

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF ROCKY MOUNTAIN POWER) **CASE NO. PAC-E-18-01**
REQUESTING APPROVAL OF \$7.8)
MILLION NET POWER COST DEFERRAL)
WITH NO CHANGE TO RATES) **ORDER NO. 34076**
)

On March 30, 2018, Rocky Mountain Power applied for approval of \$7.8 million in deferred costs, plus interest, from the deferral period beginning January 1, 2017, through December 31, 2017. The Application is made pursuant to the Company's approved energy cost adjustment mechanism (ECAM). The ECAM allows the Company to adjust its rates each year to capture the difference between the Company's actual power supply expenses and the power expenses embedded in base rates. The adjustment is a separate line item on customer bills that increases if power supply costs are higher than the amount already included in base rates, or decreases if power supply costs are lower. The ECAM does not affect the Company's earnings.

On April 19, 2018, the Commission issued a Notice of Modified Procedure and invited interested persons to comment on the case. Order No. 34038. Monsanto and Commission Staff submitted the only comments in this matter in support of the Application.

OVERVIEW OF THE ECAM

The ECAM allows the Company to increase or decrease rates each year to reflect changes in the Company's power supply costs over the year. Due to its diverse generation portfolio and other factors, the Company's actual cost of providing electricity varies from year to year. Neither the Company nor its shareholders receive any financial return as a result of this filing.

To determine the ECAM, the Company tracks the monthly difference between the actual Net Power Costs (NPC) it incurred to serve customers, and the embedded (or base) NPC it collected from customers through base rates. The Company defers the difference between actual NPC and base NPC into a balancing account for later disposition at the end of the yearly deferral period. At that time, the ECAM allows the Company to credit or collect the difference between actual NPC and base NPC through a decrease or increase in customer rates. In addition, it includes an adjustment related to the accounting treatment of coal-stripping costs. *Id.* at 3.

Pursuant to the ECAM's sharing band, 90% of the above costs are allocated to customers and 10% are allocated to the Company. *Id.* The ECAM also includes Deer Creek Mine amortization expense; a resource adder for Lake Side 2; a true-up between actual Production Tax Credits (PTC) and Renewable Energy Credits (REC) and the PTCs and RECs included in base rates; and interest. *Id.* at 3-4, 6.

The Commission first approved an annual ECAM for the Company in 2009, and the mechanism has been modified several times since then. *See* Order Nos. 30904, 32432, 32910, 33008, and 33440. ECAM rates are reflected in Electric Service Schedule No. 94.

THE APPLICATION

In this application, the Company explains that its requested deferral amount includes the following:

- approximately \$2.1 million for the difference between actual NPC and that included in base rates, 90% of which is allocated to customers and 10% to the Company;
- a credit of approximately \$1.5 million for LCAR, 90% of which is allocated to customers and 10% to the Company;
- a credit of \$93,048 related to the accounting treatment of coal-stripping costs, 90% of which is allocated to customers and 10% to the Company;
- approximately \$1.3 million for the Deer Creek Mine amortization;
- approximately \$4.1 million for the Lake Side 2 resource adder;
- approximately \$1.8 million for the PTC true-up; and
- approximately \$0.72 million for the REC true-up.

Id. at 5-6. The Company requests approval of a deferral balance of \$7.8 million for the period January 1, 2017, through December 31, 2017. This would be added to the existing approved deferral balance of \$2.3 million, for a total of \$10.1 million. *Id.* at 6. The Company requests no changes in rates, and requests a June 1, 2018, effective date.

THE COMMENTS

Commission Staff

Staff reviewed the Company's Application focusing on four areas: (1) costs and revenues in the Company's NPC; (2) an audit of contracts, invoices, and other documents to authenticate the actual cost and revenue; (3) a review of "the appropriateness of the Company's

proposal;” and (4) Staff incorporated a rate reduction proposed in the Company’s Tax Reform Settlement Stipulation in Case No. GNR-U-18-01. Staff Comments at 2-3. Staff concluded that the costs and revenues were accurate, and provided support for the Company’s tax stipulation. *Id.*

Staff noted a \$2.1 million difference between Actual NPC and NPC recovered through base rates as a result of actual load being about five percent greater than the load included in base rates. Staff further analyzed EITF 04-06 adjustments approved in PAC-E-09-08, the load change adjustment rate, production tax credits, renewable energy credit adjustments, and a Lake Side 2 Resource Adder created in Case No. PAC-E-13-04.

Additionally, Staff examined a May 10, 2018, all-party stipulation that provides for \$3.5 million in tax benefits stemming from federal tax law changes to be used to offset an existing regulatory asset created in Case No. PAC-E-13-02. In the settlement, the annual amount left to be offset related to the depreciation regulatory asset is approximately \$1.8 million. This results in a \$2.2 million ECAM rate reduction. In the tax case, and here, Staff reviewed the proposed rate plan and confirmed that the Company's calculations were accurate, reasonable, and comply with prior Commission orders. The Stipulation rate proposal decreases Schedule 94 rates by \$2.2 million, a 0.8% decrease, effective on June 1, 2018.

In sum, Staff recommended that the Commission authorize the ECAM deferral amount of \$7,798,495 for the period of January 1, 2017, through December 31, 2017, and that the Commission adopt the Company's Tax Act Stipulation, which will reduce Schedule 94 rates and reduce the depreciation regulatory asset. Staff further requests that the Commission direct the Company include the depreciation regulatory asset offset in its future Idaho ECAM Deferral exhibits, and submit tariffs that reflect Commission approved rates. In consideration of the rapid nature of the ECAM docket, Staff also requested that the Commission accept late-filed customer comments.

Monsanto Company

Monsanto filed comments in this matter expressing concern that the Company is using the ECAM tariff to collect revenues to pay non-power-related costs. However, Monsanto’s concerns with this request were “mitigated in part with the results of a Stipulation reached by the parties in the Tax Reform case.” Monsanto Comments at 4. Considering the impact of the tax reform stipulation, “Monsanto supports approval of an ECAM rate which includes \$1.8 million

for the incremental depreciation deferral, rather than the Company's proposed continuation of collecting \$4 million.” *Id.*

FINDINGS AND DISCUSSION

We find that the Company is an electrical corporation and public utility, and that we have jurisdiction over the Company and the issues in this case under *Idaho Code* §§ 61-119, 61-129, 61-501, and 61-502. Based on our review of the record, we find that the Company’s current ECAM rates are unreasonable and would enable the Company to over-collect its deferred power costs.

After reviewing the record, including the Company’s Application and the comments filed in this case, we find it fair, just, and reasonable to grant the Company’s Application to approve the \$7.8 million ECAM deferral for the Deferral Period, for a total deferral balance of approximately of \$10.1 million as of December 31, 2017. In Case No. GNR-U-18-01, this Commission has contemporaneously considered and approved (Order No. 34072) a Settlement Stipulation related to the federal Tax Cuts and Jobs Act of 2017 that will reduce the Company’s Schedule 94 rates by an additional \$2.2 million. We direct the Company to include the depreciation regulatory asset offset in its future Idaho ECAM filings. We further direct the Company to notify customers of these changes by direct notice in subsequent bills. The new rates will take effect on June 1, 2018.

We acknowledge Monsanto’s comments and appreciate its perspective and participation in this matter. We encourage continued cooperative efforts between all intervenors.

While no customer filed a comment in this matter, we are mindful of the economic conditions affecting ratepayers throughout Idaho. We find that the outcome of this case, and the treatment in the Company’s tax case, resulting in a rate reduction for ratepayers, is in the public interest.

On May 25, 2018, the Company proactively filed conforming tariffs that incorporate both our findings here and the approved stipulation in GNR-U-18-01.

ORDER

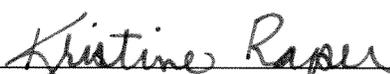
IT IS HEREBY ORDERED that Rocky Mountain Power’s Application is approved. The new rates that result based on this Order and Order No. 34072 (issued contemporaneously) are approved effective June 1, 2018.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one days of the service date of this Order. Within seven days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this *31st* day of May 2018.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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