

Confidential per Protective Order in Docket UE-191024
Exh. MGW-4CT
Dockets UE-191024 *et. al.*
Witness: Michael G. Wilding

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Dockets UE-191024, UE-190750,
UE-190929, UE-190981, UE-180778
(*Consolidated*)

PACIFICORP

REDACTED SUPPLEMENTAL TESTIMONY OF MICHAEL G. WILDING

April 2020

ATTACHED EXHIBITS

Exhibit No. MGW-5—Washington-Allocated Net Power Costs

Exhibit No. MGW-6—Net Power Costs Update

1 **Q. Are you the same Michael G. Wilding who previously submitted direct testimony**
2 **in this proceeding on behalf of PacifiCorp dba Pacific Power & Light Company**
3 **(PacifiCorp or the Company)?**

4 A. Yes.

5 **PURPOSE AND SUMMARY OF TESTIMONY**

6 **Q. What is the purpose of your supplemental testimony?**

7 A. My testimony presents the Company's update to net power costs (NPC)
8 (April update), as requested in PacifiCorp's Motion to Allow Supplemental
9 Testimony. In the April update, I explain the reasonableness of the Company's
10 revised NPC allocated to Washington customers based upon the Washington Inter-
11 Jurisdictional Allocation Methodology (WIJAM).¹ I provide corrections and contract,
12 fuel, and forward prices curve updates to the Company's December 13, 2019 filing
13 (initial filing), which was based on the September 30, 2019 Official Forward Price
14 Curve (OFPC).

15 **Q. In the initial filing, the Company forecast NPC of \$106.5 million for the rate**
16 **effective period ending December 31, 2021. How has your NPC recommendation**
17 **changed?**

18 A. The Washington-allocated NPC in the April update is \$112.2 million before applying
19 the production factor, \$5.7 million higher than the NPC in the initial filing. A report
20 detailing the Washington-allocated NPC forecast is attached to my testimony as
21 Exhibit MGW-5. A list of all corrections and updates made, along with the

¹ Unless otherwise specified, references to NPC throughout my testimony are expressed on a Washington-allocated basis.

1 approximate impact of each on NPC, is provided in Exhibit MGW-6.

2 **SUPPLEMENTAL UPDATE**

3 **Q. Please summarize the major changes in NPC resulting from the April update.**

4 A. Figure 1 illustrates the change in the forecast NPC by category compared to the NPC
5 originally filed in this case.

Figure 1
Net Power Cost Reconciliation

| | Washington Allocated (\$ millions) |
|---|---|
| 2021 Rate Case (WA) | \$106.5 |
| Increase/(Decrease) to NPC: | |
| Wholesale Sales Revenue | \$0.8 |
| Purchased Power Expense | \$5.4 |
| Coal Fuel Expense | (\$1.0) |
| Natural Gas Fuel Expense | \$0.9 |
| Wheeling and Other Expense | (\$0.4) |
| Total Increase/(Decrease) to NPC | \$5.7 |
| 2021 Rate Case April Update (WA) | \$112.2 |

6 The changes in the components of Washington-allocated NPC from the initial
7 filing are largely driven by an increase in the forward market prices for electricity and
8 natural gas. Lower wholesales revenue, higher purchase power expense, and higher
9 natural gas fuel expense resulted in higher Washington-allocated NPC. This increase
10 is partially offset by lower coal fuel expense and wheeling expenses.

11 **Q. Please explain the changes included in the Company's April update.**

12 A. The April update includes the following changes (the NPC impacts are based on the
13 initial filing):

- 14 • **Klamath River Hydroelectric Facilities**—The Company expects to continue to

- 1 operate Klamath River Hydroelectric Facilities during the 2021 NPC forecast period
2 (rate effective period). This update decreases Washington-allocated NPC by
3 approximately \$1.6 million.
- 4 • **Cholla Unit 4 Retirement**—On January 7, 2020, the Company announced plans to
5 close the Cholla Unit 4 coal-fired power plant in northern Arizona by the end of 2020.
6 Cholla Unit 4 coal-fired power plant is removed from the Company’s resource
7 portfolio in the total-company NPC study.² This update increased NPC by
8 approximately \$0.8 million on a Washington-allocated basis.
 - 9 • **Energy Imbalance Market (EIM) Inter-Regional Transfer Benefits and**
10 **Greenhouse Gas (GHG) Benefits**—PacifiCorp’s estimated EIM benefits for 2021
11 have been updated to include the most recent information through December 2019.
12 On a total-company basis, the expected inter-regional transfer benefits are
13 ■■■ million, an increase of ■■■ million; the GHG benefits are forecasted at
14 ■■■ million, an increase of ■■■ million. This update reduced the Washington-
15 allocated NPC by approximately \$1.1 million.
 - 16 • **Coal Costs**—The Company has updated coal fuel costs to reflect changes in prices
17 and volumes since the initial filing. Mr. Dana M. Ralston provides additional detail
18 on the update in his supplemental testimony. The update decreased NPC by
19 approximately \$1.0 million on a Washington-allocated basis.
 - 20 • **Wheeling Expense**—The Company inadvertently included a wheeling expense item
21 in the rate effective period, which was supposed to be a one-time charge in 2019.

² While Cholla Unit 4 is not included in Washington rates, the removal of any resource impacts total-system dispatch and net power costs.

1 Removing this wheeling expense item reduced Washington-allocated NPC by \$0.4
2 million.

3 • **Official Forward Price Curve (OFPC) and Short-Term Firm Transactions**—The
4 Company updated NPC from the September 30, 2019 OFPC, to the December 31,
5 2019 OFPC. On average, market prices for electricity at the Mid-Columbia (Mid-C)
6 and Four Corners (4C) markets increased by approximately eight percent. Similarly,
7 market prices for natural gas increased, on average, by approximately eleven percent.
8 Short-term sales and purchase transactions for electricity and natural gas were also
9 updated through March 1, 2020. These updates increased the Washington-allocated
10 NPC by approximately \$2.4 million.

11 Figure 2 shows the change in wholesale electricity prices (average market
12 price at the Mid-C and 4C trading hubs) by month and by heavy load hours (HLH)
13 and light load hours (LLH). Figure 3 shows the change in natural gas prices on
14 average at the Sumas and Stanfield trading hubs by month, which is a source of gas
15 for the Company's gas plants.

Figure 2

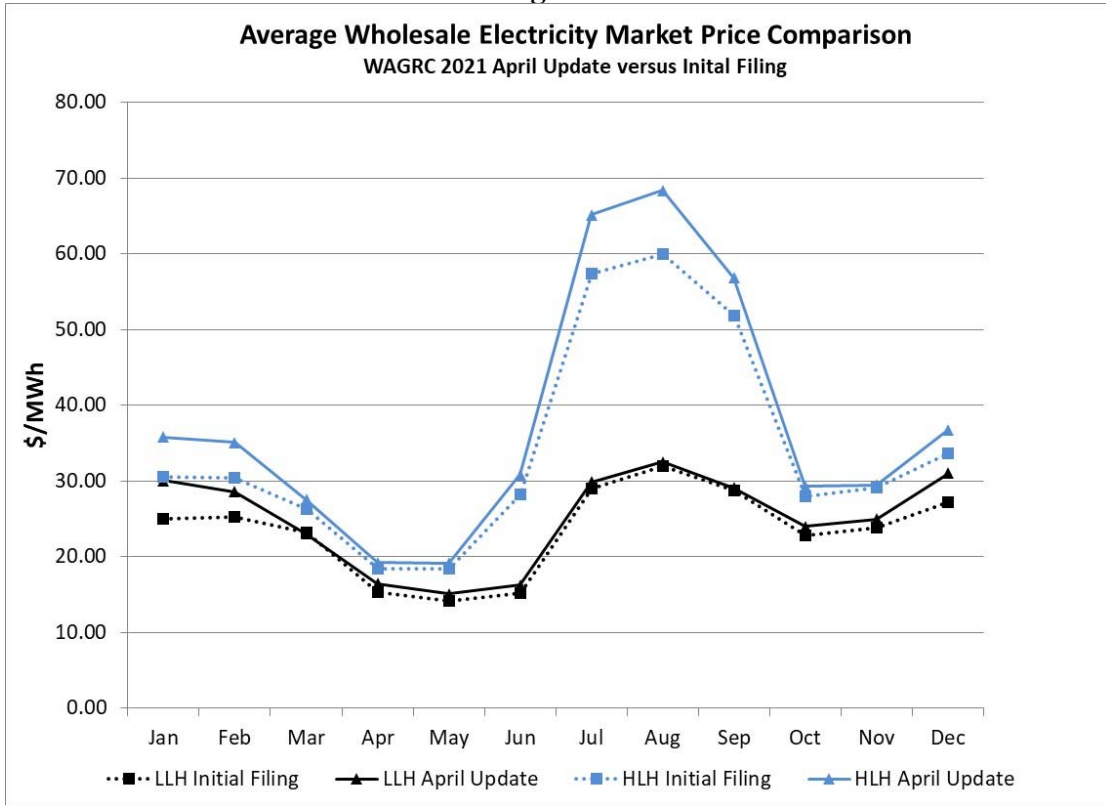
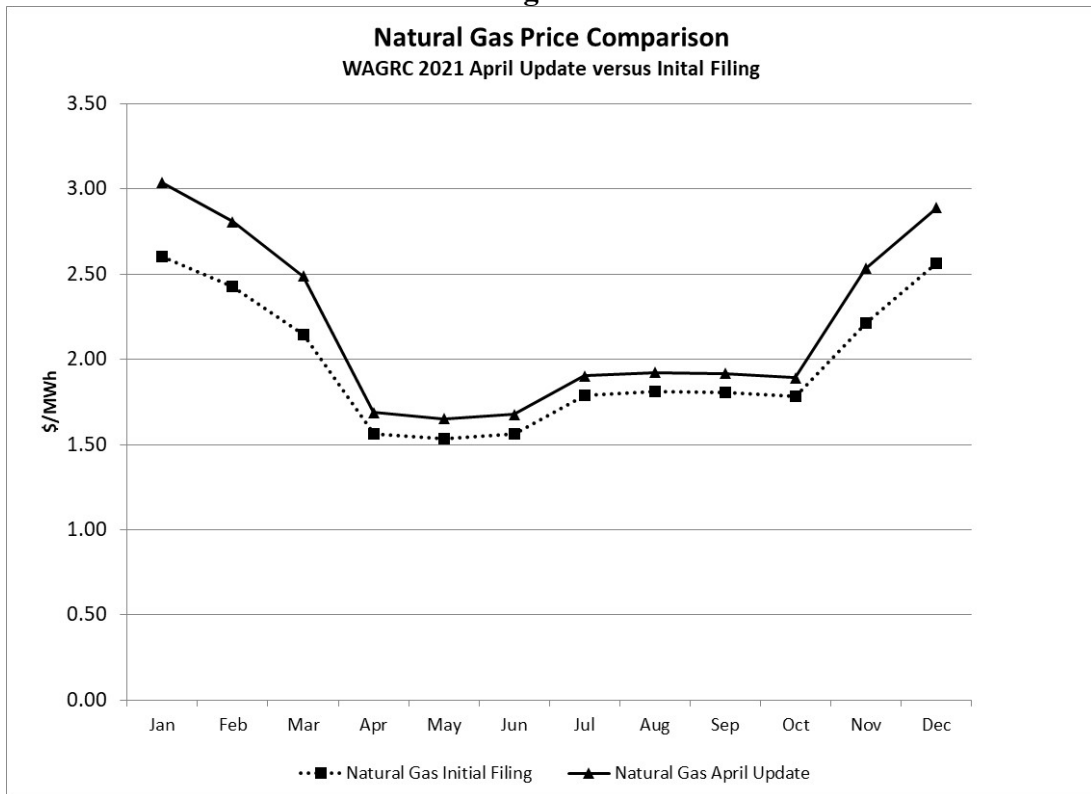


Figure 3



1 • **Long-Term Contract, Owned Wind Resources Status, and Pipeline Expense**

2 **Changes**—The Company has included six long-term contract updates, two owned-
3 wind resource status updates and one gas pipeline expense update. These updates
4 resulted in a \$0.2 million increase to the Washington-allocated NPC.

5 ▪ **Long-Term Contract Status Changes:**

- 6 ○ **Monsanto/Bayer and US Magnesium Buy-through**—The Company
7 inadvertently used the actual buy-through amount from the period of July
8 2018 to June 2019 for the rate effective period. The correction was made
9 to use the historical average from the period July 2015 to June 2019 (US
10 Magnesium) and July 2014 to June 2019 (Monsanto) respectively for both
11 contracts.
- 12 ○ **Millican Solar and Prineville Solar Capacity**—Millican Solar project
13 capacity changed from 45 megawatts (MW) to 60 MW. Prineville Solar
14 project capacity changed from 55 MW to 40 MW.
- 15 ○ **Cove Mountain Solar II**—The Cove Mountain Solar II contract expense
16 was corrected and the delivered energy schedule was updated to the
17 calendar year 2021 forecast.
- 18 ○ **Sigurd Solar Commercial Operational Date (COD)**—The COD of
19 Sigurd Solar, an 80-MW solar plant in Sevier County, Utah has been
20 postponed to June 30, 2021, due to the recent disruption of the global
21 supply chain.

1 ▪ **Owned-Wind Resources Status Changes:**

2 The capacity factors for Foote Creek I and TB Flats II were corrected from the
3 initial filing. The generation from Foote Creek I and TB Flats II in the rate
4 effective period increased by 4,887 megawatt-hours (MWh) on a Washington-
5 allocated basis, which is 6.5 percent higher than the initial filing.

6 ▪ **Gas Pipeline Expense Changes:**

7 Transportation costs to supply natural gas to the Naughton 3 plant are updated
8 to reflect a new gas supply and transportation agreements for the plant.

- 9 • **Transmission Links**—The Company updated transmission links from the initial
10 filing. This reduced NPC by approximately \$2.3 million on a Washington-allocated
11 basis.
- 12 • **Grant Meaningful Priority Hydro**—The Grant Meaningful Priority hydro contract
13 was inadvertently included in the rate effective period in the initial filing. Removal of
14 this contract increased the Washington-allocated NPC by approximately \$2.8 million.
- 15 • **Colstrip 4 Outage**—As a result of the Commission order in the Colstrip Outage
16 Investigation,³ the Company has removed certain Colstrip Unit 4 forced outages from
17 the 48-month history of actual outage events. The forced outages removed are related
18 to non-compliance with Mercury and Air Toxics Standards emissions limits during
19 summer 2018. The historical outage events are used to calculate the forecasted
20 outage rate in the rate effective period. The forecasted forced outage rate for Colstrip

³ *In the Matter of the Investigation of Avista Corporation, d/b/a Avista Utilities, Puget Sound Energy, and Pacific Power & Light Company, Regarding Prudency of Outage and Replacement Power Costs, Docket No. UE-190882, Final Order 05 (Mar. 20, 2020).*

1 Unit 4 was reduced from 10.19 percent to 7.56 percent and the forecasted NPC is
2 lowered by approximately \$43,000 on a Washington-allocated basis.

3 **Q. Does this conclude your supplemental testimony?**

4 A. Yes.