

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF ROCKY MOUNTAIN POWER FOR) CASE NO. PAC-E-12-03
AUTHORITY TO INCREASE RATES)
THROUGH THE ENERGY COST) ORDER NO. 32597
ADJUSTMENT MECHANISM (ECAM))**

On February 1, 2012, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “Company”) submitted its annual Energy Cost Adjustment Mechanism (“ECAM”) Application in accordance with *Idaho Code* §§ 61-502, 61-503 and Rule 52. On February 15, 2012, the Commission issued a Notice of Modified Procedure establishing a comment deadline of March 13, 2012.

On March 20, 2012, the Commission issued Order No. 32493 granting Monsanto Company’s (“Monsanto”) Petition to Intervene and Monsanto’s Motion to Extend the Comment Deadline until March 20, 2012. Comments were submitted by Commission Staff (“Staff”) and Monsanto, and Rocky Mountain submitted reply comments.

On March 30, 2012, the Commission issued final Order No. 32507 approving Rocky Mountain Power’s ECAM Application with certain adjustments.¹ On April 20, 2012, Monsanto filed a Petition for Reconsideration of final Order No. 32507. Monsanto’s Petition for Reconsideration consisted of a Brief in Support of its Petition and attached testimony from witnesses Mark T. Widmer and Kathryn A. Iverson.

On May 18, 2012, the Commission issued Reconsideration Order No. 32554 granting in part and denying in part Monsanto’s Petition for Reconsideration. The Commission granted reconsideration and ordered that representatives of Rocky Mountain Power, Monsanto, and Staff (collectively referred to as the “Parties”) participate in a workshop to discuss and develop recommendations regarding the following issues:

1. The appropriate load split percentage (normalized and actual) for Monsanto, Agrium and the Company’s remaining tariff customers;
2. The proper apportionment and attribution of “line losses” occurring on Rocky Mountain Power’s Idaho system to specific customer groups; and

¹ An Errata to Final Order No. 32507 was issued on April 3, 2012.

3. Scheduling of Rocky Mountain Power's future ECAM filings.

The Commission denied reconsideration on the "forced outage" issue presented in Monsanto's Petition.

On June 4, 2012, the Parties participated in a workshop to discuss and develop recommendations for resolution of the three issues referenced above. On June 26, 2012, each of the Parties individually submitted for approval written recommendations to the Commission.

ROCKY MOUNTAIN POWER'S ECAM APPLICATION

Rocky Mountain Power requested the Commission approve the recovery of power costs deferred for the period of December 1, 2010 through November 30, 2011. Application at 1. The Company is requesting approval to recover an additional \$18.1 million in the deferral balancing account (tariff customers \$10.425 million; Agrium \$511,600; and Monsanto \$7.196 million). *Id.*

To recover its ECAM deferral costs, Rocky Mountain proposes to adjust Schedule 94 (Energy Cost Adjustment rates) to collect approximately \$13.0 million over the period beginning April 1, 2012 through March 31, 2013. This represents a rate increase of \$2.6 million over the current Schedule 94 rates in effect as approved in Order No. 32216 (Case No. PAC-E-11-07). *Id.* at 2. Rocky Mountain requested an effective date of April 1, 2012, for the proposed Schedule 94 rate changes. *Id.*

Rocky Mountain noted that "effective January 1, 2011, Monsanto and Agrium's loads are included in the calculation of the ECAM balances in this ECAM filing." *Id.* at 5. Pursuant to a stipulation approved by the Commission in Order No. 32432 (Case No. PAC-E-11-12), the Company will amortize and collect Monsanto and Agrium's share of the Commission-approved 2011 ECAM balances over a three-year period. Order No. 32432 at 4, 8-11.

Rocky Mountain did not request a change in the ECAM surcharge rate to recover the full \$24.1 million projected to accumulate in the ECAM deferral balancing account. Application at 9. The Company asserted that "approximately \$3.0 million of the balance will be recovered through Schedule 94 rates from December 1, 2011 to March 31, 2012." *Id.* The Company stated that it intends to address the remaining balance "in future ECAM filings." *Id.* Rocky Mountain projected that "an increase in the collection rate this year would be followed by a decrease in the rate next year." *Id.*

MONSANTO COMMENTS AND RECOMMENDATIONS

In its remarks, Monsanto acknowledged that Staff and Rocky Mountain “are in agreement with a proposal for splitting jurisdictional Base load and apportioning 2011 actual load in order to determine the Load Differential used in the calculation of the Load Change Adjustment (“LCA”) portion of the ECAM (“the Proposal”).” *Monsanto Comments* at 2. Monsanto accepts this Proposal to be applied to the Company’s 2012 ECAM, as well the Company’s next ECAM filing in February 2013. *Id.* Nevertheless, Monsanto suggests that the issue of how “interrupted energy” or “buy-through energy” should be treated in the ECAM should be preserved for debate and resolution in the Company’s next general rate case filing. *Id.*

Until such time, Monsanto states that it “is willing to accept Staff and the Company’s approach to not remove ‘replacement’ energy from Monsanto’s Base loads for purposes of determining the Load Differential.” *Id.* at 5.

Monsanto recommended the split of base jurisdictional energy loads be developed by starting with monthly energy at input for Monsanto, Agrium and the remaining tariff customers. *Id.* at 6. Each group’s monthly energy input should then be compared to the values found in Exhibit No. 2 (PAC-E-10-07) monthly base jurisdictional loads. *Id.* After determining monthly adjustment factors for wholesales energy sales losses, monthly wholesales energy sales losses should then be applied to the monthly energy at input for each group “so that all customers share equitably in those wholesales energy sales losses.” *Id.* Monsanto believes “that all parties are in agreement with this split of Base load.” *Id.*

Monsanto understands that the proposal accepted by the Parties “includes ‘replacement’ energy for purposes of the Load Differential.” *Id.* Monsanto believes that adding “back all economic curtailment – whether bought through or not – to the actual loads for purposes of the Load Differential . . . is necessary in order to keep the Load Differential reflective of load changes that are outside the control of the Company.” *Id.* “The LCA portion of the ECAM should not penalize Monsanto for any ‘declining load’ based upon economic curtailments, whether bought-through or not.” *Id.*

Monsanto does not recommend an adjustment to actual loads for interruptions associated with system integrity and operating reserves. *Id.* However, Monsanto believes that the issue “warrants additional review in the future.” *Id.* Monsanto states that all Parties agree that for the actual loads used for the load differential, Agrium and Monsanto’s actual loads are

increased by the transmission losses of 3.605% and increased by the monthly wholesale energy sales losses adjustment factors. *Id.* at 8.

Monsanto states that Rocky Mountain has agreed to provide quarterly ECAM reports and designate a contact person to provide supporting information, answer questions and address problems concerning the ECAM calculations in advance of the February 1 annual filing. *Id.* at 8-9.

STAFF COMMENTS AND RECOMMENDATIONS

Staff addressed the issue of the “proper apportionment and attribution of line losses” by asserting that “the ECAM used an improper transmission line loss adjustment factor that understated Monsanto and Agrium’s base load allocation and recommends using the class cost of service loads as a surrogate for allocation purposes.” *Staff Comments on Reconsideration* at 3. Staff believes that Monsanto’s “replacement energy” should not be removed from the base load value included in Monsanto’s original ECAM filing. *Id.* at 4. Staff included a calculation for these recommendations as Attachment B to its reconsideration comments. *Id.* The resulting difference to the base load value over the ECAM test year from the base load used in Commission Order No. 32507 is -12,642 for Monsanto, Agrium and remaining tariff customers. *Id.*

Staff’s proposed method of allocation utilizes a “class” allocation of loads typically used for cost-of-service purposes as a surrogate to the “system” line loss adjustment factor utilized by the Company in its initial filing. *Id.* at 4-5. According to Staff, this approach is more in line with the Commission’s directive in Order No. 32507 “that base load established in a general rate case and embedded in base rates should not be changed in the ECAM.” *Id.* at 5.

Staff agrees that the Company’s stated position “that the amount included in base load is assumed to be served without curtailment,” is supported by Appendix D of the 2010 Jurisdictional Protocol. *Id.* Staff explained that because the cost to serve the Monsanto loads was included in revenue requirement in the Company’s last general rate case, any adjustment to base load for replacement energy in the ECAM would be improper. *Id.*

Although Staff believes that total load used to develop base rates should not be adjusted in this ECAM, Staff agrees that actual loads for Monsanto and Agrium “at generation need to be adjusted for losses associated with moving wholesale energy sales so they are comparable to Staff’s method of customer allocated base loads at generation.” *Id.* at 6.

“Monsanto and total retail actual loads need to be adjusted for ‘economic’ curtailment related energy so that the Company doesn’t double recover energy-related fixed costs in the Load Change Adjustment (LCAR) mechanism.” *Id.* Staff’s approach yields a resulting yearly change to actual load for net power cost (-4,472) and LCAR purposes (11,495) from the base load found in Order No. 32507. *Id.*

Staff noted that per the Company’s filing and in accordance with Order No. 32507, “RMP is currently able to recover energy-related fixed cost of load economically curtailed through the Load Change Adjustment (LCAR) portion of the ECAM.” *Id.* at 7 Staff believes that this must be corrected to avoid allowing the Company a “double recovery of energy-related fixed costs associated with load that is economically curtailed.” *Id.*

In contrast, Staff maintains that reliability-related curtailment is not something the Company is able to control. *Id.* “It is a system requirement and a normal cost of doing business which is part of the Company’s mandate as a public utility to serve.” *Id.* “Therefore, Staff believes that the Company should receive recovery of energy-related fixed cost for curtailed loads associated with system reliability.” *Id.*

However, Staff believes that the choice to economically curtail is within the Company’s control and should be viewed as a “sunk cost embedded in rates.” *Id.* Staff asserted that if Monsanto is curtailed Rocky Mountain will almost certainly recover its fixed costs because it will either sell the generation at a higher price or it will avoid a more expensive energy purchase. *Id.* at 8. “The ability of RMP to fully recover the fixed energy costs associated with economic curtailment without LCAR recovery forms the basis of Staff’s proposed adjustment.” *Id.*; Atch. D (Staff’s calculation for LCAR adjusted actual load is equal to actual retail sales load plus load that was economically curtailed.) *Id.*

Addressing the ECAM scheduling issue, Staff noted that the Company agreed to provide prospective intervenors the same quarterly ECAM deferral reports currently distributed to the Commission. *Id.* at 8. The Company agreed to develop a comprehensive confidentiality agreement that would cover the distribution of the quarterly ECAM deferral reports and other ECAM relevant information from the Company that would help intervening parties expedite the discovery process. *Id.*

Staff believes that the Commission should direct the Company to develop a comprehensive confidentiality agreement that could cover the distribution of quarterly ECAM

deferral reports and any other ECAM relevant information that would allow intervening parties to expedite the discovery process. *Id.* at 9. The Commission should order the Company to provide the same quarterly ECAM deferral reports currently distributed to the Commission to any potential intervening party that signs the confidentiality agreement. *Id.*

Staff stated that Monsanto and the Company have accepted its proposal for calculating deferred ECAM costs. *Id.* at 9. Based on the Parties' agreement and general acceptance of Staff's proposed methodology, Staff made the following recommendations regarding the three issues outlined by the Commission in Order No. 32554:

1. Adopt Staff's method for calculating and allocating normalized and actual load for Monsanto, Agrium, and the Company's remaining tariff customers for future ECAMs.
2. Accept and approve for recovery Staff's adjusted Idaho ECAM deferred cost of \$6,783,223 for Monsanto, \$469,272 for Agrium, and \$10,457,450 for remaining tariff customers for a total balance of \$17,709,945 for the December 1, 2010 through November 30, 2011 deferral period (does not include previously approved 2nd year amortization from last year's Load Change Adjustment).
3. Continue all customer rates, including Schedule 400 and 401, as recently approved in Commission Order No. 32507.
4. Direct the Company to develop a comprehensive confidentiality agreement that would cover the distribution of quarterly ECAM deferral reports and any other ECAM relevant information that would allow intervening parties to expedite the discovery process.
5. Direct the Company to provide the same quarterly ECAM deferral reports currently distributed to the Commission to any potential intervening party that signs the confidentiality agreement.

Id.

ROCKY MOUNTAIN COMMENTS AND RECOMMENDATIONS

As mentioned above, Rocky Mountain Power recommended the Commission accept Staff's proposal and order the agreed upon revisions to base load for line losses and Monsanto replacement energy and line losses for actual load. Further, the Company respectfully requests that the Commission reconsider inclusion of the LCAR as a component of the ECAM.

LEGAL STANDARDS FOR RECONSIDERATION

“Within twenty-one (21) days after the service date of . . . any final order, any person interested in a final order or any issue decided in a final order of the Commission may petition for reconsideration. . . .” Commission Rule of Procedure 331, IDAPA 31.01.01.331.01. Answers to petitions for reconsideration “must be filed according to the procedures for cross-petitions for reconsideration.” *Id.*, IDAPA 31.01.01.331.05.

Reconsideration provides an opportunity for a party to bring to the Commission’s attention any question previously determined and thereby affords the Commission with an opportunity to rectify any mistake or omission. *Washington Water Power Co. v. Kootenai Environmental Alliance*, 99 Idaho 875, 879, 591 P.2d 122, 126 (1979). The Commission may grant reconsideration by reviewing the existing record by written briefs, or by evidentiary hearing. *See* Commission Rule of Procedure 311, IDAPA 31.01.01.311.03.

If reconsideration is granted, “the matter must be reheard, or written briefs, comments or interrogatories must be filed, within thirteen (13) weeks after the date for filing petitions for reconsideration.” *Idaho Code* § 61-626(2). “The commission must issue its order upon reconsideration within twenty-eight (28) days after the matter is finally submitted for reconsideration.” *Id.* Commission Rule 311 “determines when a matter that is reconsidered is finally submitted for purposes of Section 61-626. . . .” Commission Rule of Procedure 332, IDAPA 31.01.01.332. A matter is deemed “submitted for decision . . . no later than twenty-eight (28) days after hearing is closed when a hearing is held. . . .” Commission Rule of Procedure 311, IDAPA 31.01.01.311.

COMMISSION FINDINGS AND DECISION

In response to Monsanto’s Petition for Reconsideration, the Commission ordered the Parties to participate in a workshop discussion in order to develop a methodology, to be used in the Company’s future ECAM filings, for the proper attribution of “line losses” to specific customer groups and the appropriate split of Rocky Mountain’s Idaho jurisdictional base load between Monsanto, Agrium and its remaining tariff customers. Order No. 32554 at 5. The Parties were also ordered to present recommendations addressing scheduling and disclosure issues for the Company’s subsequent ECAM filings. *Id.* at 8-9.

The Commission has carefully reviewed the various filings containing the Parties’ recommendations and finds that the proposed adjustments to Rocky Mountain’s ECAM

Application presented by Staff, and agreed to by Monsanto and Rocky Mountain, are fair, just and reasonable. The Commission finds that the recommendations put forth by the Parties represent a consensus resolution of the issues outlined by the Commission in Order No. 32554.

The Parties' proposed adjustments, incorporating a more accurate line loss factor, 3.605%, and methodology for the assignment of an appropriate load percentage to Monsanto, Agrium and remaining tariff customers, constitute reasonable approaches addressing complex and novel issues arising out of the Company's first attempt to recover ECAM costs from Monsanto and Agrium. In light of this unique circumstance, the Commission acknowledges the Parties' considerable efforts in working through these issues and presenting consensus recommendations.

As we noted in our prior Orders, "Monsanto's request to extend the length of review for Rocky Mountain Power's future ECAM Applications is reasonable." Order No. 32507 at 2; (*see also* Order No. 32554 at 8). The Commission finds that the Company's acquiescence to provide relevant information on a quarterly basis will enable "a full and insightful analysis of the Company's ECAM Application. . . ." Order No. 32554 at 8. The Commission orders Rocky Mountain to prepare a confidentiality agreement conforming to the Commission's rules. Inasmuch as a party has dutifully complied with the terms of said confidentiality agreement, the Commission directs the Company to transmit copies of its quarterly ECAM reports, and other relevant information relating to the ECAM filing, to all interested parties, including Monsanto.

Therefore, after a careful review of the record, the Commission adopts the Parties' recommendations more fully discussed herein. The Commission finds that our decision to accept the Parties' proposed adjustments to the Company's ECAM filing are based upon substantial evidence.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, and the issues presented in Case No. PAC-E-12-03 pursuant to Idaho Code, Title 61, and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that, in accordance with the Commission's findings and decision in Order No. 32554, the Commission adopts the Parties' recommendations regarding (1) the appropriate load split percentage (normalized and actual) for Monsanto, Agrium and the

Company's remaining tariff customers; (2) the proper apportionment and attribution of "line losses" occurring on Rocky Mountain's Idaho system to specific customer groups; and (3) scheduling of Rocky Mountain's future ECAM filings, outlined and more fully described above.

Therefore, Rocky Mountain's Idaho ECAM deferral balance shall be adjusted to assign costs of \$6,783,223 for Monsanto, \$469,272 for Agrium, and \$10,457,450 for remaining tariff customers for a total balance of \$17,709,945 for the December 1, 2010 through November 30, 2011 ECAM deferral period.

IT IS FURTHER ORDERED that the Company shall develop a comprehensive confidentiality agreement, conforming to the Commission rules, in order to facilitate the distribution of its quarterly ECAM reports to interested parties, including Monsanto.

THIS IS A FINAL ORDER ON RECONSIDERATION. Any party aggrieved by this Order or other final or interlocutory Orders previously issued in this Case No. PAC-E-12-03 may appeal to the Supreme Court of Idaho pursuant to the Public Utilities Law and the Idaho Appellate Rules. *See Idaho Code § 61-627.*

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 20th day of July 2012.


PAUL KJELLANDER, PRESIDENT


MACK A. REDFORD, COMMISSIONER


MARSHA H. SMITH, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

O:PAC-E-12-03_np6_Reconsideration