

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-18-02
OF ROCKY MOUNTAIN POWER)
REQUESTING APPROVAL OF \$7.8) DIRECT TESTIMONY OF
MILLON NET POWER COST DEFERRAL) MICHAEL G. WILDING
WITH NO CHANGE TO RATES)
)
)

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-18-02

March 2018

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

3 A. My name is Michael G. Wilding. My business address is 825 NE Multnomah Street,
4 Suite 600, Portland, Oregon 97232. My title is Director, Net Power Costs and
5 Regulatory Strategy.

6 **QUALIFICATIONS**

7 **Q. Briefly describe your education and business experience.**

8 A. I received a Master of Accounting from Weber State University and a Bachelor of
9 Science degree in accounting from Utah State University. I am a Certified Public
10 Accountant licensed in the state of Utah. Prior to joining the Company, I was employed
11 as an internal auditor for Intermountain Healthcare and an auditor for the Utah State
12 Tax Commission. I have been employed by the Company since February 2014.

13 **Q. Have you testified in previous regulatory proceedings?**

14 A. Yes. I have filed testimony in proceedings before the public service commissions in
15 Idaho, Utah, Wyoming, Oregon, Washington, and California.

16 **PURPOSE OF TESTIMONY**

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

18 A. My testimony presents and supports the Company’s calculation of the Energy Cost
19 Adjustment Mechanism (“ECAM”) balancing account for the 12-month period from
20 January 1, 2017 through December 31, 2017 (“Deferral Period”). More specifically, I
21 provide the following:

- 22 • A summary of the ECAM calculation, including changes made to comply with
23 Commission orders;

- 1 • Details supporting the addition of \$7.8 million (“2017 Deferral”) to the deferral
2 balance, bringing the total balance to approximately \$10.1 million as of December
3 31, 2017;
- 4 • Additional details of the ECAM calculation and a description of the Company’s net
5 power costs (“NPC”); and
- 6 • Discussion about the Company’s participation in the energy imbalance market
7 (“EIM”) with California Independent System Operator (“CAISO”) and the benefits
8 from EIM that are passed through to customers.

9 **SUMMARY OF THE ECAM DEFERRAL CALCULATION**

10 **Q. Please briefly describe the Company’s ECAM authorized by the Commission.**

11 A. In general, the ECAM tracks deviations between actual NPC and NPC in base rates and
12 defers 90 percent of the difference for later recovery.¹ Other items, which I describe in
13 detail later in my testimony, are also tracked in the ECAM to true-up the amount in
14 base rates to actuals include: a resource adder for the Lake Side 2 gas generation plant;
15 renewable energy production tax credits (“PTCs”); Idaho-allocated Deer Creek mine
16 amortization expense; and revenues from the sale of renewable energy credits
17 (“RECs”).² The balance that accumulates over a deferral period is then passed on to
18 customers as a rate surcharge or credit. The Schedule 94 rate, which appears as a
19 separate line item on customer bills, collects from or credits to customers the balance
20 of deferred costs. Schedule 94 is adjusted as needed in the Company’s annual ECAM
21 filings.

22 The Company is required to file an application with the Commission annually

¹ See Order No. 30904 in Case No. PAC-E-08-08 and Order No. 33440 in Case No. PAC-E-15-09.

² See Order No. 33440 in Case No. PAC-E-15-09 pages 5–6.

1 by April 1 to seek approval of the deferral amount and the new Schedule 94 rate, which
2 becomes effective June 1.

3 **Q. How is the 2017 Deferral calculation presented in your testimony?**

4 A. The calculation of the 2017 Deferral is contained in Exhibit No. 1, which I discuss later
5 in my testimony. Table 1 below is a summary of the major components.

6 **Q. What changes to the ECAM calculation have been implemented in this filing to
7 comply with Commission orders from previous cases?**

8 A. In Case No. PAC-E-16-12 the Commission approved changes to decrease NPC in base
9 rates and adjust the load change adjustment rate (“LCAR”) effective January 1, 2017.
10 The PTC and REC rates remain unchanged from Case No. PAC-E-15-09.

11 **2017 DEFERRAL**

12 **Q. Please explain the calculation of the 2017 Deferral.**

13 A. Detailed calculations are provided in Exhibit No. 1, attached to my testimony. Table 1
14 below summarizes the various components of the 2017 Deferral.

15 **Table 1**

	<u>Idaho</u> <u>Customers</u>
NPC Differential for Deferral	\$ 2,113,470
EITF 04-6 Adjustment	(93,048)
LCAR	(1,543,064)
Total Deferral Before Sharing	\$ 477,358
Sharing Band	90%
Customer Responsibility	\$ 429,622
Lake Side 2 Resource Adder	4,112,351
Production Tax Credits	1,769,672
Deer Creek Amortization Expense	1,311,666
REC Deferral	71,773
Interest	103,412
Total Company Recovery for NPC Deferral	\$ 7,798,495

1 Table 1 summarizes the components of the ECAM balance. The first section
2 summarizes the Idaho-allocated share of those items for which Idaho customers and
3 the Company share responsibility, including: NPC differential, EITF 04-6 adjustment,
4 and LCAR costs. The next section calculates the 90 percent customers' share of the
5 items above and adds the following items which customers are refunded or surcharged
6 100 percent: the Lake Side 2 resource adder, PTCs, Deer Creek mine amortization
7 expense, and REC revenues. The total of these items represents the 2017 Deferral. The
8 2017 Deferral of \$7.8 million is a result of the \$0.4 million customers' share of the NPC
9 differential, which includes adjustments for EITF 04-6 and LCAR costs, \$4.1 million
10 Lake Side 2 Resource Adder, \$1.8 million PTCs, \$1.3 million Deer Creek amortization
11 expense, \$0.1 million REC revenue differential, and \$0.1 million interest accrued on
12 the 2017 Deferral.

13 **Q. Based on your calculations, what is the balance expected to be in the ECAM**
14 **deferral account as of June 1, 2018?**

15 A. The projected balance in the ECAM deferral account as of June 1, 2018 is \$7.4 million.
16 Table 2 summarizes the deferral account activity starting with the \$12.7 million balance
17 approved in Case No. PAC-E-17-02. The balance is adjusted for collections and interest
18 accrued during the Deferral Period. The estimated ECAM deferral account balance of
19 \$7.4 million due for collection from all Idaho customers as of June 1, 2018, consists of
20 the estimated prior period balance, \$7.7 million from the Deferral Period, and interest
21 accrued.

1

Table 2
Balancing Account Activity

	Idaho Customers
Balancing Account Activity	
Prior Deferral	\$ 12,682,866
ECAM Revenue Collection - Schedule 94	(10,358,265)
Interest	103,412
Activity Through December 31, 2017	\$ 2,428,013
Jan - Dec 17 ECAM Deferral	7,695,084
December 31, 2017 Balance For Collection	\$ 10,123,097
Schedule 94 Collection - Jan - May 2018	\$ (2,711,688)
Interest	4,390
Expected Balance as of June 1, 2018	\$ 7,415,799

2 **Q. What level of revenues is the Company currently collecting under Electric**
3 **Service Schedule No. 94 – Energy Cost Adjustment?**

4 A. Under the alternative rate plan approved by the Commission in 2017, the Company is
5 currently collecting approximately \$11.5 million annually from Idaho customers, split
6 as follows: \$7.5 million (or 65 percent) for the ECAM deferred balance and \$4.0
7 million (or 35 percent) for the amortization of the 2013 incremental depreciation
8 expense. Table 2 above forecasts the ECAM balance to be \$7.4 million by June 1, 2018,
9 which is very close to the current collection level. The depreciation balance is projected
10 to be \$4.9 million by June 1, 2018, with \$1.9 million additional deferral during the next
11 twelve-month collection period (June 1, 2018 to May 31, 2019).

12 **Q. Is the Company recommending changing Schedule No. 94 rates?**

13 A. No. Based on the projected balances, Schedule 94 current rates should be sufficient to
14 collect the ECAM balance during the next year and continue to make progress toward
15 reducing the depreciation balance. The Company recommends that Schedule 94 rates

1 remain at their current level and that the revenues therefrom continue to be split 65
2 percent to the ECAM and 35 percent to the depreciation balance. This provides rate
3 stability for customers while mitigating the future rate impact of the 2013 depreciation
4 deferral.

5 **DESCRIPTION OF THE ECAM CALCULATIONS**

6 **Q. Please describe the ECAM calculations in your Exhibit No. 1.**

7 A. The ECAM deferral is calculated by comparing Idaho-allocated Actual NPC to the
8 NPC collected in rates on a monthly basis and deferring the differences into an ECAM
9 balancing account. Exhibit No. 1 includes details of the ECAM calculation. I have also
10 provided confidential work papers supporting this exhibit.

11 **Q. How are the Base NPC and Actual NPC calculated?**

12 A. The monthly Base NPC collected in rates, as set forth in Exhibit No. 1 line 6, is
13 calculated by taking the dollar-per-megawatt-hour Base NPC rate multiplied by the
14 actual Idaho retail sales. The Actual Idaho NPC, as set forth in Exhibit No. 1 line 15, is
15 calculated by dividing the monthly total Company Actual NPC in the Deferral Period
16 by the actual monthly system load in the Deferral Period. The total Company Actual
17 NPC dollar-per-megawatt-hour basis is then multiplied by Idaho actual monthly load
18 to calculate Actual Idaho NPC.

19 **Q. Please describe how the NPC deferral is calculated.**

20 A. The deferral is calculated on a monthly basis by subtracting the Base NPC collected in
21 rates from the Actual Idaho NPC. For the Deferral Period, the NPC differential was
22 approximately \$2.1 million before application of the 90 / 10 percent sharing.

1 **Q. What costs are included in the NPC differential for deferral?**

2 A. The NPC differential for deferral captures all components of NPC as defined in the
3 Company's general rate case proceedings and modeled by the Company's production
4 dispatch model ("GRID"). Specifically, Base NPC and Actual NPC include amounts
5 booked to the following Federal Energy Regulatory Commission ("FERC") accounts:

6 Account 447 – Sales for resale; excluding on-system wholesale sales and other
7 revenues that are not modeled in GRID

8 Account 501 – Fuel, steam generation; excluding fuel handling, start-up fuel
9 (gas and diesel fuel, residual disposal), and other costs that are
10 not modeled in GRID

11 Account 503 – Steam from other sources

12 Account 547 – Fuel, other generation

13 Account 555 – Purchased power; excluding the Bonneville Power
14 Administration ("BPA") residential exchange credit pass-
15 through if applicable

16 Account 565 – Transmission of electricity by others

17 **Q. Are adjustments made to the Actual NPC prior to comparing to Base NPC?**

18 A. Yes. The Actual NPC recorded on the Company's books are adjusted to reflect the
19 ratemaking treatment of several items, including:

- 20 • out of period accounting entries;
- 21 • buy-through of economic curtailment by interruptible industrial customers;
- 22 • situs assignment of the generation from Oregon solar resources procured to
23 satisfy ORS 757.370 solar capacity standard;

- 1 • situs assignment of the generation from a Utah Subscriber Solar resource;
- 2 • revenue associated with a unique contract for the Company's Leaning Juniper
- 3 facility;
- 4 • coal inventory adjustments to reflect coal costs in the correct period;
- 5 • legal fees related to fines and citations included in the cost of coal; and
- 6 • removal of liquidated damage fees per a coal supply agreement that relate to
- 7 2018 but were booked in 2017 in accordance with generally accepted
- 8 accounting principles.

9 **Q. What is an out of period accounting entry?**

10 A. Out of period accounting entries are items booked during the Deferral Period that
11 pertain to an operating period before the inception of the ECAM on July 1, 2009.
12 However, there were no out of period accounting entries booked in the Deferral Period.

13 **Q. Why is the July 1, 2009 cutoff used to determine out of period entries?**

14 A. Since the ECAM took effect, customers' rates have been adjusted to recover essentially
15 all of the Company's actual net power costs, excluding any differences due to the 90 /
16 10 percent sharing band. Consequently, any accounting entries made during the current
17 Deferral Period that relate to any operating period since the ECAM took effect, should
18 also be reflected in customer rates, whether they increase or decrease Actual NPC.
19 Accounting entries related to operating periods prior to the inception of the ECAM
20 should not impact the ECAM deferral.

21 **Q. In addition to the comparison of Actual NPC to Base NPC, what other components**
22 **are included in the ECAM?**

23 A. There are six additional components included in the ECAM calculations: (i) an

1 adjustment for deferred costs associated with coal mine stripping activities recorded
2 under the Financial Accounting Standards Board (“FASB”) EITF 04-6; (ii) the LCAR
3 adjustment; (iii) a resource adder to collect the investment in the Lake Side 2 natural
4 gas generation facility; (iv) a true-up of PTCs; (v) unrecovered Deer Creek mine
5 investment that has been amortized after the closing of the mine and is not included in
6 Base NPC; and (vi) a true-up of REC revenues as authorized by the Commission in
7 Order No. 32196.

8 **Q. How is the adjustment for accounting pronouncement EITF 04-6 included in the**
9 **ECAM?**

10 A. Line 17 of Exhibit No. 1 reflects Idaho’s allocated differences between the coal
11 stripping costs incurred by the Company during excavation and recorded on the
12 Company’s books pursuant to the guidance of the accounting pronouncement EITF
13 04-6, and the amortization of the coal stripping costs as approved by the Commission.³
14 For the Deferral Period, the total EITF 04-6 coal stripping deferral adjustment is a \$0.1
15 million decrease to the NPC deferral balance before the 90 / 10 percent sharing.

16 **Q. Please describe the LCAR adjustment.**

17 A. The calculation of the LCAR adjustment is a symmetrical adjustment for over- or
18 under-collection of the energy-related portion of the Company’s embedded revenue
19 requirement for production facilities as specified in Case No. GNR-E-10-03, Order No.
20 32206. The LCAR accounts for variances in Idaho load that cause the Company to
21 collect more or less of these production-related costs. The LCAR rate of \$6.07 per
22 megawatt-hour is used for the Deferral Period.

⁴ Case No. PAC-E-09-08, Order No. 30987.

1 **Q. How is the LCAR adjustment calculated and what impact does it have on the 2017**
2 **Deferral?**

3 A. The LCAR adjustment assumes that the actual production-related costs of the LCAR
4 are equal to base, Exhibit No. 1 line 18. The actual production-related costs are then
5 compared to the LCAR revenue collection in rates, calculated by multiplying the LCAR
6 rate by the actual Idaho retail sales, Exhibit No. 1 line 21. The LCAR adjustment is the
7 difference between the actual production-related costs and the LCAR revenue, line 22
8 of Exhibit No. 1, and is a \$1.5 million decrease to the NPC deferral balance before the
9 90 / 10 percent sharing.

10 **Q. Please explain the sharing ratio between the Company and customers in the**
11 **ECAM.**

12 A. The ECAM includes a symmetrical sharing ratio in which customers either pay or
13 receive 90 percent of the ECAM deferral balance and the Company is responsible for
14 the remaining 10 percent. Line 24 of Exhibit No. 1 represents the customers' 90 percent
15 share of the monthly deferral shown on line 23 of Exhibit No. 1. For the Deferral
16 Period, the customers' share of the deferred balance is approximately \$0.4 million. The
17 remaining balance of \$47,803 associated with the Company's 10 percent share is not
18 included in the deferral balance as it is not recoverable from customers.

19 **Q. What is the amount of the Lake Side 2 resource adder in the current filing?**

20 A. Pursuant to the stipulation in Case No. PAC-E-13-04 and approved by the Commission
21 in Order No. 32910, the Company included a resource adder to recover the investment
22 in the Lake Side 2 generation plant which is not yet included in rate base. The resource
23 adder amounts to \$1.99/MWh of the Lake Side 2 generation capped at 2,729,500 MWh

1 or \$5.4 million for the calendar year. The total Lake Side 2 resource adder for the
2 Deferral Period was \$4.1 million based on 2,066,508 MWh of generation, line 27 of
3 Exhibit No. 1.

4 **Q. What is the amount of PTC true-up in the current filing?**

5 A. The PTC Deferral, on line 32 of Exhibit No. 1, is calculated by comparing the actual
6 Idaho-allocated PTCs to the PTC credit customers receive through base rates. The PTC
7 credit in base rates is calculated by multiplying the approved PTC rate of \$1.99/MWh
8 by Idaho retail sales. The difference is a \$1.8 million increase to the 2017 Deferral
9 balance.

10 **Q. Please explain the Deer Creek amortization expense.**

11 A. The Company closed the Deer Creek Mine in 2015 before having fully recovered its
12 investment through rates. In Order No. 33304, Case No. PAC-E-14-10, the Commission
13 approved the Company's request for a deferred accounting order and to establish a
14 regulatory asset for the Deer Creek Mine unrecovered investment. Additionally, it was
15 determined that the unrecovered investment would be amortized over a five year period
16 and recovered through the ECAM.

17 **Q. What is the amount of the Deer Creek amortization expense in the current filing?**

18 A. The Deer Creek amortization expense included in the ECAM is a \$1.3 million increase
19 to the deferral balance (Exhibit No. 1, Line 33). Full recovery of the Idaho-allocated
20 Deer Creek amortization expense is included in the ECAM since the Deer Creek
21 depreciation expense is not included in base rates.

22 **Q. What is the amount of REC revenue adjustment in the current filing?**

23 A. The REC revenue adjustment, on line 38 of Exhibit No. 1, is calculated by comparing

1 the actual Idaho-allocated REC revenue to the REC revenue credit customers receive
2 through base rates. The REC revenue credit in base rates is calculated by multiplying
3 the approved REC revenue rate of \$0.09/MWh by Idaho retail sales. The difference is
4 a \$0.1 million increase to the 2017 Deferral balance.

5 **Q. What is the total ECAM deferred balance calculated in Exhibit No. 1?**

6 A. The total ECAM deferred balance as of December 31, 2017 is \$7.8 million, shown on
7 line 39 of Exhibit No. 1.

8 **Q. Does the calculation of the 2017 Deferral in this application comply with the
9 parameters of the Idaho ECAM as approved by the Commission?**

10 A. Yes. Therefore, the Company recommends the Commission approve the ECAM
11 application for recovery of the \$7.8 million prudently incurred ECAM costs.

12 SUMMARY OF THE NPC DIFFERENCES

13 **Q. Please explain the difference between adjusted actual NPC (“Actual NPC”) and
14 the NPC in base rates (“Base NPC”).**

15 A. Total Company Actual NPC for the Deferral Period are approximately \$1,523 million.
16 Total Company Base NPC are \$1,485 million and was set in Case No. PAC-E-16-12.

17 **Q. Has the Company provided quarterly ECAM reports as directed by the
18 Commission in Case No. PAC-E-12-03?**

19 A. Yes. The Company has provided preliminary ECAM calculations on a quarterly basis
20 to enable ongoing analysis of the ECAM. The last quarterly report, provided for the
21 period January through September 2017, reported an ECAM deferral of \$0.5 million
22 refund to customers after sharing, the Lake Side 2 resource adder of \$3.3 million, a
23 PTC true-up of \$1.7 million, Deer Creek amortization expense of \$1 million, and a

1 REC true-up of \$0.1 million.

2 **Q. What are the major drivers that result in a difference between Actual NPC and**
3 **Base NPC for the Deferral Period?**

4 A. The \$38 million difference on a total company basis between Base NPC and Actual
5 NPC for the Deferral Period is summarized in Table 3 below by the major categories
6 in the NPC report.

7

Table 3
Total Company Net Power Cost Reconciliation (\$millions)

	<u>TOTAL</u>
ID Base NPC PAC-E-16-12	\$ 1,485
Increase/(Decrease) to NPC:	
Wholesale Sales	126
Purchased Power	9
Coal Generation	(17)
Gas Generation	(68)
Wheeling and Other	(12)
Total Increase/(Decrease)	38
Total Company NPC Difference	\$38
Adjusted Actual NPC	\$ 1,523

8 Actual NPC were higher than Base NPC due to a \$126 million reduction in
9 wholesale sales and a \$9 million increase in purchased power expense. The reduced
10 wholesale sales were partially offset by a \$68 million reduction in natural gas expense,
11 \$17 million reduction in coal fuel expense, and a \$12 million reduction in wheeling and
12 other expenses. Notably, hydro generation, a zero fuel-cost resource, was higher than
13 Base NPC by 24 percent.

14 **Q. Please explain the changes in wholesale sales revenue.**

15 A. The decline in wholesale sales revenue relative to Base NPC was driven by higher

Wilding, Di-13
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1 market prices and a reduction in the wholesale sales volume of market transactions
2 (represented in the GRID as short-term firm and system balancing sales).

3 Revenue from market transactions is approximately \$124 million lower than
4 Base NPC due to higher market prices and lower volume of market sales transactions.
5 The average price of actual market sales transactions was \$5.18/MWh, or 22 percent,
6 higher than the average price in Base NPC. Actual wholesale market volumes were
7 6,712 GWh, or 51 percent, lower than the Base NPC.

8 **Q. Please explain the changes in purchased power expense.**

9 A. The increase in purchased power expense was due to an \$84 million increase (40
10 percent) in qualifying facility (“QF”) transactions, partially offset by a decrease in EIM
11 settlement transactions and the expiration of a long-term purchase power contract.
12 Actual QF transaction volumes were 1,426 GWh, or 40 percent, higher than Base NPC.
13 Additionally, the expiration of the Hermiston power purchase agreement (“PPA”)
14 resulted in lower purchased power costs of \$31.3 million.

15 **Q. Please explain the changes in wheeling expenses.**

16 A. Actual long-term wheeling contracts decreased by approximately \$9.2 million when
17 compared to Base NPC mainly due to expired wheeling contracts. This was partially
18 offset by an increase of \$2.3 million of short-term wheeling expenses.

19 **Q. Please explain the changes in coal fuel expense.**

20 A. Coal fuel expense was \$17 million lower than Base NPC, driven by decreased coal-
21 fired generation of 1,734 GWh or 4 percent. The average cost of coal generation
22 increased from \$19.96/MWh in Base NPC to \$20.42/MWh in the Deferral Period.

1 **Q. Please explain the changes in natural gas fuel expense.**

2 A. The total natural gas fuel expense in Actual NPC decreased by \$68 million compared
3 to Base NPC. The main driver of the reduction is the average cost of natural gas
4 generation increased from \$23.06/MWh in Base NPC to \$29.07/MWh (26 percent) in
5 the Deferral Period. The increased costs were compounded by a decrease in natural gas
6 volume of 4,902 GWh (40 percent) below Base NPC during the Deferral Period.

7 **IMPACT OF PARTICIPATING IN THE EIM**

8 **Q. Are the actual benefits from participating in the EIM with CAISO included in the**
9 **ECAM deferral?**

10 A. Yes. Participation in the EIM provides benefits to customers in the form of reduced
11 Actual NPC. Financially binding EIM operation went live November 1, 2014, and all
12 net benefits arising from EIM operation during the Deferral Period are included in the
13 2017 Deferral.

14 **Q. Has the Company quantified the benefits realized during 2017 from participating**
15 **in the EIM?**

16 A. Yes, the Company has calculated the EIM inter-regional benefit, *i.e.*, the margin
17 realized on EIM imports and exports. The Company's EIM inter-regional benefit for
18 the deferral period was approximately \$25.7 million.

19 **Q. How does the Company calculate its actual EIM benefits?**

20 A. Using actual information from the EIM, including five- and 15-minute pricing, the
21 Company identifies the incremental resource that could have facilitated the transfer to
22 an adjacent EIM area or the CAISO in each five-minute interval. The benefit is then
23 calculated as the difference between the revenue received less the expense of generation

1 assumed to supply the transfer. In the event of an import, the benefit is equal to the cost
2 of the import minus the avoided expense of the generation that would have otherwise
3 been dispatched.

4 **Q. What are the estimated 2017 EIM benefits as reported by CAISO?**

5 A. CAISO publishes quarterly EIM Benefit Reports (“CAISO Benefit Reports”) estimating the benefits realized through EIM operation for each entity that participates
6 in the EIM. The CAISO Benefit Reports estimated EIM benefits attributable to
7 PacifiCorp of approximately \$37.4 million on a total-company basis for the deferral
8 period. In comparison, the CAISO estimated benefits for the prior year deferral period
9 were approximately \$45.5 million on a total-company basis. The benefits estimated for
10 PacifiCorp in the CAISO Reports include the benefits of EIM operation due to more
11 efficient dispatch (both inter- and intra-regional), reduced renewable energy
12 curtailment, and reduced flexibility reserves.

14 **Q. What is the difference between the EIM benefits estimated by CAISO and the
15 inter-regional EIM benefits calculated by the Company?**

16 A. The EIM benefits are embedded in the Actual NPC through lower fuel and purchased
17 power costs. However, the Company is able to calculate the margin realized on its EIM
18 imports and exports, the inter-regional benefit. In its quarterly EIM Benefit Report,
19 CAISO estimates all the benefits of EIM participation, including intra-regional
20 dispatch savings (optimizing the resources in PacifiCorp’s two balancing area
21 authorities), inter-regional dispatch savings (transacting with other EIM participants),
22 reduced renewable energy curtailment and flexibility reserve savings (reduced reserves
23 due to diversity across the EIM footprint).

1 The CAISO calculation utilizes a counterfactual scenario that is built to mimic
2 the more manual dispatch process PacifiCorp utilized in actual operations before EIM
3 participation. Based on the subjectivity of the counterfactual scenario, the EIM benefits
4 reports by CAISO are presented as an estimate.

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

6 A. Yes.