



Idaho Public Utilities Commission

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Case No. PAC-E-15-09, Order No. 33325

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Rates for Rocky Mountain Power customers could increase 3.9% with proposed cost shift

BOISE (June 25, 2015) – Rocky Mountain Power is asking state regulators for authority to shift variable net power supply costs from a temporary rate mechanism into permanent base rates. If approved, the shift would result in an average 3.9 percent increase to base rates, 2.7 percent for residential customers. The monthly bill for a residential customer using the company's average of 801 kilowatt-hours per month would increase by about \$2.35.

Rocky Mountain Power has an annual Energy Cost Adjustment Mechanism (ECAM) that adjusts rates up or down depending on how much power supply costs change from year to year. (Power supply costs are the expenses the utility incurs to secure generation beyond its own power plants. They typically include purchases from the wholesale electric markets and sales contracts with independent power producers. Due to weather conditions and changing wholesale market prices for electricity and natural gas, power supply expense is variable.) Because the amount of variable expense cannot be precisely known, the ECAM annually matches forecasted variable costs to actual cost. If the variable costs are less than that already included in base rates, customers get a one year credit. If the costs are greater than the amount collected in base rates, customers get a one year surcharge. The utility's earnings cannot increase as a result of the ECAM. It is allowed to collect only the amount needed to pay power supply expense not included in rates. The surcharge or credit is implemented every April 1.

In this application, Rocky Mountain Power is asking the Idaho Public Utilities Commission to shift \$10.2 million from the ECAM account into permanent base rates. The utility is also seeking to remove a sharing mechanism that requires the company's shareholders to be responsible for 10 percent of the variance between forecasted and actual power supply expense. If the ECAM is a refund (credit) to customers, shareholders get 10 percent and ratepayers 90 percent. If it is a surcharge, customers pay 90 percent and shareholders 10 percent. The 90/10 sharing mechanism was implemented by the commission to incent the company to be prudent in its power purchasing decisions, knowing that both shareholders and ratepayers must pay portions of that expense.

The utility claims the sharing mechanism worked well initially because the company had more control over the output from its power purchasing decisions. However, in recent years, the company claims, power supply expense is shifting from more predictable sources of supply to sources with generation characteristics largely outside the company's control.

The most drastic change is the increased reliance on short-term market purchases. Also, company-owned wind has increased by 47 percent and purchases from independent renewable developers is up by 15 percent. Rocky Mountain Power is required by federal PURPA law to buy power from qualifying renewable projects over which, the company claims, it has little or no control. The PURPA projects are largely intermittent with output dependent on weather.

Rocky Mountain Power claims that its parent company PacifiCorp's decision to join an Energy Imbalance Market (EIM) with the California Independent Systems Operator is "ample evidence" that Rocky Mountain is controlling its net power costs. The EIM automates and optimizes the dispatch of generation sources every five minutes to serve customer load.

Rocky Mountain Power further requests changes to how the ECAM is calculated and that the effective date for the ECAM surcharge or credit be moved from April 1 to June 1.

Rocky Mountain claims that its proposed modifications and the resetting of base net power costs is a preferred alternative to a general rate case, which could impact customers even more. Net power costs are the largest single component of base rates, thus a properly designed ECAM without sharing bands would lessen the need for the company to file as many rate cases, Rocky Mountain Power claims. In California where there is no sharing band, there has not been a general rate case since 2009.

This year, the ECAM was a 1.8 percent increase. In 2014, it was a 2.6 percent decrease. In 2013 and 2012 there was no change to residential rates, but Rocky Mountain's large contract customers, Monsanto and Agrium, received a slight increase to their ECAM.

The commission will later announce dates for public comment deadlines and for possible customer workshops and hearings. The deadline for parties who want to intervene in the case for the purpose of presenting evidence and cross-examining witness is July 2.

To view Rocky Mountain Power's application and supporting testimony, go to www.puc.idaho.gov. Click on "Open Cases" under the "Electric" heading and scroll down to Case No. PAC-E-15-09. Later, testimony from commission staff and other parties will be added to the case file and also available for public viewing.

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