

Rocky Mountain Power
Exhibit RMP___(JKL-3)
Docket No. 20000-___-EA-17
Witness: Jeffrey K. Larsen

BEFORE THE WYOMING PUBLIC SERVICE
COMMISSION

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Jeffrey K. Larsen
Example Monthly RTM Deferral Calculation – Revenue Requirement

June 2017

PacifiCorp
Wyoming
 Wind Repowering - Example Monthly RTM Deferral Calculation
 Revenue Requirement

Line No.	Reference	2019 January	2019 February	2019 March	2019 April	2019 May	2019 June	2019 July	2019 August	2019 September	2019 October	2019 November	2019 December
Total Company													
Plant Revenue Requirement													
1	Capital Investment	-	-	-	-	-	-	154,212	154,212	154,212	611,361	984,807	984,807
2	Depreciation Reserve	-	-	-	-	-	-	(428)	(857)	(1,285)	(2,983)	(5,719)	(8,454)
3	Accumulated DIT Balance	-	-	-	-	-	-	(80,619)	(80,619)	(120,929)	(120,929)	(120,929)	(161,239)
4	Net Rate Base	-	-	-	-	-	-	73,164	72,736	31,998	487,448	858,159	815,114
sum of lines 1-3													
5	Pre-Tax Rate of Return	10.397%	10.397%	10.397%	10.397%	10.397%	10.397%	10.397%	10.397%	10.397%	10.397%	10.397%	10.397%
6	Pre-Tax Return on Rate Base	-	-	-	-	-	-	-	634	630	277	4,223	7,435
Footnote 1													
7	Wholesale Wheeling Revenue	-	-	-	-	-	-	-	-	-	-	-	-
8	Operation & Maintenance	-	-	-	-	-	-	26	26	26	119	193	193
9	Depreciation	-	-	-	-	-	-	428	428	428	1,698	2,736	2,736
10	Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-
11	Wind Tax	-	-	-	-	-	-	3	3	3	12	20	20
12	Total Plant Revenue Requirement	-	-	-	-	-	-	457	1,087	1,087	2,107	7,172	10,384
sum of lines 6-11													
Net Power Cost													
13	NPC Incremental Savings	-	-	-	-	-	-	(22)	(22)	(22)	(103)	(167)	(167)
See Exhibit JKL-4													
PTC Benefit													
14	PTC Benefit	-	-	-	-	-	-	(769)	(769)	(769)	(3,558)	(5,770)	(5,770)
15	PTC Benefit in Base Rates	-	-	-	-	-	-	-	-	-	-	-	-
16	Net PTC	-	-	-	-	-	-	(769)	(769)	(769)	(3,558)	(5,770)	(5,770)
17	Gross-up for taxes	-	-	-	-	-	-	(470)	(470)	(470)	(2,176)	(3,529)	(3,529)
18	PTC Revenue Requirement	-	-	-	-	-	-	(1,239)	(1,239)	(1,239)	(5,734)	(9,299)	(9,299)
sum of lines 14 and 15													
line 16 * (line 31 - 1)													
sum of line 16 and 17													
Rev. Requirement													
19	Rev. Requirement	-	-	-	-	-	-	(805)	(171)	(175)	(3,730)	(2,294)	917
sum of lines 12, 13 and 18													
Adjustment for ECAM Pass-through													
20	NPC Incremental Savings	-	-	-	-	-	-	(22)	(22)	(22)	(103)	(167)	(167)
21	Percentage included in ECAM (70%)	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
22	ECAM Pass-through	-	-	-	-	-	-	(16)	(16)	(16)	(72)	(117)	(117)
line 13													
line 20 * line 21													
line 19 - line 22													
Wyoming Allocated													
24	Total Deferral - WY Share	-	-	-	-	-	-	(789)	(166)	(159)	(3,658)	(2,177)	1,034
Footnote 4													
25	Net Customer Benefit	-	-	-	-	-	-	(126)	(25)	(25)	(584)	(347)	165
line 22 * line 36 + line 24													
Deferral Balance - WY Share													
26	Beginning Deferral Balance	-	-	-	-	-	-	-	-	-	-	-	-
27	Monthly Deferral	-	-	-	-	-	-	(126)	(25)	(25)	(584)	(347)	165
28	Deferral Collection	-	-	-	-	-	-	(126)	(25)	(25)	(584)	(347)	165
29	Carrying Charge	-	-	-	-	-	-	(0)	(0)	(0)	(1)	(2)	(2)
30	Ending Deferral Balance	-	-	-	-	-	-	(126)	(151)	(177)	(761)	(1,110)	(947)
sum of lines 26-29													
31	Federal/State Combined Tax Rate	37.951%											
32	Net to Gross Bump up Factor = (1/(1-tax rate))	1.6116											
33	Deferred Balance Carrying Charge	2.02%											
34	Pretax Return	10.397%											
35	Property Tax Rate	0.77%											
36	Wyoming SG Factor	15.9592%											
37	Wyoming GPS Factor	14.6657%											

Footnotes:
 1) Pre-tax Return, line 6, is calculated as the rate of return (line 5) multiplied by the ending net rate base of the prior month (line 4) divided by 12
 2) Not Applicable for Repowering
 3) For illustrative purposes, collection of December's balance is assumed to be collected beginning the following June 15
 4) The Company is proposing to cap the RTM until the next general rate case so that, after taking into account the wind repowering benefits that will flow through the Company's ECAM, it will not operate to surcharge customers
 5) As stated in testimony, actual depreciation expense will be adjusted by the impact of the retired assets until the next depreciation study

Total Plant Revenue Requirement (Lines 1-12, 34):

Exhibit JKL-3 shows the calculation of the RTM revenue requirement deferral described in my testimony. The calculation starts with total Company amounts on lines 1-23 to calculate the Wyoming specific amounts on lines 24-30. To calculate the return on rate base associated with the wind repowering investment, net rate base associated with the repowered wind resources is calculated on a monthly basis. The net rate base balance on line 4 includes the investment in repowered wind resources, along with the associated impacts on the depreciation reserve and accumulated DIT Balance. The monthly beginning net rate base (the final amount from the prior month) is then multiplied by the pre-tax Weighted Average Cost of Capital ("WACC") from the last Wyoming general rate case on line 5 to determine the Company's pre-tax return on rate base on line 6. The example uses the pre-tax WACC from Docket No. 20000-469-ER-15. The total plant revenue requirement is calculated by taking the return on rate base shown on line 6 and adding the O&M expense, depreciation expense, property taxes and wind tax on lines 8-11 to determine the total plant revenue requirement on line 12. Wholesale wheeling revenue on line 7 is not used for wind repowering, but is needed for a similar calculation for the Gateway transmission and wind expansion project.

Net Power Costs (Line 13):

The total-company incremental NPC savings associated with repowered wind resources is shown on line 13. The incremental NPC savings associated with the repowered wind projects are multiplied by seventy percent on line 21 to determine the amount of the NPC savings that will be returned to customers through the sharing band of the ECAM. The RTM is designed to provide the remaining thirty percent of the NPC savings in years that the revenue requirement benefits are sufficient to cover that amount. Without this adjustment, customers would not get 100 percent of the NPC associated with repowering. The calculation of NPC savings is described in Exhibit JKL-4.

PTC Benefits (Lines 14-18, 31, 32):

Lines 14-18 show the calculation of the PTC benefits associated with the repowered wind resources. The actual PTC sales are grossed-up for taxes using the net-to-gross bump-up factor from the Company's last general rate case (shown on line 32) to derive the PTC revenue requirement on line 18. The tax gross-up is necessary for customers to get the full revenue requirement benefit of the PTCs and is calculated using the federal and state combined tax rate shown on line 31, which was also included in the last general rate case.

Deferral Balance (Lines 19-30):

The Wyoming share of the net deferral begins by calculating the total repowering project revenue requirement on line 19, which is the sum of Total Plant Revenue Requirement on line 12, NPC Incremental Savings on line 13, and PTC Revenue Requirement on line 18. The seventy percent ECAM pass-through on line 22 is subtracted to provide the Revenue Requirement after ECAM pass-through on line 23. Wyoming's share of the Total Deferral is dependent upon the amount of revenue requirement cost or benefit that is determined in a particular year. If the Revenue Requirement after ECAM pass-through for any year on line 23 is negative, which means that the repowering project provides a revenue requirement benefit greater than the benefit being passed through the ECAM, then that year's deferral is equal to the additional benefit found on line 23. If the Revenue Requirement after ECAM pass-through for any year on line 23 is positive, the Company is proposing to cap the RTM until the next general rate case so that, after taking into account the wind repowering benefits that will flow through the Company's ECAM, it will not operate to surcharge customers. The Net Customer Benefit (line 25) is the sum of the ECAM pass-through (line 22) and the Total Deferral - WY Share (line 24). The carrying charge, shown on line 29 is calculated using the Commission-authorized rate on line 33 and is consistent with the calculations used in the Company's other mechanisms such as the ECAM. As described earlier, each month the total-company RTM revenue requirement will be calculated as illustrated on Exhibit JKL-3 to align with the resources included in the ECAM. Once per year on a calendar-year basis, the Company will sum the monthly RTM revenue requirement entries to prepare the annual RTM application for filing with the Commission on April 15, with an interim rate effective date that corresponds with the ECAM application, June 15.