

Matthew D. McVee
Jacob A. McDermott
Emily L. Wegener
Rocky Mountain Power
1407 W. North Temple, Suite 320
Salt Lake City, Utah 84116
Telephone No. (801) 220-4526
Facsimile No. (801) 220-3299
matthew.mcvee@pacificorp.com
jacob.mcdermott@pacificorp.com
emily.wegener@pacificorp.com

Paul J. Hickey
Hickey & Evans, LLP
1800 Carey Avenue, Suite 700
P.O. Box 467
Cheyenne, Wyoming 82003-0467
Telephone No. (307) 634-1525
Facsimile No. (307) 638-7335
phickey@hickeyevans.com

Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION OF)
ROCKY MOUNTAIN POWER FOR AUTHORITY)
TO INCREASE ITS RETAIL ELECTRIC SERVICE)
RATES BY APPROXIMATELY \$7.1 MILLION PER)
YEAR OR 1.1 PERCENT, TO REVISE THE)
ENERGY COST ADJUSTMENT MECHANISM,)
AND TO DISCONTINUE OPERATIONS AT)
CHOLLA UNIT 4)

Docket No. 20000-__-ER-20
(Record No. _____)

Rocky Mountain Power (“Company” or “Rocky Mountain Power”) hereby submits its Application to the Wyoming Public Service Commission (“Commission”) requesting: (1) authorization to increase in its retail electric utility service rates in Wyoming of \$7.1 million per annum or an average overall increase of 1.1 percent with rates effective on and after January 1, 2021, including approval of proposed rate mitigation proposals; and (2) changes to the Energy Cost Adjustment Mechanism (“ECAM”); and (3) authorization to discontinue operations at Unit

4 of the Cholla Power Plant (“Cholla Unit 4”). In support of its Application, Rocky Mountain Power states as follows:

1. PacifiCorp d/b/a Rocky Mountain Power, an Oregon corporation, provides electric service to retail customers as Rocky Mountain Power in the states of Wyoming, Utah, and Idaho, and as Pacific Power in the states of Oregon, California, and Washington.

2. Rocky Mountain Power is a regulated public utility in the state of Wyoming and is subject to the Commission’s jurisdiction with respect to its prices and terms of electric service to retail customers in Wyoming. The Company serves approximately 146,000 customers and has over 1,600 employees in Wyoming. Rocky Mountain Power’s principal place of business in Wyoming is 2840 East Yellowstone Highway, Casper, Wyoming, 82602.

3. Communications regarding this filing should be addressed to:

Stacy Splittstoesser
Wyoming Regulatory Affairs Manager
Rocky Mountain Power
315 W. 27th St.
Cheyenne, Wyoming 82001
E-mail: stacy.splittstoesser@pacificorp.com

Matthew D. McVee
Chief Regulatory Counsel
PacifiCorp
825 NE Multnomah Street, Suite 2000
Portland, Oregon 97232
E-mail: matthew.mcvee@pacificorp.com

Jacob A. McDermott
Emily L. Wegener
Senior Attorney
Rocky Mountain Power
1407 W. North Temple, Suite 320
Salt Lake City, Utah 84116
E-mail: jacob.mcdermott@pacificorp.com
E-mail: emily.wegener@pacificorp.com

Paul J. Hickey
Hickey & Evans, LLP
1800 Carey Avenue, Suite 700
P.O. Box 467
Cheyenne, Wyoming 82003-0467
Email: phickey@hickeyevans.com

In addition, Rocky Mountain Power requests that all data requests regarding this Application be sent in Microsoft Word or plain text format to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
 PacifiCorp
 825 NE Multnomah, Suite 2000
 Portland, Oregon 97232

Informal questions may be directed to Stacy Splittstoesser, Wyoming Regulatory Affairs Manager at (307) 632-2677.

4. Pursuant to applicable Wyoming law and Commission rules, Rocky Mountain Power hereby requests authority to increase its retail electric utility service rates in Wyoming by \$7.1 million annually or 1.1 percent on an overall average basis. The proposed individual customer and service schedule rate increases may be higher or lower than the average percentage rate increases identified in this case due to differences in load factor, usage characteristics, and class cost of service relationships. In addition to rate changes, Rocky Mountain Power is proposing certain ratemaking measures to mitigate the potential impacts of the rate increase and to defer depreciation expense to a regulatory asset to extend the recovery for Craig Units 1 and 2 and for Jim Bridger Units 1 and 2. The Company is also proposing to eliminate the existing 70/30 sharing band and recover 100 percent of prudently-incurred, Wyoming-allocated net power costs using the existing ECAM in tariff Schedule 95.

5. Rocky Mountain Power's case is based on historical data for twelve months beginning July 1, 2018, adjusted to a forecast test period of January 1, 2021 through December 31, 2021, using a 13-month average rate base ("Test Period"). In preparing this case, the Company has ensured that all elements of the requested rate increase are necessary for Rocky Mountain Power to operate and maintain its system and to continue to provide safe, adequate and reliable service to its customers.

6. Absent the requested rate increase and rate mitigation measures proposed in this case, Rocky Mountain Power's overall return on equity ("ROE") would be approximately 8.72 percent. This is significantly below the proposed ROE of 10.2 percent recommended by Company witness M. Ann E. Bulkley. For comparison purposes, the Commission approved in the 2015 general rate case, Docket No. 20000-469-ER-15 (the "2015 GRC") an overall return on rate base of 7.407 percent.¹ The requested overall cost of capital and return on rate base of 7.69 percent requested in this case reflects Test Period market circumstances, interest rates, operational risks, and reasonable investor expectations as well as the returns generated by similarly situated or comparable utility companies. The requested ROE in this case is 10.2 percent and the equity component of the capital structure is 53.52 percent.

7. Rocky Mountain Power has developed the revenue requirement in this case from the most current available historical data for the 12-months ended June 30, 2019. The historical results have been adjusted for abnormalities and previous regulatory decisions, and then used to forecast costs that the Company will incur during the Test Period. The Company requests that the

¹ *In the Matter of the Application of Rocky Mountain Power for Approval of a General Rate Increase in its Retail Electric Utility Service Rates in Wyoming of \$32.4 Million per Year or 4.5 Percent*, Docket No. 20000-469-ER-15 (Record No. 14076), Memorandum Opinion, Findings of Fact, Decision and Order (Dec. 30, 2015), Order Nunc Pro Tunc (Mar. 25, 2016).

Commission approve this Test Period and the use of average test period rate base so that the rates approved by the Commission in this case will closely reflect the costs expected to be incurred by the Company during the rate-effective period beginning January 1, 2021. If the rates in this case were based solely upon outdated depreciation rates and historical investment levels and costs, the Company would have no chance to earn the return requested and the Company's financial results in Wyoming would underperform.

8. The rate effective date of January 1, 2021, for the requested rate increase in the amount of \$7.1 million, reflects the statutory 10-month time period for notice and Commission and intervenor review of the case after the date of the filing, and matches the Test Period proposed by the Company so that the Test Period reflects actual costs.

Primary Drivers

9. The Company's requested rate increase in this case is primarily driven by: (1) continued capital investments, including the Energy Vision 2020 projects, which are required in order for the Company to meet its obligation to serve its customers and includes an associated rate of return of 7.69 percent on all capital investments; and (2) new depreciation rates using a combination of the rates proposed within the Company's depreciation study in Docket No. 20000-539-EA-18 ("2018 Depreciation Study") and stipulated as part of a settlement in principle reached with parties to the proceeding.²

10. In this filing, Rocky Mountain Power's system-wide costs are allocated to Wyoming based on the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol ("2020 Protocol"),

² *In the matter of Rocky Mountain Power's Application for an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property*, Docket No. 20000-539-EA-18 (Record No. 15095) Application (Sept. 11, 2018)(at the time of filing this general rate case, the Company is working with Wyoming parties to finalize the documents for the settlement and is targeting filing the settlement agreement by March 6, 2020).

currently pending at the Commission.³ The Company's system-wide costs include integrated system facilities (such as generation, transmission and common corporate costs), and are allocated to the state jurisdictions on a basis proportional to each state's retail load.

Capital Investments

11. The Company has added or will add approximately \$6.2 billion of new capital projects on a total-Company basis (\$823.8 million Wyoming-allocated) between July 1, 2019 (the end of the historical base period), and December 31, 2021 (the end of the Test Period in this case). This includes \$3.2 billion on a total-Company basis (\$461 million Wyoming-allocated) for the Energy Vision 2020 Projects that were approved by the Commission in Docket No. 20000-519-EA-17 (repowering projects)⁴ and Docket No. 20000-520-EA-17 (the construction of three new wind facilities and associated network upgrades along with the 500 kilovolt Aeolus-to-Bridger-Anticline transmission line).⁵

12. If the increased levels of new capital investment needed to serve customer loads are not included in retail rates when the plants become operational and are serving customer needs, the result will be under-earning that cannot be overcome by Rocky Mountain Power's efficiency measures. In addition, new utility investments have associated fuel costs, financing costs, and operation and maintenance expenses, taxes and depreciation, all of which must be recovered in rates.

³ *In the Matter of the Application of Rocky Mountain Power for Approval of the 2020 Inter-Jurisdictional Cost Allocation Agreement*, Docket No. 20000-572-EA-19 (Record No. 15400) (Dec. 4, 2019).

⁴ *In the Matter of the Application of Rocky Mountain Power for an Order Approving Nontraditional Ratemaking Related to Wind Repowering*, Docket No. 20000-519-EA-17 (Record No. 14780), Memorandum Opinion, Findings and Order Approving Stipulation (Dec. 21, 2018).

⁵ *In the Matter of the Amended Application of Rocky Mountain Power for Certificates of Public Convenience and Necessity and Nontraditional Ratemaking for Wind and Transmission Facilities*, Docket No. 20000-520-EA-17 (Record No. 14781) Memorandum Opinion, Findings and Order Approving Stipulation (Oct. 8, 2018).

Depreciation

13. The Company is also requesting to incorporate updated depreciation rates to recognize additions to investment in plant assets and reflect changes in capital asset characteristics. The depreciation rates that are currently in effect prior to this rate case were last approved in 2013 in Docket No. 20000-427-EA-13.⁶

14. On December 3, 2019, the Company filed an application along with supporting testimony to update depreciation rates in the 2018 Depreciation Study and has been diligently meeting and negotiating with stakeholders in its six-state service territory.⁷ A settlement-in-principle was reached with stakeholders from Idaho, Utah, and Wyoming in February 2020. The Company is working with the Wyoming stakeholders to finalize the agreed upon terms and plans on filing the settlement agreement and supporting testimony in March 2020.

15. Under the 2018 Depreciation Study settlement, the parties agreed to request that the depreciation rates will become effective January 1, 2021. As such, the revenue requirement developed in this rate case incorporated the depreciation rates from the proposed settlement.

Net Power Costs (“NPC”)

16. The Commission set base NPC in the 2015 GRC final order at a level of \$1.517 billion on a total-Company basis, or approximately \$261.1 million on a Wyoming-allocated basis. In the current filing, the Company is proposing to establish a new forecast base NPC of approximately \$1.417 billion on a total-Company basis, or approximately \$219.9 million on a Wyoming-allocated basis. The decrease in NPC from the 2015 GRC baseline is driven largely by

⁶*In the Matter of the Application of Rocky Mountain Power’s Application for an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property*, Docket No. 20000-427-EA-13 (Record No. 13436) Memorandum Opinion, Findings and Order Approving Stipulation (Dec. 2, 2013).

⁷*In the matter of Rocky Mountain Power’s Application for an Order Authorizing a Change in Depreciation Rates Applicable to Electric Property*, Docket No. 20000-539-EA-18 (Record No. 15095) Application (Sept. 11, 2018).

a decrease in coal fuel expense, a decrease in purchased power expense, and a decrease in natural gas fuel expense, partially offset by a reduction in wholesale sales revenue, (which is a credit to customers).

ECAM

17. The Company is proposing, as fully described in the testimony of Mr. Michael G. Wilding and Mr. Frank C. Graves, modification of the ECAM that includes the following changes: (1) elimination of the 70/30 percent sharing band, allowing for 100 percent recovery of prudently incurred Wyoming NPC; (2) inclusion of production tax credits from wind generation facilities that are closely correlated to NPC; (3) elimination of the embedded cost differential as agreed in the 2020 Protocol; and (4) a \$5 million annual qualifying facility adjustment as agreed in the 2020 Protocol.

Cost of Service, Rate Spread, and Rate Design

18. Rocky Mountain Power has prepared the class cost of service study in the 2020 general rate case generally consistent with the methodologies approved by the Commission in the 2015 GRC. The recommended cost of service study incorporated in this case fairly allocates costs among the service Schedules in a manner that reflects the demands and energy usage of the customer classes. In addition, the Company's proposed rate spread (the assignment of rate increases by Service Schedule) continues to incorporate a threshold of 99 to 101 percent of the computed cost of service results in order to minimize the effect of cross-class subsidies, which has been the rate spread objective since the 2002 general rate case in Docket No. 20000-ER-02-184.⁸

⁸ *In the Matter of the Application of PacifiCorp for Authority to Increase its Retail Utility Service Rates in Wyoming*, Docket No. 20000-ER-02-184 (Record No. 7475), Stipulation and Agreement at ¶3 adopted by Order at ¶258 (Mar. 6, 2003).

19. The Company proposes to continue its practice of applying increases to rate components consistent with the cost of service study for most classes. For the residential class, the Company proposes to retain the current customer charge and to reduce the differential in tiered energy charges in half. For customers larger than one megawatt (“MW”), the Company proposes modernizing time of use periods and splitting energy charges into on- and off-peak. For street and area lighting, the Company proposes a re-design of Company-owned lighting pricing. The Company proposes several new pricing pilots, including three new time of use pilots, and an interruptible service pilot and real-time day ahead pilot for large customers.

20. The table below summarizes the proposed price changes by rate schedule that are supported by the cost of service results in this case. Notably, due to rate design and individual customer load factors and usage characteristics, the percentage rate change to individual customers within each rate schedule may be higher or lower than the average for the customer class or rate schedule.

Customer Class	Proposed Percentage Change
Residential	
Schedule 2	4.7%
General Service	
Schedule 25	7.2%
Schedule 28	4.0%
Large General Service	
Schedule 33	2.1%
Schedule 46	-2.1%
Schedule 48T	-1.7%
Irrigation	
Schedule 40	9.3%
Schedule 210	5.5%
Lighting Schedules	-3.4%
Overall	1.1%

Cholla Unit 4

21. PacifiCorp seeks authorization to discontinue operations at Cholla Unit 4. The Cholla power plant consisted of four units located near Joseph City, Arizona with a combined generating capacity of 995 MW. The Company owns approximately 37 percent of the plant's common facilities and 100 percent of Cholla Unit 4, which was commissioned in 1981 with a generating capacity of 395 MW. Arizona Public Service Company owns Units 1 and 3 (Unit 2 was retired in October 2015) and operates the entire facility. Unit 4 receives its fuel supply pursuant to a coal supply agreement ("CSA") with Peabody Energy.

22. Under Arizona's regional haze state implementation plan, which was approved by the United States Environmental Protection Agency ("EPA") in 2017,⁹ the Company is allowed to use coal fuel at Cholla Unit 4 until April 30, 2025, after which PacifiCorp must cease operations, or convert Cholla Unit 4 to natural gas.

23. PacifiCorp's 2019 Integrated Resource Plan ("IRP") Preferred Portfolio reflected net present-value customer benefits associated with retirement of Cholla Unit 4 as early as 2020. Given the unique ownership structure of PacifiCorp's ownership interest in Cholla Unit 4, the 2019 IRP action plan¹⁰ item 1b commits PacifiCorp to initiating the process of retiring Cholla Unit 4 and removing Cholla Unit 4 from service no later than January 2023 and earlier if possible.¹¹ Following the issuance of the 2019 IRP, PacifiCorp continued to analyze the potential to close Cholla Unit 4 by the end of 2020, consistent with the 2019 IRP Preferred Portfolio. As shown in

⁹ EPA, *Approval and Revision of Air Plans; Arizona; Regional Haze State and Federal Implementation Plans; Reconsideration* (Mar. 27, 2017), Dkt. No. EPA-R09-OAR-2016-0292, 82 Fed. Reg. 15139, 15151.

¹⁰ In the Matter of the Filing of Rocky Mountain Power of Its Integrated Resource Plan (IRP) for 2019, Docket No. 20000-552-EA-19 (Record No. 15192) at p. 22 (Oct. 18, 2019). The IRP action plan sets forth the near-term items necessary to implement the IRP preferred portfolio.

¹¹ *Id.* ("PacifiCorp will initiate the process of retiring Cholla Unit 4...as soon as practicable, but will remove Cholla Unit 4 from service no later than January 2023 and earlier if possible").

Mr. Rick T. Link's testimony within this rate case, further economic analysis building on prior IRP studies indicate that early closure at the end of 2020 is expected to generate more present-value customer benefits relative to the plant continuing operation through April 2025. The economic analysis relies on an assessment of system value which compares the outcomes of the IRP's Planning and Risk model scenarios with a simulation period covering the 2019-2025 timeframe.¹²

24. As discussed in the testimony of Mr. Nicholas L. Highsmith, the Company is seeking recovery in this rate case for costs related to: (1) unrecovered plant balances, including construction work in-progress ("CWIP"); (2) other closure-related costs, such as unused materials and supplies ("M&S") inventory balance, and liquidated damages related to the early termination of the related CSA; and (3) decommissioning costs.

25. PacifiCorp estimates the total-Company decommissioning costs to be approximately \$47.3 million, of which \$6.9 million are allocated to Wyoming. Other closure costs including those related to M&S inventory, liquidated damages due to the CSA, and CWIP balances are estimated to be \$27.6 million, of which \$4.0 million are allocated to Wyoming. The Company is proposing to establish a regulatory asset balance for these costs and amortize them from the rate effective date in this case through December 2029.

Witnesses - Prefiled Testimony and Exhibits

26. This Application and the request for rate relief is supported by the pre-filed written direct testimony and exhibits of the following witnesses, all of which are submitted as attachments to the Application:

- **Gary W. Hoogeveen**, President and Chief Executive Officer, Rocky Mountain Power, provides an overview of PacifiCorp, its Wyoming service area, and the

¹² *Id.* at Vol. I, Ch. 7, Modeling and Portfolio Evaluation Approach.

strategies the Company is pursuing to provide its customers with low-cost, reliable electric service.

- **Joelle R. Steward**, Vice President, Regulation, Rocky Mountain Power, provides an overview of PacifiCorp's current filing and support of the Company's policy positions throughout this filing.
- **Nikki L. Koblaha**, Vice President, Chief Financial Officer and Treasurer, provides the Company's overall cost of capital recommendation, including a capital structure to maximize value and minimize risk. Ms. Koblaha also describes implementation of the effects of the Tax Cuts and Jobs Act consistent with recent Commission decisions. Finally, she supports the Company's projected pension costs.
- **Ann E. Bulkley**, economist and principal at Concentric Energy Advisors, provides a comparison of the Company's business and financial risk compared to peer utilities, recommends a cost of equity, and provides supporting analyses.
- **Rick T. Link**, Vice President of Resource Planning and Acquisition, provides the economic analyses of repowering Foote Creek I and Leaning Juniper wind facilities, the Pryor Mountain Wind Project, the retirement of Cholla Unit 4, and the conversion of Naughton Unit 3. Finally, he presents the Company's load forecast.
- **Chad A. Teply**, Senior Vice President of Business Policy and Development, provides an update on the implementation and costs of the Energy Vision 2020 Projects, development of the Pryor Mountain Wind Project discussion of selective catalytic reduction retrofit projects, and an update on the conversion Naughton Unit 3 to natural gas.

- **Timothy J. Hemstreet**, Managing Director of Renewable Energy Development, provides an overview of the Foote Creek I and Leaning Juniper repowering projects and the status of the Company's overall wind repowering effort.
- **Richard A. Vail**, Vice President of Transmission Services, discusses important transmission system upgrades that will be completed to serve customers.
- **Michael G. Wilding**, Director of Net Power Costs and Regulatory Policy, proposes changes to the annual ECAM to better reflect the realities of the controllable risks for recovery of net power costs.
- **Frank C. Graves**, Principal, The Brattle Group, also testifies regarding the shifting landscape for PacifiCorp, which requires reexamination of the ECAM that the Company uses to recover net power costs.
- **David G. Webb**, Manager of Net Power Costs, presents the Company's proposed net power costs for the Test Period.
- **Melissa S. Nottingham**, Manager of Customer Advocacy, proposes updates to certain customer service fees to reflect prices that are reasonable, fair, and cost-based.
- **Nicholas L. Highsmith**, Manager of Revenue Requirement, summarizes the overall test year revenue requirement, pro forma adjustments, and the rate base calculation methodology.
- **Robert M. Meredith**, Director of Pricing and Cost of Service, provides the Company's allocation and rate design, and discusses how the proposed tariff changes recover the proposed 2021 revenue requirement to achieve fair, just, and reasonable prices for customers.

Proposed Notice of Application and Procedural Schedule

27. A proposed Notice of Application is included with this Application for the Commission's consideration. In addition, consistent with past practices, the Company is filing a Petition for Confidential Treatment and draft Protective Order concurrently with this Application. The Company has included these documents in both written and electronic format to help facilitate the timely and efficient development of this case, and for the convenience of the Commission. The Company proposes the following Procedural Schedule, including a 10-month suspension period, consistent with past Commission practice:

Date	Subject Matter
March 2, 2020	Application Filed
March 9, 2020	Notice Issued by Commission
April 10, 2020	Deadline for Interventions
April 17, 2020	Scheduling Conference
July 14, 2020	Deadline for all Parties to file discovery on RMP direct testimony. All responses to discovery are due within twenty (20) calendar days of receipt.
July 29, 2020	Deadline for Intervenors to file Pre-filed Direct Testimony.
August 21, 2020	Deadline for all Parties to file Discovery related to Intervenor Pre-Filed Direct Testimony. All responses to discovery are due within fifteen (15) calendar days of receipt.
September 4, 2020	Deadline for all Parties to file Rebuttal Testimony.
September 24, 2020	Deadline for all Parties to file discovery on Rebuttal Testimony. All responses to discovery are due within ten (10) calendar days of receipt.
September 28, 2020	Deadline for all Parties to file any Pre-Hearing Motions and Objections to Pre-Filed Testimony and Exhibits
October 5, 2020	Pre-Hearing Procedural Conference
October 12, 2020	Public hearing in Cheyenne
January 1, 2021	Rate effective date

Conclusion

28. Rocky Mountain Power believes that authorization of the rate increase and implementation of the changes to the ECAM as requested in this Application are in the public interest and will result in just and reasonable rates. Rocky Mountain Power requests that the Commission authorize an increase in its revenue requirement based on the proposed test period in

the amount of \$7.1 million per annum or 1.1 percent, which includes recovery of base ECAM of \$219.9 million through Schedule 95, and approval of the filed revisions to its tariffs. PacifiCorp also requests authorization to discontinue operations at Cholla Unit 4.

WHEREFORE, by this Application, Rocky Mountain Power respectfully requests that the Commission:

1. Authorize an annual Wyoming retail electric service rate increase in the amount of \$7.1 million annually, effective January 1, 2021, and associated rate mitigation proposals;
2. Authorize implementation of the proposed modified ECAM effective January 1, 2021; and
3. Authorize the discontinuance of service from Cholla Power Plant Unit 4 and the proposed regulatory accounting treatment.

DATED this 2nd day of March, 2020.

Respectfully submitted,

ROCKY MOUNTAIN POWER

A handwritten signature in black ink, appearing to read 'Matthew D. McVee', written over a horizontal line.

Matthew D. McVee
Jacob A. McDermott
Emily L. Wegener
Paul J. Hickey
Attorneys for Rocky Mountain Power