

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF ROCKY MOUNTAIN ) CASE NO. PAC-E-20-02**  
**POWER'S APPLICATION REQUESTING )**  
**APPROVAL OF \$21.2 MILLION NET ) ORDER NO. 34679**  
**POWER COST DEFERRAL )**

On April 1, 2020, PacifiCorp dba Rocky Mountain Power ("Company") applied to the Commission for an order authorizing the Company to adjust its rates under the Energy Cost Adjustment Mechanism ("ECAM"). If approved, the Company's ECAM adjustment would collect \$21.2 million from its Idaho customers between June 1, 2020 and May 31, 2021. The Company requested that its Application be processed by Modified Procedure and have an effective date of June 1, 2020.

Monsanto and PacifiCorp Idaho Industrial Customers ("PIIC") intervened in the case.

On April 28, 2020, the Commission issued a Notice of Application and Notice of Modified Procedure setting deadlines for public comments and the Company's reply. Order No. 34648. Commission Staff submitted comments in support of the Company's Application. PIIC also submitted comments. Additionally, three public comments were received. The Company replied to PIIC's comments.

Having reviewed the record, the Commission enters this Order approving the Company's Application as discussed below.

### BACKGROUND

The ECAM is a rate component that allows the Company to recover the difference between its actual net power cost ("NPC") and the base NPC included in customer rates during the Deferral Period. Base NPC is set in the Company's general rate case and modeled using the Company's Generation and Regulation Initiative Design ("GRID"). Each month, the Company compares the actual NPC to the NPC embedded in rates and defers the difference into the ECAM balancing account. The ECAM is calculated to recover or credit the accumulated difference between base NPC and actual NPC on a cents-per-kilowatt-hour basis. The annual ECAM recovery or credit is combined with the Company's base rates to produce a customer's overall energy rate for the ECAM recovery period.

The ECAM rate component is effective for one year and is updated annually to account for changes in the Company's power cost expenses. The mechanism addresses only power cost expenses. Specifically, actual NPC expenses include amounts booked in the following Federal Energy Regulatory Commission ("FERC") accounts:

- Account 447 – Sales for resale, excluding on-system wholesale sales and other revenues not modeled in GRID;
- Account 510 – Fuel, steam generation, excluding fuel handling, start-up fuel/gas, diesel fuel, residual disposal, and other costs not modeled in GRID;
- Account 503 – Steam from other resources;
- Account 547 – Fuel, other generation;
- Account 555 – Purchased power, excluding Bonneville Power Administration residential exchange credit, if applicable; and
- Account 565 – Transmission of electricity by others.

Besides the NPC, the ECAM includes: (1) the Load Change Adjustment Revenues ("LCAR")<sup>1</sup>; (2) an adjustment for the treatment of coal-stripping costs; (3) a true-up of Renewable Energy Credit ("REC") revenues; (4) the Production Tax Credit ("PTC"); (5) the Lake Side 2 generation resource adder; and (6) a Resource Tracking Mechanism ("RTM"). The ECAM includes a 90/10 sharing band whereby customers pay/receive 90% of the increase/decrease for the NPC, the LCAR, and coal-stripping costs and the Company incurs/retains the remaining 10%.

For the second year, the ECAM also includes three components related to the 2017 Tax Reform Act as agreed to in the Tax Stipulation.<sup>2</sup> These items are: (1) the Company's tax savings from reduced federal income tax, which were not refunded to customers under Schedule 197; (2) 2019 protected property excess deferred income taxes ("EDIT"); and (3) 2019 non-protected and non-property EDIT. This year's ECAM also includes recovery of the 2013 incremental depreciation expense approved for deferral.<sup>3</sup>

The Commission first approved the annual ECAM in 2009. The mechanism has been modified several times since then. See Orders No. 30904, 32432, 32910, 33440, 33492, 33776, and 34331. ECAM rates are reflected in the Company's Electric Service Schedule No. 94.

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<sup>1</sup> The LCAR accounts track the over- or under-collection of the Company's energy-related production revenue requirement (excluding net power costs) due to variations in Idaho load. *Id.* at 7.

<sup>2</sup> See Order No. 34331.

<sup>3</sup> See Order No 33776.

## THE APPLICATION

The Company asked the Commission to: (1) approve the Company's deferral, for later recovery, of \$21.2 million in power supply costs during a Deferral Period running from January 1, 2019 through December 31, 2019 ("Deferral Period"); and (2) revise Electric Service Schedule No. 94, Energy Cost Adjustment. The Company indicated that if its Application were approved, the prices for customer classes would increase as follows:<sup>4</sup>

- Residential Schedule 1 – 2.2%
- Residential Schedule 36, Optional Time-of-Day Service – 2.6%
- General Service Schedule 6 – 3.1%
- General Service Schedule 9 – 3.6 %
- Irrigation Customers – 2.7%
- Commercial or Industrial Heating Schedule 19 – 2.9%
- General Service Schedule 23 – 2.5%
- General Service Schedule 35 – 3.7%
- Public Street Lighting – 1.2%
- Industrial Customer, Schedule 400 – 3.8%
- Industrial Customer, Schedule 401 – 3.9%

This ECAM includes a difference of about \$13.5 million between base NPC and actual NPC. It also includes LCAR credit of about \$800,000 and costs of about \$115,000 related to the accounting treatment of coal-stripping costs. (These figures are unadjusted for the 90/10 sharing band).

The deferral amount also includes about \$4.5 million associated with the Lake Side 2 resource adder, about \$4.7 million representing the difference between actual PTC and the base PTC embedded in rates, and \$500,000 for the RTM. In addition, it includes about \$32,000 in credit for the difference between actual REC revenue and the REC revenue in base rates.

The ECAM deferral amount is partially offset by about \$3.1 million in tax reform credits.<sup>5</sup> This amount includes about \$570,000 in tax savings due to the reduction of the federal income tax that was not refunded to customers under Schedule 197, about \$2.3 million in 2019 protected EDIT, and about \$2.1 million in 2019 non-protected EDIT.<sup>6</sup> These ECAM tax reform

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<sup>4</sup> Source: Application, Exhibit No. 2 to Direct Testimony of Robert M. Meredith; *See also*, News Release and Customer Notice filed with the Company's Application.

<sup>5</sup> *See* Direct Testimony of Steven McDougal at 5.

<sup>6</sup> *See* Table 1 of Direct Testimony of Steven R. McDougal at 5.

credits are partially reduced by about \$1.9 million in 2013 incremental depreciation expense assigned to the ECAM.

In summary, the ECAM balance of \$27.2 million at the end of the Deferral Period included \$21.2 million from the Deferral Period, plus \$6.1 million remaining balance from prior ECAM filings, reduced by about a \$100,000 credit balance in the depreciation regulatory asset. The Company estimated that the \$27.2 million would be reduced by approximately \$4.9 million from the Schedule 94 revenue collection less interest accrued from January 1 through May 31, 2020, resulting in an ECAM balance of about \$22.3 million. This balance was reduced by approximately \$3.1 million from tax savings from the 2017 Tax Reform Act resulting in a net balance of \$19.2 million to be collected.

### **THE COMMENTS**

Staff, PIIC, and three members of the public commented on the Company's Application. The Company also filed a reply to PIIC's comments. Staff supported the Company's proposed ECAM rates as filed, with no objection to the Company's calculations or analysis. PIIC's comments addressed several issues with power costs for repowering of wind farms and the assignment of state-specific expenses to the ECAM. The public comments all requested the Commission deny the Company's Application because it would increase rates. The comments are more thoroughly described below.

#### **A. *Commission Staff***

Staff's comments focused on: (a) Deferral Analysis; (b) NPC Analysis; and (c) Proposed Rates.

##### ***a. Deferral Analysis***

Staff reviewed the Company's external audit reports, journal entries, invoices, contracts, and customer bills. Based on this review, Staff believed the Company used accurate actual loads, prudently incurred actual costs and revenues, and applied the correct loads, costs, and revenues embedded in base rates. Additionally, Staff believed the Company's methodology complied with previous Commission orders.

Staff verified the calculations and adjustments in the Company's Application were accurate. Staff also verified the Company included certain savings from the 2017 Tax Reform Act, which the Commission has ordered be passed to consumer through the ECAM.

***b. NPC Analysis***

Staff separately analyzed the NPC to better understand the increased ECAM deferral and to provide a recommendation on prudence for actual NPC incurred by the Company. Staff concluded that 94% of the difference in the base-to-actual differences in NPC was due to reduced wholesale energy sales. Other major contributing factors in the NPC deferral included increases in purchased power (54%) and reduced coal costs (-49%). Staff opined that the Company likely used its own resources to meet customer demand instead of using them to generate revenues from outside sales. Staff also noted that wind generation (-26%) and hydro generation (-31%), both of which are zero fuel cost resources, generated significantly below what was assumed in base rates for the Deferral Period. Staff suggested this helped explain the higher fuel costs and additional reliance on the Company's own resources to serve its load instead of to make wholesale sales. The reduction in wind generation can be attributed to the nine repowering projects completed in 2019. These facilities will operate during the 2020 Deferral Period.

***c. Proposed Rates***

Staff verified that the Company calculated the proposed Schedule 94 rates using the method approved in Order No. 33440. Staff noted that the proposed revision to Schedule 94 would increase Company revenues by about 3%, with differences between classes due to rate design. Residential customers would experience an approximate 2.3% increase, or about \$2.04 per month for the average customer using 801 kWh per month.

***B. PIIC Comments***

PIIC questioned whether the ECAM should include the cost of repowering lost energy. PIIC recommended the Commission remove repowering test energy from the ECAM and that the costs of two non-Idaho jurisdictional expenses be situs assigned.

***a. Repowering Lost Energy***

PIIC noted that lost energy from repowering wind farms was a key cause in the difference between base-to-actual NPC, but the Company could not estimate its value. PIIC also stated that the Company could not cite any place in the record of Case No. PAC-E-17-06 where lost energy associated with repower was discussed. PIIC requested that the Commission consider whether it is appropriate to include the costs of repowering lost energy in the ECAM.

***b. Repowering Test Energy***

PIIC identified test energy expenses for repowering included in the ECAM. PIIC noted that test energy is an expense based on the market value of the energy less the cost of fuel. Therefore, the energy expense for repowering is the value of the energy produced while the facility is removed from service. PIIC argued that by including this expense in actual NPC, the Company had assigned a value to test energy that estimates the energy's value.

PIIC is concerned that the Company did not track or estimate the value of lost energy from repowering, but it did track and estimate the value of actual energy produced when the facilities were out of service and then removed the value from the NPC. Further, PIIC noted that the Company had no record of hourly electric prices in the Deferral Period, giving the Company no way to calculate the true value of the test energy.

PIIC recommended removing the repowering test energy cost from the ECAM.

***c. Allocation of State-Specific Purchases and Expenses***

In analyzing the Company's FERC Form 1, PIIC noted a power purchase expense for California Greenhouse Gas ("GHG") Allowance Purchases and another power purchase expense with the Utah Retail Solar Customers for net metering in Utah. PIIC recommended these costs be situs assigned to their respective states and excluded from the NPC.

***d. Additional Points***

PIIC noted that the Company had included approximately \$530,000 in revenues for assigned power purchase agreements from its Grant Meaningful Priority ("Grant") account in its FERC Account 461.1. PIIC argued that the costs of this contract would be included in the NPC, so it would be unreasonable to exclude the assignment of revenues from the ECAM.

Finally, PIIC asked that the Company be required to justify the prudence of the major Lakeside 2 outage that occurred during the Deferral Period.

***C. Company Reply Comments***

***a. Repowering Lost Energy***

The Company refuted PIIC's point that lost energy from repowering was not discussed in PAC-E-17-06 by citing direct testimony from that case discussing the annual change in coal generation due to wind repowering. The Company added that the incremental lost energy should be recoverable in the ECAM because the Commission determined the

repowering project was “prudent and in the public interest” in Case No. PAC-E-17-06 and “lost energy was considered in the project economics” at that time.

***b. Repowering Test Energy***

The Company stated that when test energy was generated during repowering, NPC was reduced by \$4.9 million. The Company removed the NPC savings by increasing NPC and crediting the Construction Work In-Progress account per FERC Electric Plant Instruction 3A, subsection 18. The Company argued that reducing the repowering test energy NPC, as suggested by PIIC, would double count the value of the test energy.

***c. Allocation of State-Specific Purchase and Expenses***

The Company stated that the California Independent System Operator (“CAISO”) requires the purchase of GHG allowances for wholesale market transactions within the state, including transfers in the Western Energy Imbalance Market (“EIM”). The Company added that wholesale sales and purchases with CAISO benefit customers in each jurisdiction and the GHG obligation is more than offset by the EIM savings. The Company noted that the GHG expense related to wholesale transactions in California and EIM transfers are separate from the retail GHG program for California customers.

The Company also responded that the Utah retail net metering program is situs assigned to Utah. The Company clarified that the Idaho customers receive an adjustment to the system-wide purchased power expense for the Utah retail net metering program. The adjustment reduces the rate Idaho customers pay for NPC expenses related to power purchased from Utah’s retail net metering program to near market price.

***d. Additional Points***

The Company noted that it has the option to take delivery under the Grant, and that it chose not to in 2019. Therefore, the Company stated it incurred no cost or revenue impacts for any ECAM accounts. By electing not to take the contract, it can sell the option. These are not power costs, so it recorded the revenues from the sale of the Grant option in FERC Account 456-Other Electric Revenue and not FERC Account 461.1. FERC Account 456 is not part of the Company’s NPC and therefore the revenues are excluded from the ECAM.

The Company responded to PIIC’s request to justify the prudence of the Lake Side 2 outage during the Deferral Period. The Company detailed the events that caused the prolonged

shutdown and the Company's and manufacturer's efforts to eventually return Lake Side 2 to service in early January 2020.

### **COMMISSION FINDINGS AND DECISION**

The Commission has jurisdiction over the Company's Application and the issues in this case under Title 61 of the Idaho Code including, *Idaho Code* §§ 61-501, -502, and -503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of all public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provisions of law, and to fix the same by order. *Idaho Code* §§ 61-501, -502, and -503. The Commission has thoroughly reviewed the Company's Application, including the attached testimony and exhibits, and the comments filed in PAC-E-20-02. Based on its review of the record, the Commission finds it fair, just, and reasonable to approve the Company's Application and adjustments to Schedule 94 as filed, effective June 1, 2020.

Specifically, the Commission finds that the Company's Application complies with the Commission's prior orders and directives concerning the recovery, through the ECAM, of deferred NPC incurred by the Company during the Deferral Period.

Accordingly, the Commission approves adding approximately \$21.2 million from the Deferral Period to the ECAM for recovery under Schedule 94.

The Commission acknowledges PIIC's comments. However, the Commission finds that the Company properly included costs associated with repowering test energy under FERC Electric Plant Instruction 3A, subsection 18. Further, the Commission finds that lost energy from repowering was considered in Case No. PAC-E-17-06 and, in this case, should be included. The Commission reminds the Company that finding the project "prudent and in the public interest" does not change or modify the Commission's authority to determine the prudence of individual costs when presented for recovery in customer rates. Finally, the Commission is satisfied with the Company's explanations of the California GHG expenses related to CAISO requirements, the Utah retail net metering expense treatment, and the justification of the expenses related to the Lakeside 2 outage in 2019.


### **ORDER**

IT IS HEREBY ORDERED the Commission approves the Company's Application. The proposed Schedule 94 is approved, as filed, with new rates effective June 1, 2020.



THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order regarding any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

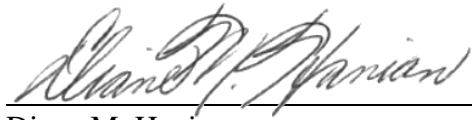
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 29<sup>th</sup> day of May 2020.

  
PAUL KJELLANDER, PRESIDENT

  
KRISTINE RAPER, COMMISSIONER

  
ERIC ANDERSON, COMMISSIONER

ATTEST:

  
Diane M. Hanian  
Commission Secretary

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