

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER RAPER
COMMISSION SECRETARY
LEGAL
WORKING FILE

FROM: MARK ROGERS

DATE: SEPTEMBER 4, 2015

SUBJECT: ROCKY MOUNTAIN POWER'S REVISIONS TO THE BPA
RESIDENTIAL EXCHANGE PROGRAM (REP) CREDIT, SCHEDULE
34; TARIFF ADVICE NO. 15-04.

On August 20, 2015, Rocky Mountain Power, a division of PacifiCorp, filed a tariff advice with the Commission to revise its Electric Service Schedule No. 34, Pacific Northwest Electric Power Planning and Conservation Act Residential and Farm Kilowatt-hour Credit (the "REP" Credit). Rocky Mountain proposes that the rate credit be increased from the existing 0.3095¢ per kilowatt-hour to 0.7762¢ per kWh to be effective October 1, 2015. This credit reflects the increased level of benefits allocated to eligible Idaho consumers from the Bonneville Power Administration's (BPA) Residential Exchange Program (REP), plus amortization of the remaining balance from the prior REP allocation.

BACKGROUND

This rate credit is designed to pass through to qualifying customers the REP benefits that PacifiCorp receives from the BPA. The REP was designed to allow the residential and small-farm customers of investor owned utilities (IOUs) in the northwest to share in the benefits of the federal Columbia River Power System. PacifiCorp passes these benefits to its qualifying customers through a rate credit on monthly electric bills. The rate credit applies to residential and small-farm customers served under Schedules 1, 6A, 7A, 10, 23A, 35A, 36, 19 with 6A, 19 with 23A and 19 with 35A.

On July 26, 2011, the BPA adopted a settlement agreement that included the six IOUs, the three state commissions (including this commission), the BPA staff, and nearly all of the

customer-owned utilities (COUs). The settlement agreement fixed over a 17-year period the total amount of REP benefits to be paid to all IOUs. The fixed REP benefits are allocated to the different utilities based on each utility's relative qualifying load, Average System Cost (ASC) and Priority Firm (PF) Exchange Rate determined by the BPA.¹

The Settlement Agreement also includes a "Reallocation Adjustment" that reallocates benefits amongst the six IOUs to adjust for the various amounts of "Lookbacks" that each of the IOUs had repaid to the BPA in prior years. After the BPA calculates the ASC, it is further adjusted for these reallocations to arrive at the final REP figure for each IOU. Since the BPA calculates the total amount of REP benefits every two years in conjunction with a BPA rate case, the ASC for each IOU has changed this year, and will remain the same the following year.

THE TARIFF ADVICE

The proposed increase in the rate credit reflects both the FY16-17 REP benefits as well as an under-refunded balance from the existing rate credit. PacifiCorp's share of the FY16-17 REP benefits is \$129.94 million, or \$64.97 million per fiscal year. PacifiCorp's Tariff Advice 15-04 proposes to allocate to Idaho customers \$12.69 million or \$7.88 million per fiscal year. The under-refunded balance for Idaho customers from the existing rate credit is \$3.07 million. This results in a total of \$15.76 million to be disbursed to Idaho customers over the next two fiscal years (October 1, 2015 through September 30, 2017). The projected usage during this time period is 2,030,478,000 kWhs, which leads to a rate credit of 0.7762¢ per kWh. For the average PacifiCorp residential customer using 840 kWh per month, the increase in credit would result in a decreased monthly bill of \$3.45.²

STAFF ANALYSIS

During the previous tariff advice in Case No. PAC-E-13-11, Staff entered into discussions with PacifiCorp concerning jurisdictional treatment of the "reallocation adjustment"; more specifically, what percent of the allocation payment each jurisdiction would pay, and what percent of the allocation benefit each would receive. Staff and PacifiCorp eventually agreed to

¹ When PacifiCorp's ASC is higher than the PF Exchange rate, The REP credit flows to PacifiCorp. If the ASC is lower than the PF exchange rate then there are no benefits to pass on to the IOUs eligible customers. The BPA calculates each IOU's ASC, and PF Exchange Rate.

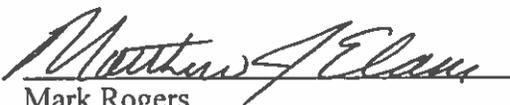
² Average monthly use taken from PAC-E-13-11 press release from Order No. 32901.

the difference in allocations based upon lookback payments associated with NorthWestern and Idaho Power. The final recommendation by Staff in the 2013 case was to close the docket, accepting the REP credit as calculated by PacifiCorp.³

Given the previous resolution of the reallocation issue, Staff believes that no further adjustments are necessary. Consequently, Staff believes that the proposed credit of 0.7762¢ per kWh has been computed consistently with past years, and is fair and reasonable. The proposed rate credit is more than double the existing rate credit of 0.3095¢ per kWh. The large increase in the REP credit reflects both a large increase in the allocation of REP benefits to PacifiCorp, as well as an increase in the under-refunded balance remaining in the REP account.

COMMISSION DECISION

Does the Commission wish to approve Rocky Mountain Power's proposed change to its BPA residential and small farm energy rate adjustment credit from the existing 0.3095¢ per kWh to 0.7762¢ per kWh to be effective October 1, 2015?

for 
Mark Rogers

Udmemos/PacifiCorp Advice 15-04 BPA dec memo

³ Decision Memorandum filed December 20, 2013 in Case No. PAC-E-13-11.