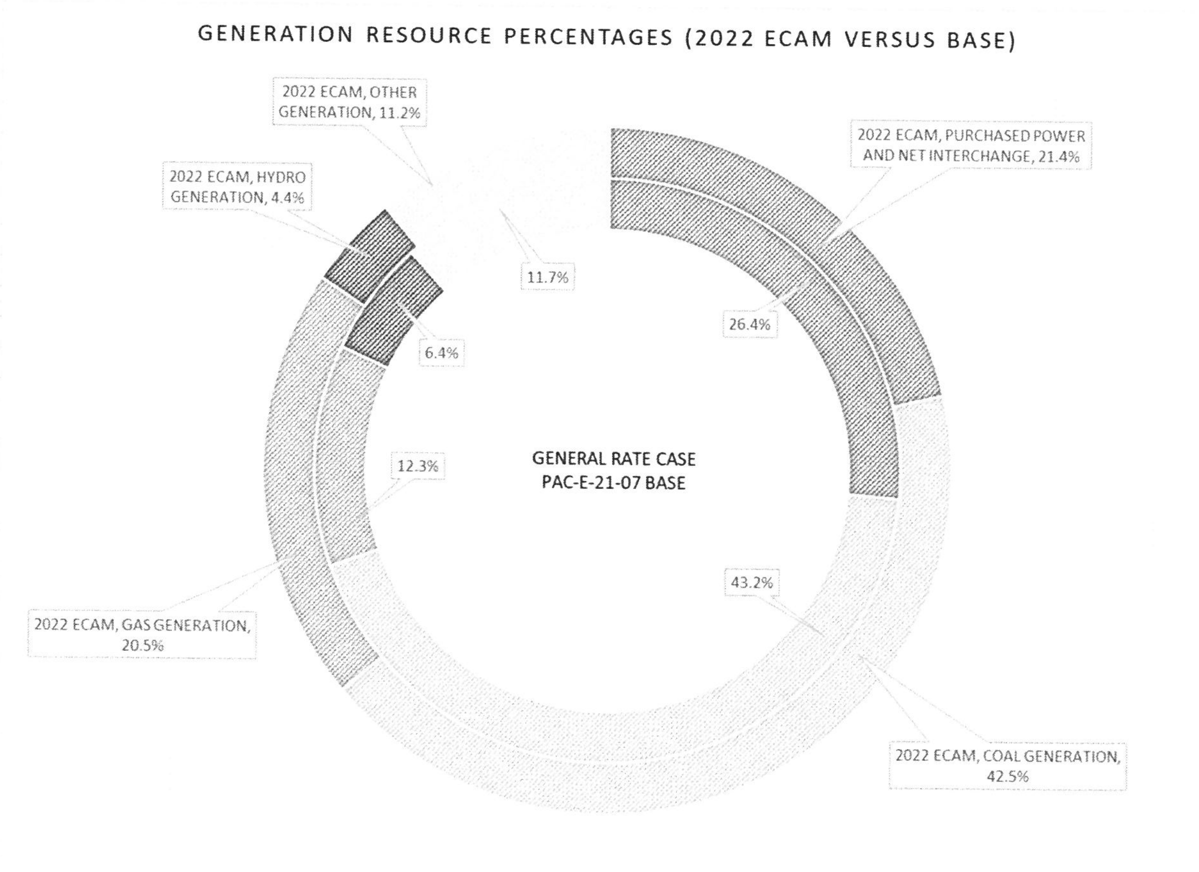
Examining Table No. 2, the largest impacts to the deferral amount in order of magnitude is the increase in natural gas generation, a reduction in the amount of wholesale sales revenue, and an increase in purchased power expense. However, there is a significant reduction in the

[4] Referenced to Case No. PAC-E-21-07 PacifiCorp -General Rate Case.
[5] The positive amount for the wholesale sales base-to-actual difference represents a reduction in revenue from the total actual amount of sales relative to the base amounts; whereas positive amounts for base-to-actual cost components represent increases in actual cost as compared to base amounts.

amount of coal generation cost. This is not the expected result since the Company should dispatch its coal plants more, especially since the average unit cost of coal was $20.47/MWh during the ECAM year while the unit cost of natural gas generation was $44.61/MWh (65.5% higher than unit cost in the base) and the cost of market purchases was $65.03/MWh (40.8% higher than the amount in the base). It is possible that the increase in overall NPC could be solely attributed to higher natural gas prices and higher market purchase prices and that the Company utilized its coal plants to their fullest potential to reduce costs. However, Staff does not believe this was the case.

To verify this conclusion, Staff compared the amount of generation from each of its sources to the amounts used to determine base rates as illustrated in Figure No. 1 below.

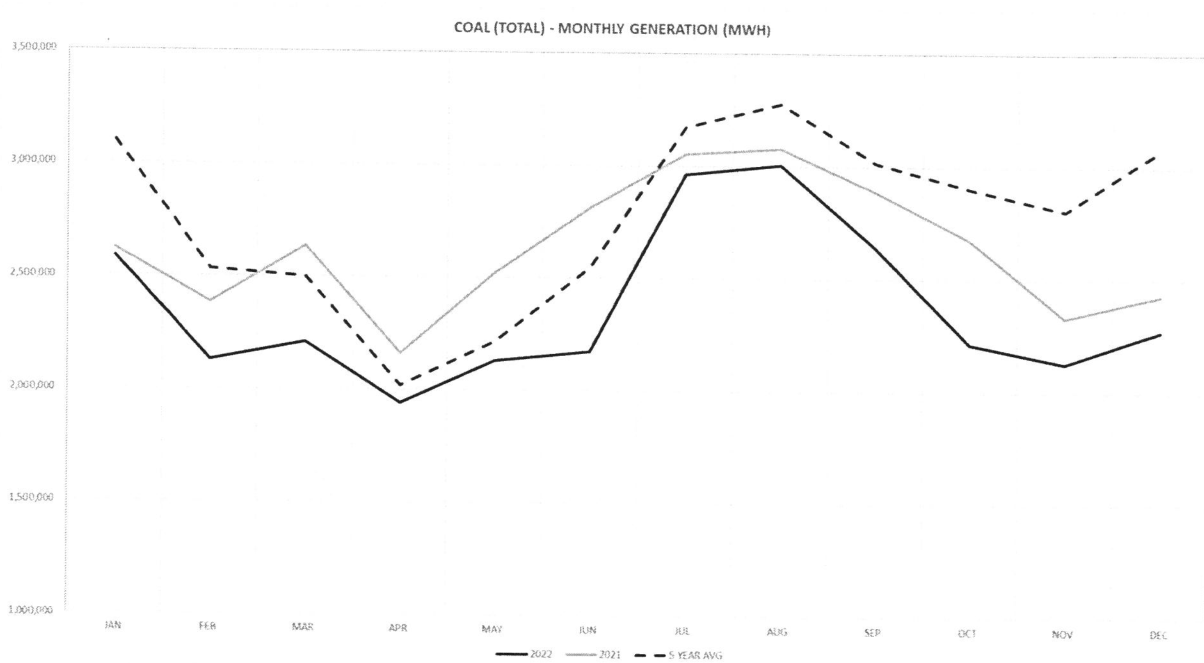
Figure No. 1:



As illustrated above, the Company produced 0.7% (43.2% minus 42.5%) less coal generation, or about 1,484 Gigawatt-hours ("GWh") less during the ECAM year as compared to the amount of generation assumed in base rates. It is likely this is a conservative amount since it is highly likely that the Company's coal plants were not fully utilized in the Company's model used to determine base rate NPC. In fact, the model would have reflected even more coal generation if market prices assumed in the model were as high as they actually were during the ECAM year. This analysis provides a strong indication that the Company was not able to dispatch its coal plants fully to reduce the high cost of natural gas generation and market purchases during the ECAM year.

To further verify that the Company did not fully utilize its coal plants, Staff compared the actual monthly amounts of coal generation across the 2022 ECAM year to the actual amount of generation in 2021 and the average over five years as illustrated in Figure No. 2 below.

Figure No. 2:



As can be seen from Figure No. 2 above, the amount of actual generation was consistently below the generation amounts from previous years confirming Staff's belief that the Company was not able to dispatch its coal plants fully to reduce actual NPC during the 2022 ECAM year. These results also explain why the Company was not able to dispatch its coal plants fully to dispatch more into the market contributing to the 38.4% reduction in Wholesale Sales revenue, which was the second largest component of the large deferral balance.

To determine the root cause why the Company did not economically dispatch its coal plants fully to reduce NPC, Staff asked discovery to determine if there was a significant amount of plant downtime or if there were any coal supply issues. *See* Staff Production Request No. 2 and No. 6. Staff did not see a significant amount of forced or unforced downtime that could have affected the economic dispatch of its coal plants. The Company did provide information about coal supply issues affecting coal generation in Utah that would have forced the Company to obtain supply from higher cost sources. However, the Company did not identify or disclose any coal supply issues at the Bridger coal plant located in Wyoming. Staff has current information related to coal shortages at the Bridger Coal plant from its partner utility, Idaho Power. Why the Company did not disclose this in its production request concerns Staff greatly. Because of the large deferral, the lack of disclosure, and concerns for future operation of the Company's coal plants, Staff believes a more complete picture of coal plant operation and coal supply is needed, especially since customers are being asked to bear the burden of the high NPC in this year's ECAM.

NPC Natural Gas

During the deferral period, the total natural gas fuel expense in actual NPC increased about $382 million over the base NPC cost embedded in base rates. The average cost of natural gas generation increased $17.66/MWh—from $26.95/MWh to $44.61/MWh. Higher natural gas generation costs were primarily due to increases in natural gas fueled generation and commodity costs.

The Company increased natural gas fueled generation by 5,198 GWh or 61%. In the winter of 2022, cold weather across the United States increased demand for natural gas which contributed to large increases in market price of the commodity. Additionally, the region experienced natural gas supply constraints which resulted in even higher market prices than national averages, at the trading hubs serving the area. The Company asserts that natural gas prices, at the Opal natural gas trading hub, one of the Company's natural gas delivery points, were over 424% higher in December 2022 than in December 2021. Painter Direct Testimony at 13. Staff has followed this situation and believes the Company's description of the events that contributed to exorbitant natural gas prices is accurate.

Staff examined the Company's natural gas supporting workpapers and considered industry trends in commodity prices for the deferral period. Staff believes that the increased natural gas costs in this filing are correct and reasonable.

Proposed Rates

Staff verified that the methods for determining the Company's proposed Schedule 94 ECAM rates[6] follows past Commission Orders and the calculations were accurate. The method approved in Order No. 33440 was used to spread the increase appropriately across each of the different customer classes. The proposed ECAM rates in Schedule 94 are voltage-level specific, which considers line losses due to the type of service for each class of customer. Table No. 3 below reflects the proposed ECAM rate compared to the current ECAM rate.

Table No. 3: Schedule 94 ECAM Adjustment

Service Type	Secondary	Primary	Transmission
	¢/kWh	¢/kWh	¢/kWh
Current Rates	0.733	0.720	0.696
Proposed Rate	0.934	0.917	0.886
Difference	+0.201	+0.197	+0.190
Percent Difference	27.4%	27.4%	27.3%

Schedule 400 is a special contract customer that requires special treatment related to REC revenue. The Schedule 400 baseline is the same proposed rate as other transmission level customers, but accurately reflects the adjustment for its REC treatment.

The Company's proposed Schedule 94 revision to ECAM rates increases Company revenue by approximately 2.3%; however, the revenue increases for specific customer classes vary because of the rate design. The overall revenue increase for residential Schedule 1 customers is 1.64%. Meredith's testimony includes both the Company's revised ECAM rates, and the Company's proposed Electric Service Schedule No. 94, as Exhibit 2, and Exhibit 3, respectively.

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6 See Case No. PAC-E-23-09 Exhibit No. 2, Meredith Direct Testimony.

Customer Notice and Press Release

The Company's press release and customer notice were included with its application. Staff reviewed the documents and determined that both meet the requirements of Rule 125 of the Commission's Rules of Procedure (IDAPA 31.01.01.125). The notice was included with bills mailed to customers beginning April 4, and ending May 2, 2023, providing customers with a reasonable opportunity to file timely comments with the Commission. As of May 10, 2023, the Commission has received one comment in opposition to the proposed rate increase.

STAFF RECOMMENDATION

Staff recommends that the Commission:

1. Approve the ECAM deferral balance;
2. Allow actual NPC included in the filing to be used to calculate the ECAM deferral and Schedule 94 rates;
3. Withhold its decision on whether actual NPC is prudent until the Company, with Staff's review, fully investigate the circumstances that led to the inability of the Company to economically dispatch its coal plants;
4. Provide a report of its findings to the Commission within six months of the Commission final order, which should include the items outlined in the Analysis of NPC section;
5. Reserve the right to adjust the recovery of the actual NPC until the next ECAM filing if the Company was not prudent in its management of coal supply; and
6. Approve the proposed rates and tariffs as filed.

Respectfully submitted this 10th day of May 2023.

Dayn Hardie
Deputy Attorney General

Technical Staff: Ty Johnson
Curtis Thaden
Kevin Keyt
Joseph Terry
Leena Gilman
Rick Keller

i:umisc/comments/pace23.9dhtjctkkjtlgrk comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10th DAY OF MAY 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-23-09, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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