



Idaho Public Utilities Commission

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Case No. PAC-E-15-01, Order No. 33265

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Rocky Mountain's annual power supply costs increase, resulting in 1.8% increase to most customers

BOISE (April 2, 2015) – Rates for most customers of Rocky Mountain Power will increase by an average of 1.8% as a result of the utility's annual Energy Cost Adjustment Mechanism (ECAM). Rocky Mountain Power serves about 73,000 customers in eastern Idaho. According to the company's calculations, the increase for an average residential customer is about \$1.70 per month. Rates for the company's two large industrial customers, Monsanto and Agrium, Inc., increase by about 8 percent.

The ECAM, which takes effect every April 1, accounts for the difference between the utility's actual power supply costs, which vary from year to year, and the amount of power supply costs already included in customer rates.

Most of the expense an electric utility incurs to provide power supply to its customers is included in base rates. However, the expense required to provide power to customers varies each year due to a number of factors including wholesale market prices for electricity and natural gas, transportation expense and expiration of older, lower-price contracts with energy suppliers. Because these variable expenses can never be precisely forecast, the ECAM allows Rocky Mountain Power to make a one-year adjustment every April 1 to capture the difference between actual expense and that included in base rates. The adjustment is a one-year increase to customers if power supply costs are higher than the amount already included in base rates or a one-year decrease if power supply costs are lower. Since the ECAM went into effect in 2010, there have been two increases, one decrease and two years of no change in rates. (See chart below.) Rocky Mountain Power's earnings are not impacted by the ECAM because all the money collected from the ECAM must go directly to pay power supply expense and cannot be used for any other purpose such as increased salaries or dividends to shareholders.

Commission staff audited the company's books and reviewed internal work papers, invoices and contracts. Staff's audit recommended a \$240,725 reduction to Rocky Mountain's total ECAM recovery request of about \$23.3 million. The \$23.3 million is about \$10.7 million more

than that already collected in the ECAM account. About \$12.7 million and \$1 million of that will be collected from Monsanto and Agrium Inc.

The biggest drivers increasing Rocky Mountain Power's power supply costs were decreased revenue from the company's energy sales into the wholesale energy market and increased expense to fuel its coal plants. Sales from energy Rocky Mountain sold to other companies decreased 42 percent while, at the same time, prices for power purchased by the company from the market were 7 percent higher than the amount included in base rates.

Coal fuel expense increased by 16 percent, which appeared to be driven by higher coal mining costs combined with an increase in the price for the coal the company buys.

The Lake Side 2 combined cycle combustion turbine natural gas plant in Vineyard, Utah, began commercial operation in May 2014 and is included as part of the ECAM until the company files its next rate case. At that time the commission will determine if the new plant is to be included in permanent base rates.

To encourage the company to be prudent in its power supply expenditures, the commission requires that shareholders pay 10 percent of ECAM expense.

The commission's final order along with other documents, including the company's application and testimony and intervenor and customer comments, are available on the commission's website at www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case Number PAC-E-15-01.

Energy Cost Adjustment Mechanism 2010-15 for Tariff Customers

| <u>Year</u> | <u>ECAM rate</u> | <u>Net change</u> |
|-------------|--------------------|-------------------|
| 2010 | 0.10 cents per kWh | |
| 2011 | 0.57 cents per kWh | 5.8% increase |
| 2012 | 0.57 cents per kWh | No change |
| 2013 | 0.57 cents per kWh | No change |
| 2014 | 0.32 cents per kWh | 2.6% decrease |
| 2015 | 0.5 cents per kWh | 1.8% increase |