

# MEMORANDUM



**DATE:** April 8, 2021

**TO:** John Crider

**FROM:** Steve Storm and Scott Gibbens

**SUBJECT:** **Compliance Filing Advice No. 21-001 and Verification of PacifiCorp's Docket No. UE 374 Schedule 200 Rates and Docket No. UE 375 Schedule 201 Rates Effective April 9, 2021**

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## Project/Resource

Pryor Mountain is a PacifiCorp-owned 240 MW new wind resource located in Montana and Foote Creek I is a PacifiCorp-owned wind resource located in Wyoming.<sup>1</sup> PacifiCorp's UE 374 general rate case (GRC) application included the initial cost recovery of the Pryor Mountain wind resource and recovery of incremental costs associated with the EV 2020 Foote Creek I repowered wind resource.

As neither resource was in commercial operation as of year-end 2020, their collective cost recovery associated with UE 374 was not included in rates effective January 1, 2021. Cost recovery will use two PacifiCorp rate schedules: Schedule 200 for Base Supply Service and Schedule 201 Net Power Costs Cost Based Supply Service Adjustment. PacifiCorp filed Advice No. 21-009 for their cost recovery on April 7, 2021, requesting April 9, 2021 rate effective dates for the two updated Schedules.

## Investment

The Commission authorized, in Order No. 20-473, PacifiCorp's recovery in customer rates of its investment in the Company's Pryor Mountain new wind resource of up to [**Begin Confidential**] \$404.4 million [**End Confidential**] on a system basis,<sup>2</sup> which equates to [**Begin Confidential**] \$105.2 million [**End Confidential**] on an Oregon-allocated basis, and of its incremental investment in the Company's Foote Creek I repowered wind resource<sup>3</sup> of up to [**Begin Confidential**] \$78.1 million [**End Confidential**] on a system basis,<sup>4</sup> which equates to [**Begin Confidential**] \$20.3 million [**End Confidential**] on an Oregon-allocated basis. Staff recommended the Commission require an attestation as to individual new resources being in commercial operation prior to the January 1, 2021, rate effective date,<sup>5</sup> with which the

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<sup>1</sup> Parties discussed both the Pryor Mountain new wind project and the EV 2020 Foote Creek I repowering project in UE 374 testimony. *See*; e.g., PAC/800, Teply/18 - 14 and Staff/800, Storm/39 - 55 regarding Pryor Mountain and PAC/900, Hemstreet/4 - 12 and Staff/800, Storm/56 - 62 regarding Foote Creek I.

<sup>2</sup> Pages 50 - 55 or Order No. 20-473 in UE 374.

<sup>3</sup> Page 3 of Order No. 20-473 in UE 374.

<sup>4</sup> *See*; e.g., Staff/800, Storm/57.

<sup>5</sup> Staff/2000, Storm/17 - 18.

Commission agreed.<sup>6</sup> As a component of resolving issues amongst parties in UE 374, PacifiCorp concurred<sup>7</sup> with Staff's recommendation<sup>8</sup> that the Company be allowed to file in UE 374 for cost recovery of any EV 2020 new wind projects that are not in service by December 31, 2020, as long as the Company made any such filings prior to June 30, 2021.

PacifiCorp provided as Attachment 4 to Advice No. 21-009 attestations that all wind turbines at the Foote Creek facility had been entirely placed in service and were in commercial operation as of March 31, 2021 and that all wind turbines at the Pryor Mountain facility had been entirely placed in service and were operation as of March 31, 2021.

### Revenue Requirement – Schedule 200

Staff used workpapers provided by PacifiCorp to derive the annual revenue requirement associated with Foote Creek I in customer rates by subtracting, on a line item basis, the PacifiCorp-calculated *pro forma* revenue requirement and costs reflecting the incremental changes resulting from the UE 374 GRC,<sup>9</sup> including those made pursuant to Order No. 20-73, and the remaining portion of Ekola Flats from the PacifiCorp-calculated updated *pro forma* adjustments that included not only these, but also amounts associated with cost recovery of the incremental costs of repowering Foote Creek I.

Similarly, the PacifiCorp-calculated *pro forma* revenue requirement and costs reflecting the incremental changes resulting from the UE 374 GRC,<sup>10</sup> including those made pursuant to Order No. 20-73, the remaining portion of Ekola Flats, and the incremental costs of repowering Foote Creek I from the PacifiCorp-calculated updated *pro forma* adjustments that included not only these, but also the amounts associated with cost recovery of Pryor Mountain.

The spreadsheet differencing described above yielded a \$2,504,960 annual revenue requirement for recovery of the costs associated with repowering Foote Creek I and the Commission-authorized maximum investment amount of [**Begin Confidential**] \$78.1 million [**End Confidential**] on a system basis and a \$14,528,140 annual revenue requirement for recovery of costs associated with Pryor Mountain and the Commission-authorized maximum investment amount of [**Begin Confidential**] \$404.4 million [**End Confidential**] on a system basis.<sup>11</sup> Staff verified that the sum of these annual revenue requirements equaled the dollar amount used to calculate Schedule 200 rates to be effective April 9, 2021.

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<sup>6</sup> Pages 52 – 53 of Order No. 20-473.

<sup>7</sup> PAC/3300, Lockey/21 – 22.

<sup>8</sup> Staff/2000, Storm/2 - 4.

<sup>9</sup> Staff separately verified the result of these values—the revenue requirement associated with the January 1 rate effective date—prior to the January 1, 2021 rate effective date for the UE 374 GRC.

<sup>10</sup> Staff previously verified the result of these values—the revenue requirement associated with the January 1 rate effective date—prior to the January 1, 2021 rate effective date for the UE 374 GRC.

<sup>11</sup> PacifiCorp provided Staff with updated workpapers reflecting the Commission-authorized maximum investment amount for Pryor Mountain subsequent to the advice filing. The Company had previously provided workpapers having an amount that exceeded this maximum. Staff verified the Company's statement that this change did not result in changes to the Schedule 200 rates provided with the initial advice filing.

## **Revenue Requirement – Schedule 201**

The impacts of Foote Creek were already included in Schedule 201 rates updated on January 1, 2021. As such, only the incremental impact of Pryor Mountain is calculated in this advice filing. The adjustment amount is taken by utilizing a GRID model run which included by Pryor Mountain and TB Flats II, both expected to come online June 30, 2021. The net difference between this GRID run and the final GRID model run from November 15, 2021, was utilized to calculate the incremental difference of these two resources. Then the relative generation difference between TB Flats II and Pryor Mountain were used to calculate the percentage of benefit derived from each resource. This percentage, was then multiplied by the incremental difference between model runs to calculate the incremental benefit of Pryor Mountain for the 185 days it was expected to be online. Dividing the \$1.9 million incremental benefit by the 185 days of expected operation provided the estimated daily benefit, which was then multiplied by the additional 91 days of operation (March 31 – June 30), and added to \$1.9 million to get a new benefit of \$2.9 million for Pryor Mountain in Schedule 201.

Ideally, Staff would prefer that the Company perform a new GRID model run to calculate a more accurate incremental value for Pryor Mountain, however Staff understands that the process of setting up GRID and performing a new model run for each rate change would become time consuming and result in stresses to employee bandwidth. As such, Staff finds the methodology to estimate the impact, which has been a standard practice for the Company as it incorporates shifting COD dates into rates, is reasonable.

## **Rate Change Impact**

PacifiCorp states in its Advice 21-001 filing that the net effect of these changes to Schedule 200 and Schedule 201 rates will affect approximately 628 thousand Oregon customers and will result in an overall annual increase of approximately \$14.1 million or 1.2 percent. The average residential customer using 900 kWh per month will see a monthly bill increase of \$0.99 per month as a result of these changes.

## **Rate Spread/Rate Calculation**

PacifiCorp utilized the same percentage of margin as was currently in rates to spread the revenue requirements across Schedule 200 and 201. This was done by dividing the current recovery of revenue requirement for each schedule and dividing by the total revenue requirement recovered. This percentage for each class was then multiplied by the incremental revenue requirement to calculate the incremental target revenue for each rate class. To calculate the incremental rates, the target revenue was divided by expected demand for each class to come up with a per MWh amount.

Staff finds that the rate spread and calculation methodology was completed correctly and results in just and reasonable rates.

### **Schedule 200 and Schedule 201 Tariff Language**

Advice No. 21-009 did not include any changes to tariff language.

### **Conclusion**

Staff concludes that, based on its review, PacifiCorp's proposed UE 374 Schedule 200 and Schedule 201 monthly rates in the April 7, 2021, Advice No. 21-009 compliance filing, with both having a rate-effective date of April 9, 2021, are consistent with Order No. 20-473. The proposed rates should be allowed to go into effect on April 9, 2021.

//signed//

Steven T. Storm

Scott Gibbens