BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION REQUESTING APPROVAL OF $16.1 MILLION NET POWER COST DEFERRAL (ECAM)	))))	**CASE NO. PAC-E-21-09** **ORDER NO. 35055**

On March 31, 2021, PacifiCorp dba Rocky Mountain Power ("Company") applied for Commission authorization to adjust its rates under the Energy Cost Adjustment Mechanism ("ECAM"). The Company sought an order approving the Company's: (1) deferral, for later recovery through rates, of $16.1 million in costs; and (2) revised Electric Service Schedule No. 94, Energy Cost Adjustment, which would reflect the ECAM adjustment and decrease the Company's Schedule 94 revenues by approximately $3.1 million.

On April 16, 2021, the Commission issued a Notice of Application and Modified Procedure, setting comment deadlines. Order No. 35006. P4 Production, L.L.C. ("Bayer") and PacifiCorp Idaho Industrial Customers ("PIIC") petitioned to intervene, and the Commission granted their petitions. Order Nos. 35009 and 35027. Commission Staff filed written comments correcting the Company's deferral amount, and the Company filed reply comments agreeing with Staff's correction. No public comments were received.

Having reviewed the record, the Commission approves the Company's Application as discussed below.

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. These costs vary with changes in the Company's fuel (gas and coal) costs, surplus power sales, power purchases, and associated transmission. The Company tracks the 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. Neither the Company nor its shareholders receive any financial return as a result of this filing.

Besides the NPC difference, this year's ECAM includes: (1) the Load Change Adjustment Revenues (LCAR); (2) an adjustment for coal-stripping costs; (3) a true-up of 100% of the incremental Renewable Energy Credit revenues; (4) Production Tax Credits; (5) the Lake Side 2 generation resource adder; and (6) a resource tracking mechanism. The ECAM includes a "90/10 sharing band" in which customers pay/receive 90% of the increase/decrease in the difference between actual NPC and base NPC, LCA, and the coal-stripping costs; and the Company incurs/retains the remaining 10%.

The Commission first approved an annual ECAM in 2009, and the mechanism has been modified several times since then. ECAM rates are reflected in Electric Service Schedule No. 94.

THE APPLICATION

In its present Application, the Company asked the Commission to approve the Company's: (1) deferral, for later recovery through rates, of $16.1 million in costs; and (2) revised Electric Service Schedule No. 94, Energy Cost Adjustment, which would reflect the ECAM adjustment and decrease the Company's Schedule No. 94 revenues by approximately $3.1 million. The Company stated that if its proposal is approved, prices for customer classes would decrease as follows:

- Residential Customers – (0.8%)
- Residential Schedule 36, Optional Time-of-Day Service – (0.9%)
- General Service Schedule 6 – (1.1%)
- General Service Schedule 9 – (1.2%)
- Irrigation Customers – (1.0%)
- Commercial or Industrial Heating Schedule 19 – (1.0%)
- General Service Schedule 23 – (0.9%)
- General Service Schedule 35 – (1.3%)
- Public Street Lighting – (0.4%)
- Industrial Customer, Schedule 400 – (1.3%)
- Industrial Customer, Schedule 401 – (1.3%)

Application, Meredith Direct, Exhibit No. 2. The Company asked that its proposed Schedule No. 94 take effect on June 1, 2021.

STAFF COMMENTS

Staff believes the Company's deferral methodology complies with Commission orders. During its review, however, Staff discovered an anomaly in line loss data. A faulty meter between the Idaho and Utah jurisdictions resulted in the anomaly and the Company overstating the line loss in Idaho. As explained by the Company to Staff:

> A meter on the line between the Tresureton, Idaho and Wheelon, Utah substations had a partial failure on one phase of the three phases in July of 2019. Initially the failure occurred intermittently and continued to increase until ultimately the meter was only registering approximately 68 percent of the actual energy. The line flow on this line is typically from Idaho to Utah, resulting in the meter registering too little power leaving Idaho overstating Idaho load at input.

Staff Comments at 9 (quoting email from the Company). Line loss is reflected in the ECAM as a necessary cost of delivering energy to Idaho ratepayers. The Company acknowledged the error and provided Staff with recalculated exhibits for both this year's ECAM and last year's ECAM. Staff noted these corrected exhibits show a $2,888,457 reduction in the 2019 deferral and a $1,289,754 reduction in the 2020 deferral—in total, a $4,178,211 deferral reduction. If approved, this would reduce the Company's ECAM deferral from the requested $16.1 million to $12.0 million.

The Company also provided a corrected Schedule No. 94 to Staff, reflecting the adjustments described above. Staff verified the rates calculated in revised Schedule No. 94 are consistent with Commission order. Staff recommended the Commission a) approve the deferral amount of $12.0 million for recovery; b) approve the rates as described in the Company's revised Exhibit No. 2; and c) approve the corrected Schedule No. 94. The revised Exhibit No. 2 and corrected tariff are attached to Staff Comments as Attachment A.

a. Idaho's share of line loss

As a result of analyzing the calculation of line loss in Idaho for purposes of the ECAM, Staff believes the Company's line-loss formula may allocate more line-loss costs to Idaho customers than is fair. As explained by Staff:

> At the most basic level, the amount of actual load allocated to a jurisdiction is calculated by netting energy flow into and out of each jurisdiction while accounting for the amount of energy generated within its borders over the same time period. The Company's method can be described by the following equation:
>
> ***Actual Load at input = Input at borders + Generation within borders – Output at borders***
>
> Although the Company can account for 100% of the load for the whole system using this method, Staff is concerned that the energy flowing into and then out of the State to be consumed by customers in other jurisdictions may be unfairly

> allocating line-loss-related actual costs to Idaho for energy flowing through the State not consumed by Idaho customers.

Staff Comments at 10. Staff identified several reasons the Company's formula might not fairly allocate line-loss costs to Idaho customers. First, Staff noted that due to Idaho's geographical position in the Company's system, most of the energy that passes into Idaho simply passes through Idaho and is not consumed in Idaho. Second, Idaho's line loss (8.3%) is significantly higher than the Company's system line losses (7.2%). Staff noted that Idaho's line loss should be significantly lower than the Company's total system line losses because much of the energy consumed in Idaho is taken at transmission-level voltages. "Approximately 40% of Idaho's load comes from a single industrial customer that takes service at transmission level voltages, which typically has line losses between 3% and 4%." Staff Comments at 11. Staff stated it will continue to investigate the Company's method for calculating line loss for Idaho ratepayers.

COMPANY REPLY

The Company agreed with Staff's recommendations, and recommended approval of the corrected Schedule No. 94. The Company briefly addressed Staff's concerns about the Company's line-loss allocation methodology. The Company concluded, "It is reasonable to expect each jurisdiction to compensate the Company for the losses unique to that jurisdiction. As a beneficiary of the interconnected grid with basically no generation in-state, it is fair for Idaho customers to compensate the Company for the reliability and economic benefit that comes from the system." Company Reply at 3.

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 reviewed the Company's Application, including the attached testimony and exhibits, Staff's comments, and the Company's reply comments. Based on its review of the record, the Commission finds it fair, just, and reasonable to approve the Company's Application with the corrections Staff identified in its comments ("Revised

Application"). We approve the adjustments to Schedule No. 94 as corrected by the Company in its May 27, 2021 filing[1], effective June 1, 2021.

Specifically, the Commission finds that the Company's Revised 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 the ECAM deferral amount of $12.0 million for recovery under Schedule No. 94. We commend Staff for finding and investigating the data anomaly that ultimately led to the $4,178,211 deferral correction. This correction directly benefits Idaho ratepayers. We accept the Company's explanation that the line-loss numbers in this geographical area were not significantly outside of historical averages and therefore the Company did not immediately identify the faulty meter. We encourage the Company to monitor its line loss numbers more closely to avoid a similar error in the future.

ORDER

IT IS HEREBY ORDERED that the Commission approves the Company's Revised Application. The proposed Schedule No. 94—as filed by the Company on May 27, 2021—is approved, with new rates effective June 1, 2021.

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.

///

[1] While the proposed Schedule No. 94 provided to Staff and attached to Staff's comments correctly calculated the rates, the header and footer of the tariff had minor errors. The Company filed a tariff correcting these minor errors on May 27, 2021.

DONE by order of the Idaho Public Utilities Commission at Boise, Idaho this 28th day of May 2021.

PAUL KJELLANDER, PRESIDENT

KRISTINE RAPER, COMMISSIONER

ERIC ANDERSON, COMMISSIONER

ATTEST:

Jan Noriyuki
Commission Secretary

I:\Legal\ELECTRIC\PAC-E-21-09_ECAM\orders\PACE2109_Final_mh.docx