

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-16-12
OF ROCKY MOUNTAIN POWER TO)
UPDATE BASE NET POWER COSTS AND) DIRECT TESTIMONY OF
IMPLEMENT A RATE STABILITY PLAN) MICHAEL WILDING
)
)
)

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-16-12

September 2016

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 Net Power Cost Mechanism
5 Manager.

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
11 employed as an internal auditor for Intermountain Healthcare and an auditor for the
12 Utah State Tax Commission. I have been employed by the Company since February
13 2014.

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

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

17 **Purpose and Summary**

18 **Q. What is the purpose of your testimony?**

19 A. My testimony supports the Company’s Application required as part of a prior
20 stipulation approved by the Commission to update the net power costs (“NPC”) in
21 base rates (“Base NPC”) that are compared to actual NPC in the energy cost
22 adjustment mechanism (“ECAM”).

1 **Q. Please summarize the impact of the Company's proposed update to Base NPC.**

2 A. In compliance with the Stipulation approved in Case No. PAC-E-15-09, the
3 Company proposes to update the level of Base NPC in customers' rates based on
4 the normalized NPC reported in the Company's 2015 Annual Results of Operations
5 ("ROO"). Total company NPC in the 2015 ROO are \$1.485 billion, or \$91.6 million
6 on an Idaho-allocated basis. This compares to a Base NPC in rates of \$1.529 billion
7 total-company, or \$94.8 million Idaho-allocated basis. Exhibit No. 1 provides a
8 detailed calculation of the updated NPC.

9 **Update to Base Rates**

10 **Q. Why is Base NPC being updated at this time?**

11 A. As part of the Stipulation in Case No. PAC-E-15-09, the Parties agreed that Base
12 NPC would be updated effective January 1, 2017. It was also agreed that the
13 updated Base NPC would be the amount reported in the 2015 ROO.

14 **Q. How are NPC calculated for the Annual Results of Operations?**

15 A. NPC are calculated for the ROO by projecting the NPC needed to serve the
16 Company's 2015 normalized load while incorporating known changes to NPC
17 related items occurring in 2016. This is also the method used to calculate NPC in
18 the Company's general rate cases in Idaho. The NPC in the 2015 ROO incorporates
19 the latest forward market prices for natural gas and electricity, signed contracts,
20 coal costs, and other inputs to the Company's production cost model ("GRID")
21 known at the time the ROO was prepared.

1 **Q. What are the major drivers causing Base NPC to decrease since it was last set**
2 **in Case No. PAC-E-15-09 (“2015 Rate Plan”)?**

3 A. The \$44 million difference on a total company basis between the Base NPC set in
4 the 2015 Rate Plan and the proposed Base NPC from the 2015 ROO is summarized
5 in Table 1 by the major categories in the NPC report.

Table 1

NPC Reconciliation (\$millions)	
	EBA Deferral Period
ID Base NPC PAC-E-15-09	\$1,529
Increase/(Decrease) to NPC:	
Wholesale Sales	132
Purchased Power	(103)
Coal Generation	(13)
Gas Generation	(33)
Wheeling Hydro and Other	(11)
Total Increase/(Decrease)	(\$28)
Settlement Adjustment	(15)
Total Company NPC Difference	(\$44)
Annual Results of Operations	\$1,485

6 As part of the Stipulation implementing the 2015 Rate Plan, Base NPC was
7 increased \$15 million from the initial filing. This accounts for approximately a
8 third of the reduction of NPC.

9 Compared to the Base NPC currently in rates, wholesale sales revenue are
10 down \$132 million, which increases total NPC. The reduction in wholesale sales
11 revenue is mainly due to a reduction of market prices.

12 The increase to NPC due to decreased wholesales revenue is offset by the
13 decreased purchased power costs, coal and natural gas fuel costs, and wheeling and
14 other costs. The decrease in NPC due to lower purchased power costs is due to both
15 a reduction in the volume of purchased power and the market prices. The decrease

1 to coal fuel costs is mainly due to lower coal generation, and the decrease to natural
2 gas fuel costs is mainly due to lower natural gas prices. Additionally, lower load
3 also contributed to lower NPC compared to the Base NPC from the 2015 Rate Plan,
4 with the impact spread across multiple cost categories.

5 **Q. What other updates are being made to base rates?**

6 A. Consistent with the 2015 Rate Plan Stipulation, the deferral calculated in the ECAM
7 is measured on a dollar per megawatt-hour (“MWh”) basis using load at meter.
8 Therefore, the Idaho load at meter will be updated to 3,407,488 MWh consistent
9 with the 2015 ROO report. This is a decrease from the Idaho load at meter of
10 3,483,480 MWh currently being used. This will change the dollar per MWh base
11 used in the ECAM for NPC, the load change adjustment rate (“LCAR”), production
12 tax credits (“PTC”), and renewable energy credits (“REC”) as shown in Table 2
13 below.

Table 2

ECAM Base (\$/MWh)	January 1, 2016		January 1, 2017	
NPC	\$	27.21	\$	26.90
LCAR	\$	5.68	\$	5.80
PTC	\$	(1.99)	\$	(2.04)
REC	\$	(0.09)	\$	(0.09)

14 **Q. Was any other changes made to the LCAR, PTC, or REC rates other than**
15 **updating the denominator for the 2015 load?**

16 A. No. The costs or numerator remand the same, I simple divided those costs by
17 Idaho’s load from the 2015 Results of Operations.

18 **Q. Does this conclude your testimony?**

19 A. Yes.