ALLIANCE OF WESTERN ENERGY CONSUMERS'
RESPONSE TO BENCH REQUEST

JURISDICTION:	WASHINGTON	DATE PREPARED:	January 22, 2024
DOCKET NOS:	UE-230172/UE-210852	RESPONDER:	Bradley G. Mullins
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REQUEST NO.:	Bench Request No. 2		

BENCH REQUEST NO. 2:

To AWEC:

AWEC witness Bradley G. Mullins argues that including net power costs (NPC) based on calendar years results in misstating costs of the Jim Bridger Units 1 and 2, as well as various wind facilities (BGM-1CT at 19:13-21:2).

a. Is AWEC's proposal for requiring the NPC based on the rate effective periods limited to this proceeding or should this be required on a going-forward basis?
b. What are the implications of having NPC based on a different period (rate effective versus calendar year) than other revenue requirement inputs to customer rates?

AWEC RESPONSE TO BENCH REQUEST NO. 2:

Please see pages 11 through 17 of AWEC's Post-Hearing Brief.

a. AWEC proposes that NPC be based on the rate effective period for the first rate year, and be based on calendar year 2025 for a portion of the second rate year. NPC for the remainder of the second rate year would be based on the forecast established through a litigated power cost only rate case process during 2025. As such, AWEC does not necessarily advocate that NPC must be based on the rate effective period in all instances (in this case, for example, the requirement to remove coal from rates on January 1, 2026 complicates the ability to base NPC for the second rate year on the rate effective period).

   AWEC does, however, advocate that recovery of NPC begin at the same time the NPC forecast period begins. Thus, AWEC proposes that the NPC forecast period use calendar year 2025 and also proposes that NPC be updated on January 1, 2025 rather than on the rate effective date of rate year 2. By contrast, PacifiCorp proposes to use calendar year 2024 and 2025 for the NPC forecast period, but rates incorporating those forecasts would not go into effect until March 2024 and 2025, respectively. This results in a misalignment of the forecast with when customers begin paying updated rates, which has implications for the PCAM, as described below.

b. The primary implication of having NPC based on a period that is different from other revenue requirement inputs in customer rates is when and how customers receive the benefits (or pay the costs) of items that are part of the rate effective period but not included in the NPC forecast period. As noted in AWEC's post-hearing brief, whether NPC is based on the rate effective period or the calendar year, PacifiCorp will true up NPC in the PCAM using a calendar year. Thus, if the Commission uses the calendar year approach to forecasting NPC as advocated by PacifiCorp, customer rates for rate year 1 will incorporate the full outage at Jim Bridger Units

1 and 2 and will not reflect the full rate year benefits of new wind resources. However, these rate differentials will eventually be captured in the PCAM. The dead band, however, will absorb a portion of these costs and benefits. That is why AWEC believes a matching of the NPC forecast and the rate effective date for NPC updates is important. Without this matching, the dead bands and sharing bands can be used to absorb differences in NPC that are based solely on timing differences between the forecast and the rate effective date, rather than standard variations in power costs due to normal business risk.