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Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

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| IN THE MATTER OF THE APPLICATION OF) ROCKY MOUNTAIN POWER FOR AUTHORITY) TO INCREASE ITS RETAIL ELECTRIC SERVICE) RATES BY APPROXIMATELY \$140.2 MILLION) PER YEAR OR 21.6 PERCENT AND TO REVISE) THE ENERGY COST ADJUSTMENT MECHANISM))) | Docket No. 20000-__-ER-23 (Record No. _____) |
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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 \$140.2 million per annum or an average overall increase of 21.6 percent with rates effective on and after January 1, 2024 and (2) changes to the Energy Cost Adjustment Mechanism (“ECAM”). 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 150,000 customers and has over 1,000 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 West 27th Street
Cheyenne, Wyoming 82001
E-mail: stacy.splittstoesser@pacificorp.com

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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 \$140.2 million annually or 21.6 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. The Company is also proposing to eliminate the existing 80/20 sharing band and recover 100 percent of prudently-incurred, Wyoming-allocated net power costs (“NPC”) using the existing ECAM in tariff Schedule 95.

5. Rocky Mountain Power’s case is based on historical data for twelve months ending June 30, 2022, adjusted to a forecast test period of January 1, 2024 through December 31, 2024, with known and measurable adjustments 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 proposed in this case, Rocky Mountain Power’s overall return on equity (“ROE”) would be approximately 1.32 percent. This is significantly below the currently authorized ROE of 9.5 percent or the proposed ROE of 10.3 percent recommended by Company witness Ms. Ann E. Bulkley. The Company is proposing an overall return on rate

base of 7.60 percent as recommended by Company witness Ms. Nikki L. Kobliha. For comparison purposes, the Commission approved in the 2020 general rate case, Docket No. 20000-578-ER-20 (the “2020 GRC”) an overall return on rate base of 7.192 percent.¹ The requested overall cost of capital and return on rate base of 7.60 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 10.3 percent and the equity component of the capital structure is 51.27 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, 2022. 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 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, 2024. If the rates in this case were based solely upon historical investment levels and costs, the Company would not have an opportunity to earn the authorized ROE.

8. The rate effective date of January 1, 2024, for the requested rate increase in the amount of \$140.2 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. It is essential that the costs and

¹ *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. 20000-578-ER-20 (Record No. 15464), Memorandum Opinion, Findings and Order (July 15, 2021).

investments in this case reflect the forecast Test Period, or the Company's financial results will be well below the Commission authorized return, resulting in unjust and unreasonable rates.

Primary Drivers

9. The Company's requested rate increase in this case is primarily driven by: (1) continued capital investments including, the Gateway South, Gateway West Segment D.1 transmission lines and the Rock Creek I wind project, along with the Foote Creek II-IV and Rock River I wind repowering 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 7.60 percent on all capital investments; and (2) NPC.

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"), that was approved by the Commission.² 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 expects to place into service approximately \$6.7 billion of new capital projects on a total-Company basis between July 1, 2022 (the end of the historical base period), and December 31, 2024 (the end of the Test Period in this case). This includes \$2.7 billion on a total-Company basis (\$371.5 million Wyoming-allocated) for the Gateway South and Gateway West Segment D.1 transmission lines and the Rock Creek I Wind Project that were

² *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), Memorandum Opinion, Findings and Order (Dec. 3, 2020).

approved by the Commission in Docket No. 20000-588-EN-20³ and Docket No. 20000-623-EN-22.⁴

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.

Net Power Costs

13. The Commission set base NPC in the 2020 GRC final order at a level of \$1.431 billion on a total-Company basis, or approximately \$221.0 million on a Wyoming-allocated basis. In the current filing, the Company is proposing to establish a new forecast base NPC of approximately \$2.553 billion on a total-Company basis, or approximately \$360.3 million on a Wyoming-allocated basis. The increase in NPC from the 2020 GRC baseline is driven largely by increased market prices for power and natural gas, increased contract prices for coal and coal supply limitations, and thermal generation operational changes due to federal and state environmental compliance requirements, including the Environmental Protection Agency's Ozone Transport Rule as described more fully in the testimony of Company witness Mr. Ramon J. Mitchell.

³ *In the Matter of the Application of Rocky Mountain Power for Situs & Nonsitus Certificates of Public Convenience and Necessity for the Gateway South Transmission Project and the Gateway West Segment D.1 Transmission Project*, Docket No. 20000-588-EN-20 (Record No. 15604), bench decision rendered on May 10, 2022.

⁴ *In the Matter of the Application of Rocky Mountain Power for Certificates of Public Convenience and Necessity for the Rock Creek I and Rock Creek II Wind Projects and the Associated Transmission Infrastructure for Interconnection*, Docket No. 20000-623-EN-22 (Record No. 17154, bench decision rendered on February 28, 2023).

ECAM

14. The Company is proposing, as fully described in the testimony of Mr. Mitchell, modification of the ECAM to eliminate the 80/20 percent sharing band, allowing for 100 percent recovery of the Wyoming NPC.

Cost of Service, Rate Spread, and Rate Design

15. Rocky Mountain Power has prepared the class cost of service study in the 2023 general rate case generally consistent with the methodologies approved by the Commission in the 2020 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-02-184.⁵

16. 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 charge⁶ and eliminate the Energy Charge tier differential in two steps. For irrigators, the Company proposes merging and fully eliminating any difference in pricing based on geography. For large non-residential customers on Schedules 46 and 48T, the Company proposes establishing a Load Size Charge for Schedule 48T and increasing the Load Size Charge for Schedule 46 to recover transmission and a portion of fixed production costs.

⁵ *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 (March 6, 2003).

⁶ The Company is proposing no change to the \$20.00 Basic Charge for Single-Phase customers, but an increase to \$27.00, along with an elimination of Demand Charges, for the small number of residential customers that require Three-Phase service.

Finally, the Company proposes reducing line extension contract minimum terms from perpetuity to 15 years in addition to certain minor changes to the Rule 12 tariff.

17. 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 | 20.3 |
| General Service | |
| Schedule 25 | 23.1 |
| Schedule 28 | 19.6 |
| Large General Service | |
| Schedule 33 | 25.0 |
| Schedule 46 | 20.9 |
| Schedule 48T | 23.5 |
| Irrigation | |
| Schedule 40 | 14.5 |
| Schedule 210 | 8.6 |
| Lighting Schedules | 13.3 |
| Overall | 21.6 |

Witnesses - Prefiled Testimony and Exhibits

18. 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 exhibits to the Application:

- **Gary W. Hoogeveen**, Rocky Mountain Power's President and Chief Executive Officer, provides an overview of Rocky Mountain Power's service area in Wyoming and the Company's current filing.
- **Joelle R. Steward**, PacifiCorp's Senior Vice President of Regulation and Customer/Community Solutions, describes the Company's request and the Company's policy positions in this proceeding in more detail.
- **Nikki L. Koblaha**, PacifiCorp's Vice President, Chief Financial Officer and Treasurer, provides the Company's overall cost of capital recommendation for the Company, including a capital structure to maximize value and minimize risk.
- **Ann E. Bulkley**, Principal at The Brattle Group, provides a comparison of PacifiCorp's business and financial risk compared to peer utilities, recommends a cost of equity, and provides supporting analyses.
- **Rick T. Link**, PacifiCorp's Senior Vice President of Resource Planning, Procurement and Optimization, provides the economic analyses and customer benefits of the Gateway South and Gateway West Segment D.1 transmission projects and the Rock Creek I wind project.
- **Thomas R. Burns**, PacifiCorp's Vice President of Resource Planning and Acquisition, provides economic analyses of repowering the Foote Creek II-IV and

Rock River I wind repowering projects, and the Company's sales and load forecast used to develop the case.

- **Rick A. Vail**, PacifiCorp's Vice President of Transmission Services, discusses the construction status and customer benefits of the Gateway South and Gateway West Segment D.1 transmission lines along with other important transmission system upgrades that will be completed to serve customers.
- **Timothy J. Hemstreet**, PacifiCorp's Vice President of Renewable Energy Development provides an overview of the Foote Creek II-IV and Rock River I repowering projects, the investments in hydroelectric resources to replace the Prospect No. 3 Flowline project and construction of the new Fall Creek Hatchery consistent with the requirements of the Federal Energy Regulatory Commission.
- **Ryan D. McGraw**, Vice President of Project Development with PacifiCorp, provides a development and status update for the Rock Creek I wind project.
- **Ramon J. Mitchell**, PacifiCorp's Manager of Net Power Costs, presents the Company's proposed net power costs for the test period and supports the Company's request to eliminate the ECAM sharing band.
- **Nicholas L. Highsmith**, Manager of Revenue Requirement for PacifiCorp, summarizes the overall test year revenue requirement, pro forma adjustments, and the rate base calculation methodology. He also discusses how the Company's filing meets the standards of the Commission's directive to follow and apply the New Mexico Administrative Code, Part 3, Section 17.1.3.12 through 17.1.3.18.
- **Robert M. Meredith**, PacifiCorp's Director of Pricing and Tariff Policy, provides the Company's allocation and rate design, and discusses how the proposed tariff

changes recover the proposed 2024 revenue requirement to achieve fair, just, and reasonable prices for customers. Finally, he discusses a proposed change to the contract term length for the Contract Minimum Bill within the Company's Line Extension Policy in Rule 12.

Proposed Notice of Application and Procedural Schedule

19. 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 ten-month suspension period, consistent with past Commission practice:

| Date | Subject Matter |
|--------------------|---|
| March 1, 2023 | Application Filed |
| March 10, 2023 | Notice Issued by Commission |
| April 10, 2023 | Deadline for Interventions |
| April 17, 2023 | Scheduling Conference |
| April 27, 2023 | Technical Conference regarding Aurora Model |
| July 17, 2023 | Net Power Cost Update provided by the Company |
| August 11, 2023 | Deadline for all Parties to file discovery on RMP direct testimony. All responses to discovery are due within twenty (20) calendar days of receipt. |
| August 21, 2023 | Deadline for Intervenors to file Pre-filed Direct Testimony. |
| September 22, 2023 | 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 27, 2023 | Deadline to file Rebuttal and Cross Answer Testimony. |
| October 12, 2020 | Deadline for all Parties to file discovery on Rebuttal Testimony. All responses to discovery are due within ten (10) calendar days of receipt. |
| October 19, 2023 | Deadline for all Parties to file any Pre-Hearing Motions and Objections to Pre-Filed Testimony and Exhibits |
| October 19, 2023 | Pre-Hearing Procedural Conference |
| November 2, 2023 | Public hearing in Cheyenne |
| January 1, 2024 | Rate effective date |

Conclusion

20. 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 \$140.2 million per annum or 21.6 percent, which includes recovery of base ECAM of \$320.3 million through Schedule 95, and approval of the filed revisions to its tariffs.

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 \$140.2 million annually, effective January 1, 2024, and associated rate design proposals; and
2. Authorize implementation of the proposed modified ECAM effective January 1, 2024.

DATED this 1st day of March, 2023.

Respectfully submitted,

ROCKY MOUNTAIN POWER



Carla Scarsella
Ajay Kumar

Attorneys for Rocky Mountain Power