ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

1407 W. North Temple, Suite 330
Salt Lake City, UT 84116

December 30, 2019

VIA ELECTRONIC FILING

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Administrator

RE: Docket No. 19-035-45
Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to Repowered Wind Plants or for Alternative Relief

Pursuant to Utah Code Ann. §§ 54-4-23 and 54-17-403 and the Report and Order issued by the Public Service Commission of Utah in Docket No. 17-035-39 (Repowering Docket) on May 25, 2018, Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or the "Company"), submits this application for an order authorizing the Company to record and defer for future recovery certain costs and benefits, associated with the repowered wind facilities until the rate effective date of the Company's next general rate case.

Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com
Jana.saba@pacificorp.com
utahdockets@pacificorp.com

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

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,

Joelle Steward
Vice President, Regulation

Yvonne R. Hogle (#7550)
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Attorney for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer Costs Related to Repowered Wind Plants or for Alternative Relief	DOCKET NO. 19-035-45 **APPLICATION FOR ACCOUNTING ORDER OR ALTERNATIVE RELIEF**

I. INTRODUCTION

Pursuant to Utah Code Ann. §§ 54-4-23 and 54-17-403 and the Report and Order issued by the Public Service Commission of Utah ("Commission") in Docket No. 17-035-39 ("Repowering Docket") on May 25, 2018 ("Repowering Order"),[1] Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or the "Company"), submits this application ("Application") for an order authorizing the Company to record and defer for future recovery certain costs and benefits, associated with the repowering of Glenrock I, Glenrock III, Rolling Hills, Seven Mile Hill I, Seven Mile Hill II, High Plains, McFadden Ridge, Dunlap, Marengo I, Marengo II, and Goodnoe Hills wind facilities ("Repowered Wind Plants") until the rate effective date of the Company's next general rate case. The repowering of the Repowered Wind Plants will be referred to hereafter as the "Repowering Project."

[1] *See* Repowering Order at 25.

Pursuant to Utah Code Ann. § 54-4-23, the Company also requests an order authorizing it to record and defer for future recovery certain costs and benefits associated with the repowering of its Leaning Juniper wind plant, which the Commission declined to approve as part of the Repowering Project but for which the Commission indicated the Company could seek cost recovery. The Company further requests that all deferred amounts requested herein be subject to a carrying charge equal to the Company's current authorized rate of return during the deferral period. Recovery of the deferred amounts would be addressed in the Company's next general rate case.

Alternatively, if the Commission determines that the costs and the Production Tax Credit ("PTC") and zero-cost fuel benefits (described in more detail below) associated with the Repowering Project and Learning Juniper are not appropriate for deferred accounting, the Company requests that the Commission issue an order allowing removal of the zero-cost fuel benefits of the Repowered Wind Plants and Leaning Juniper from the Energy Balancing Account ("EBA") until the rate effective date of the Company's next general rate case.

In support of this Application, Rocky Mountain Power states as follows:

II. THE APPLICANT

1. The Company is an electrical corporation and public utility in the state of Utah and is subject to the jurisdiction of the Commission with regard to its public utility operations. The Company also provides retail electric service in the states of Idaho and Wyoming under the name Rocky Mountain Power, and in the states of Oregon, Washington, and California under the name Pacific Power.

2. This Application is filed pursuant to Utah Code Ann. § 54-4-23, which authorizes the Commission to prescribe the accounting to be used by any public utility subject to its

jurisdiction. Communications regarding this Application should be addressed to:

Jana Saba Manager, Utah Regulatory Affairs Rocky Mountain Power 1407 West North Temple, Suite 330 Salt Lake City, Utah 84116 E-mail: jana.saba@pacificorp.com	Yvonne R. Hogle Assistant General Counsel Rocky Mountain Power 1407 West North Temple, Suite 320 Salt Lake City, Utah 84116 E-mail: yvonne.hogle@pacificorp.com

In addition, Rocky Mountain Power requests that all data requests regarding this Application be addressed to:

By email (preferred)	datarequest@pacificorp.com jana.saba@pacificorp.com yvonne.hogle@pacificorp.com
By regular mail	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, OR 97232

Informal inquiries related to this Application may be directed to Jana Saba, (801) 220-2823.

III. BACKGROUND

3. On June 30, 2017, the Company filed an application with the Commission for approval of the Company's decision to repower the following wind resources: Glenrock I, Glenrock III, Rolling Hills, Seven Mile Hill I, Seven Mile Hill II, High Plains, McFadden Ridge, Dunlap, Leaning Juniper, Marengo I, Marengo II and Goodnoe Hills for a total estimated cost of $1.101 billion to provide significant benefits to customers including a reduction in long-term net power cost ("NPC") and new federal PTC ("Repowering Application"). The economic analysis presented for the projects ultimately showed system net benefits over the life of the projects.

4. On May 25, 2018, the Commission approved, on a project-by-project basis (with the exception of Leaning Juniper), the projects and costs identified in the Repowering

Application with eleven of the twelve facilities requested.

5. NPC benefits associated with the Repowering Project and Leaning Juniper will be passed to customers through the EBA, which allows the Company to track and defer 100 percent of its prudently-incurred NPC.

IV. REQUEST FOR ACCOUNTING TREATMENT

A. Basis for Deferred Accounting.

6. If approved, the Company will account for the deferral requested consistent with the Uniform System of Accounts and Generally Accepted Accounting Principles, which contemplate deferral of identified utility expenses or revenues to the period in which the underlying expense or revenue will be included in determining customers' rates.

7. The traditional standard for deferred accounting, as summarized by the Commission in a recent order, is as follows:

> Utah law recognizes a general rule against retroactive ratemaking, defined as "a utility's recoupment of costs that were greater than projected or revenues that were less than projected from future rates." *MCI Telecommunications Corp. v. PSC*, 840 P.2d 765, 770 (Utah 1992) [hereafter "*MCI*"]. However, the law recognizes several exceptions, including "when an unforeseeable event results in an extraordinary increase or decrease in expenses or revenues." *Id.* at 771. The exception "applie[s] not only to unforeseeable and extraordinary increases in expenses, but also to unforeseeable and extraordinary decreases in expenses." *Id.* The exception contemplates two conditions: (1) the event giving rise to the increase or decrease was unforeseeable; and (2) the increase or decrease is extraordinary. *Id.*
>
> *MCI* explained the exception to the rule against retroactive ratemaking "cannot be invoked simply because a utility experiences expenses that are greater … than those projected in the general rate proceeding." *MCI* at 772. "An increase or decrease in expenses that is unforeseeable at the time of a rate-making proceeding cannot, by hypothesis, be taken into account in fixing just and reasonable rates." *Id.* at 771. Additionally, the expense must be extraordinary, which is to say "the increase or decrease must have an extraordinary effect on the utility's earnings, [and] the increase or

> decrease will necessarily be outside the normal range of variance that occurs in projecting future expenses." *Id.* at 771-72.
>
> For example, *MCI* held Congress' cutting the federal corporate income tax rate by more than one-fourth constituted an unforeseeable, extraordinary decrease in expenses. *Id.* at 772. *MCI* noted "[i]ncreased expenses from natural disasters," expenses arising from "extreme weather conditions," and a one-time assessment for permanent storage of nuclear waste as examples of expenses other courts have found to be unforeseeable and extraordinary. *Id.* at 771.[2]

8. The Commission qualified this general summary of the standard for deferred accounting by noting:

> We recognize we have not strictly applied the *MCI* standard in every instance where a utility seeks a deferred accounting order. Generally, however, where we have allowed deferred accounting without requiring a showing under *MCI*, it has been in the context of agreement among stakeholders that deferred accounting is appropriate and in the public interest.[3]

9. While this Application does not meet the traditional standard in *MCI,* deferred accounting in this case is appropriate for several reasons. First, the Commission identified deferred accounting as a rate mechanism available for the Repowering Project and its costs in the Repowering Order stating, "[w]e conclude that PacifiCorp can effectively seek recovery of Repowering Project costs and benefits through available ratemaking mechanisms such as general rate cases, requests for deferred accounting treatment, and/or the EBA."[4] It reasoned that it was therefore unnecessary to authorize the Company's request for a resource tracking mechanism ("RTM").

10. Second, at least one party supported a deferral of the costs and benefits related to

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[2] *Application of Rocky Mountain Power for an Accounting Order for Settlement Charges Related to its Pension Plans*, Docket No. 18-035-48, Order at 3–4 (Utah P.S.C. May 22, 2019), quoting *In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order to Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization*, Docket No. 06-035-163, Report and Order issued Jan. 3, 2008 at 16-17.
[3] *Id.* at 5 (footnote omitted).

the Repowering Project, like the Company proposes here. In the Repowering Docket, as an alternative to the Company's proposal for the RTM which the Division of Public Utilities ("Division") objected to, the Division proposed instead deferred accounting treatment structured similar to the RTM "where PTC, costs (including capital investment costs), depreciation, and other related costs are matched and would remain in a deferred account until a general rate case."[5]

11. Finally, in traditional deferred accounting requests, the Commission has noted that "authorization of an accounting order [to defer] a particular expense is an indication, if but an early tentative one, that there is a likelihood that the particular expense can be included in a future revenue requirement determination."[6] Here, the Repowering Project costs have already been preapproved by the Commission as part of a Voluntary Request for Resource Decision Review the Company submitted in June 2017.[7]

12. The Voluntary Request for Resource Decision Review[8] is clearly intended to allow a public utility to submit plans for certain resource decisions for approval in advance of making the investments for the resources and to be assured of recovery in rates of prudently incurred costs up to the level approved by the Commission if the Commission determines the decision and the corresponding costs are in the public interest.

13. Specifically, Utah Code Ann. § 54-17-403(1)(a) provides that:

> Except as otherwise provided in this section, if the commission approves any portion of an energy utility's resource decision under Section 54-17-402, the commission

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[4] See *supra* note1.
[5] *Supra* note 1, at 23.
[6] See *In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order to Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization*, Docket No. 06-035-163, Report and Order issued Jan. 3, 2008 at 16-17 .
[7] See *supra* note 1, at 1.
[8] Utah Code Ann. § 54-17-401, et seq.

> ***shall***, in a general rate case or other appropriate commission proceeding, include in the energy utility's retail rates the state's share of costs:
>
> (i) relevant to that proceeding;
>
> (ii) incurred by the energy utility in implementing the approved resource decision; and
>
> (iii) up to the projected costs specified in the commission's order issued under Section 54-17-402. Emphasis added.

14. The Company must file this Application to capture all of the costs and benefits that have been, and the projected costs and benefits that will be, incurred in implementing the Repowering Project. Deferral will allow the Company an opportunity to recover these prudently incurred costs while matching costs with the benefits of the PTC and zero-cost fuel savings.

15. This Application is not a traditional deferred accounting treatment request. However, Commission approval is appropriate given the unique circumstances of the request, including that the Commission has already found the Repowered Project and its costs to be in the public interest.

B. Repowering Project and Leaning Juniper Status.

16. The completion date or forecast completion date of each of the Repowered Wind Plants and Leaning Juniper is as follows:

Facility	In Service Date or Forecast In Service Date
Glenrock I	9/24/2019 – In Service
Glenrock III	11/24/2019 – In Service
Seven Mile Hill I	9/9/2019 – In Service
Seven Mile Hill II	9/9/2019 - In Service
High Plains	12/19/2019 - In Service
McFadden Ridge	11/17/2019 – In Service
Dunlap I	10/2020
Rolling Hills	10/17/2019 - In Service
Marengo I	1/2020
Marengo II	1/2020
Goodnoe Hills	12/20/2019 - In Service
Leaning Juniper	09/13/2019 - In Service

17. Eight of the Repowered Wind Plants have recently been completed and placed in service. Two of remaining three Repowered Wind Plants are forecast to be completed and to be placed in service in early 2020. Only one of the Repowered Wind Plants is forecast to be completed and to be placed in service near the end of 2020.[9] Additionally, Leaning Juniper was also completed and placed in service in 2019.

18. Once a Repowered Wind Plant or Leaning Juniper is completed and placed in service, Rocky Mountain Power incurs costs such as depreciation expense, operating and maintenance ("O&M") costs, property taxes, and wind taxes. Also, the Company will not earn a return on its investment in the Repowered Wind Plants or Leaning Juniper until the Plants are included in rate base in a general rate case. Rocky Mountain Power also anticipates that it will

[9] The Repowering Order requires the Company to submit compliance filings containing an accounting of each project's final costs. For the projects listed as in service in the table, the final project costs for the completed projects will be known once the final aspects of the project related to site restoration, cybersecurity compliance and final accounting are completed, which is estimated to occur approximately six months after the project is placed into service.

receive PTC associated with each of the Repowered Wind Plants and Leaning Juniper. Finally, customers will benefit from the zero-cost fuel NPC savings from the incremental generation from the Repowered Wind Plants and Leaning Juniper.

19. The zero-cost energy benefits will flow through the EBA beginning when they are placed into service and begin generating energy. Absent an accounting order that allows the Company to defer the costs and PTC, customers will receive the full NPC benefits without paying for the cost of the Repowering Project and Leaning Juniper. The Company believes it is appropriate to track and defer all the costs and benefits associated with the Repowered Wind Plants and Leaning Juniper for future recovery.

20. The Company proposes to defer the following items on a monthly basis beginning when the Repowering Project and Leaning Juniper are placed into service until rates from the next general rate case reflect the full costs and benefits:

- the return on investment;
- depreciation expense;
- O&M costs;
- property taxes;
- wind taxes, if assessed;
- incremental NPC benefits; and
- PTC benefits.

The net deferral amounts could then be included in a future rate case for recovery.

21. Exhibit A contains an illustration of the Company's monthly calculations for estimated amounts of PTC, incremental NPC, return on investment, depreciation, property taxes, wind taxes and O&M expenses associated with the completed Seven Mile Hill I and Seven Mile

Hill II repowered plants. The Company will defer actual amounts once known, subject to final approved costs to be determined in the next general rate case. Exhibit A also provides the incremental generation increases for each project.

V. ALTERNATIVE PROPOSAL

22. Alternatively, if the Commission determines that the Repowering Project costs and PTC benefits are not appropriate for deferred accounting, in accordance with Utah Code Ann. § 54-17-403(1)(a) and the Repowering Order, or that the Leaning Juniper costs and PTC benefits are not appropriate for deferred accounting, Rocky Mountain Power requests a non-precedential exception to the EBA of removing the incremental benefits of the Repowered Wind Plants and of Leaning Juniper from the EBA until the rate effective date of the Company's next general rate case.

VI. CONCLUSION

23. The decision to pursue the Repowering Project was approved by the Commission in the Repowering Order. Utah Code Ann. § 54-17-403(1)(a) states that if such decision is approved, the commission shall include in rates the state's share of costs relevant to that proceeding, incurred by the Company in implementing the approved resource decision, and up to the projected costs specified in the commission's order issued under Section 54-17-402. Absent approval of this deferral application, all of the costs and benefits that have been, and projected costs and benefits that will be, incurred in implementing the Repowering Project will not be captured. Therefore, it is appropriate for Rocky Mountain Power to have the opportunity to recover its prudently incurred costs through a deferred accounting order until such time as the costs may be included in general rates.

24. While Leaning Juniper was not included as part of the approved decision to

acquire the Repowering Project, the costs and benefits related to the repowering of the Leaning Juniper repowering project should be treated the same as those of the Repowering Project because the Company will demonstrate in its next general rate case that repowering the Leaning Juniper wind plant was also in the public interest.

WHEREFORE, Rocky Mountain Power respectfully requests that in accordance with Utah Code Ann. §§ 54-4-23 and 54-17-403 and the Repowering Order, and in accordance with Utah Code Ann. § 54-4-23 as it relates to Leaning Juniper, the Commission issue an order authorizing the Company to record and defer for future recovery the actual costs, which are described in detail above, associated with the repowering of the Repowered Wind Plants and Leaning Juniper subject to a carrying charge equal to the Company's current authorized rate of return during the deferral period. Alternatively, if the Commission determines that the costs associated with the Repowering Project and Leaning Juniper are not appropriate for deferred accounting, the Company requests that the Commission issue an order allowing removal of the benefits (described above) of the Repowered Wind Plants and Leaning Juniper from the EBA until the rate effective date of the Company's next general rate case

DATED this 30th day of December, 2019.

Respectfully submitted,
ROCKY MOUNTAIN POWER

Yvonne R. Hogle

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CONFIDENTIAL

Exhibit A

Rocky Mountain Power
Illustrative Example of Monthly Revenue Requirement Deferral Calculation
$-Dollars

The following is an example calculation of the Seven Mile Hill I and II repowering projects, which were placed into service September 9, 2019. This is exhibit is intended to show the detail of the proposed calculation for the monthly revenue requirement deferral.

Line No.		
1	Federal/State Combined Tax Rate	24.5866%
2	Net to Gross Bump up Factor = (1/(1-tax rate))	1.3260
3	Utah SG Factor Docket No. 13-035-184	42.6283%
4	Utah GPS Factor Docket No. 13-035-184	42.4704%

Line No.		*September 2019*		*October 2019*		
	Repowering Costs:	**Total Company**	**Utah Allocated**	**Total Company**	**Utah Allocated**	**Note**
	Incremental Expense:					
5	O&M Expense	(46,914)	(19,999)	34,098	14,536	1
6	Depreciation Expense	191,075	81,452	379,225	161,657	2
7	Depreciation Expense (Credit)	(221,874)	(94,581)	(443,749)	(189,163)	2
8	Property Taxes	-	-	-	-	3
9	Wind Tax	1,525	650	6,903	2,943	4
10	**Total Expense**	**(76,189)**	**(32,478)**	**(23,522)**	**(10,027)**	
	Incremental Rate Base:					
11	Capital Investment	-	-	139,385,946	59,417,859	5
12	Accumulated Depreciation	-	-	(191,075)	(81,452)	
13	Accumulated Deferred Income Tax	-	-	(5,110,943)	(2,178,708)	
14	**Total Rate Base**	**-**	**-**	**134,083,928**	**57,157,699**	
15	Pre-Tax Return		9.21%		9.21%	6
16	Pre-Tax Return on Rate Base		-		**438,658**	
17	**Total Repowering Costs**		**(32,478)**		**428,631**	
	Repowering Benefits:					
	Production Tax Credit:					
18	Production Tax Credit	(38,126)	(16,253)	(172,587)	(73,571)	7
19	Gross Up		(5,299)		(23,986)	8
20	**Total Production Tax Credit**		**(21,551)**		**(97,557)**	
	Net Power Cost Savings:					
21	**Incremental NPC Savings (EBA)**		**(18,118)**		**(70,817)**	9
22	**Total Repowering Benefits**		**(39,669)**		**(168,374)**	
	Repowering Net Deferral:					
23	**Total Repowering Monthly Deferral**		**(72,147)**		**260,258**	10

Notes:
1) Incremental O&M expense calculated using actual O&M associated with Repowering project compared to a 4 year historical average
2) Based on currently approved depreciation rates. Depreciation expense for the replaced equipment is removed
3) Incremental property taxes, if assessed
4) Incremental wind taxes
5) Capital investment once assets are placed into electric plant in service
6) Based on the capital structure from Docket No. 13-035-184
7) Incremental PTC benefits
8) Gross up using Net to Gross Bump up Factor = (1/(1-tax rate))
9) Incremental net power cost savings formula:

Incremental Generation = Wind Plant Generation MWh – Base Wind Plant Generation MWh
Base Wind Plant Generation = Wind Plant Generation MWh / (1 + Project Generation Increase %)

$$\begin{aligned} &\mathit{NPC\ Incremental\ Savings} \\ &\quad = [\mathit{Incremental\ Gen}_{HLH} \times (\mathit{Monthly\ Market\ Price}_{HLH} - \mathit{Integration\ Costs})] \\ &\quad + [\mathit{Incremental\ Gen}_{LLH} \times (\mathit{Monthly\ Market\ Price}_{LLH} - \mathit{Integration\ Costs})] \end{aligned}$$

Where:
Incremental Generation = The increase in generation at the wind plant due to repowering
Project Generation Increase % = The percentage change in energy at the wind plant due to repowering

$\mathit{Incremental\ Gen}_{HLH} =$ *The increase in generation at the wind plant due to repowering during heavy load hours*
$\mathit{Incremental\ Gen}_{LLH} =$ *The increase in generation at the wind plant due to repowering during light load hours*
$\mathit{Monthly\ Market\ Price}_{HLH}$ *Heavy load hour monthly market price*
$\mathit{Monthly\ Market\ Price}_{LLH}$ *Light load hour monthly market price*
Integration Costs = Wind integration costs from the most recent IRP
NPC Benefit = The NPC repowering benefit absorbed by the Company in the EBA as a result of the sharing band

10) before carrying charges

REDACTED

Rocky Mountain Power
Wind Fleet Repowering (Confidential)

[redacted]

CERTIFICATE OF SERVICE

Docket No. 19-035-45

I hereby certify that on December 30, 2019, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services	
Cheryl Murray	cmurray@utah.gov
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