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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Intervention Deadline in Order No. 32460 issued on February 15, 2012, submits the following comments.

BACKGROUND

On February 1, 2012, PacifiCorp dba Rocky Mountain Power ("RMP" or "Company") submitted its annual Energy Cost Adjustment Mechanism ("ECAM") filing in accordance with *Idaho Code* §§ 61-502 and 61-503, and Rule of Procedure 52. RMP proposes that revised ECAM rates be effective April 1, 2012.

On September 29, 2009, the Commission issued Order No. 30904 approving the implementation and submission of an annual ECAM filing by the Company. The costs included in the ECAM are net power costs ("NPC"), as defined in the Company's general rate cases and modeled by the Company's GRID model. Base and actual NPC are booked into specific Federal Energy Regulatory Commission (FERC) accounts. The ECAM process allows the Company to credit or collect 90 percent of the difference between the actual NPC incurred to serve its Idaho customers and the NPC collected through rates. RMP defers the difference into an ECAM balancing account.

The ECAM includes five additional components: an amount calculated using the Load Growth Adjustment Rate ("LGAR") or Load Change Adjustment Rate ("LCAR"), a credit for SO2 allowance sales, an adjustment for the treatment of coal stripping costs, a renewable resource adder for renewable resource costs that were not yet in rates, and a true-up of renewable energy credit ("REC") revenues as authorized by the Commission in Order No. 32196. The ECAM includes a 90 percent (customers)/10 percent (Company) "sharing" arrangement wherein customers pay/receive the increase/decrease in actual NPC compared to base NPC and RMP incurs/retains the remaining 10 percent of the cost difference.

RMP is requesting a Commission Order approving the recovery of power costs deferred by the Company for the period of December 1, 2010 through November 30, 2011. RMP is requesting Commission approval to add approximately $18.1 million to the ECAM deferral balancing account.

RMP also proposes to adjust Schedule 94 to collect approximately $13.0 million over the period beginning April 1, 2012 through March 31, 2013, representing an increase of $2.6 million over Schedule 94 rates currently in effect as approved in Order No. 32216 of Case No. PAC-E-11-07.

RMP's Application states that, effective January 1, 2011, Monsanto and Agrium's loads are included in the calculation of the ECAM balances in this ECAM filing. 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.

RMP does not request a change in the ECAM surcharge rate to recover the full $24.1 million currently residing in the ECAM deferral balancing account. RMP believes that approximately $3.0 million of the balance will be recovered through Schedule 94 rates from December 1, 2011 to March 31, 2012.

The Company intends to address the remaining balance in future ECAM filings. RMP projects that any increase in the collection rate this year would be followed by a decrease in the rate next year.

STAFF REVIEW

Overview

RMP incurs power costs that are difficult to project in a general rate case due to their unpredictable nature. The overall purpose of the Energy Cost Adjustment Mechanism is to ensure the Company is able to recover these costs when expenses are higher than expected or that customers receive a credit when expenses are lower than expected (subject to cost sharing provisions). The ECAM primarily tracks all components of net power costs modeled in the Company's "GRID" model included in base rates through general rate cases and collects or credits the accumulated difference between total Company base net power costs ("Base NPC") and the total Company actual net power costs ("Actual NPC"). These costs are tracked over an annual deferral period currently established as December 1 through November 30. Once approved by the Commission, the ECAM is reflected in Schedule 94 as a surcharge or credit to base rates which form the customer's overall energy rate on a cents-per-kilowatt-hour basis. This rate is effective for a one year period, currently from April 1 of the current year through March 31 of the following year. New for this year, the ECAM is applicable to all customer classes, including Schedule 400 and 401 contract customers (Monsanto Co. and Agrium, Inc.).[1]

The primary components of the ECAM are base and actual NPC booked to the following FERC accounts:

- Account 447 – Sales for resale, excluding on-system wholesale sales and other revenues that are not modeled in GRID.
- Account 501 – Fuel, steam generation, excluding fuel handling, start-up fuel/gas,[2] diesel fuel, residual disposal and other costs that are not modeled in GRID.
- Account 503 – Steam from other sources.
- Account 547 – Fuel, other generation.
- Account 555 – Purchased power, excluding BPA residential exchange credit pass-through, if applicable.
- Account 565 – Transmission of electricity by others (wheeling).

[1] Tariff contract loads (Monsanto and Agrium) are subject to ECAM cost deferral starting on January 1, 2011 per Commission Order No. 30904 (Case No. PAC-E-08-08).

[2] Start-up fuel is accounted for separately from the primary fuel for steam-powered generation plants. Start-up costs are not accounted for separately for natural gas plants, and therefore all fuel for natural gas plants is included in the determination of both base NPC and actual NPC.

In addition to the comparison of actual NPC to base NPC, the ECAM includes five other components: (1) the Load Change Adjustment; (2) a credit for the sale of SO2 emission credits; (3) a Renewable Resource Adder for renewable resource costs not in base rates; (4) an adjustment for the regulatory treatment of coal-stripping cost (EITF 04-06) [3] ; and (5) a true-up of actual Renewable Energy Credit (REC) revenues against those included in rates.

Under the ECAM, the Company and its ratepayers allocate the difference between actual costs and costs included in rates using a 90 percent Customer and 10 percent Company sharing arrangement.[4] This means that Customers are only obligated to pay 90 percent of the cost difference when actual costs are higher than costs embedded in base rates, but will receive a credit of only 90 percent of the cost difference when actual costs are below those embedded in rates. This sharing only applies to cost associated with the NPC, Load Change Adjustment, SO2 sales, and coal stripping cost deferrals. It is not applied to the renewable resource adder or to REC revenue which are allocated 100 percent to customers.[5]

The Current Application

As illustrated in the table below, the Company seeks approval to add $18.1 million to the ECAM balancing account for the deferral period from December 1, 2010 through November 30, 2011. This represents a 42 percent increase in the total deferral over last year's ECAM Application of $12.8 million.[6] Although all of the Company's requested deferral was approved in last year's case, approximately $2.4 million of the Load Change Adjustment was amortized and held over for recovery this year.[7] This, along with the estimated under collection, brings the account balance to approximately $24 million by the end of the 2011deferral period which is subject to surcharge collection.

[3] See Commission Order No. 30987, Case No. PAC-E-09-08.

[4] See Commission Order No. 30904, Case No. PAC-E-08-08.

[5] See Commission Order No. 32196, Case No. PAC-E-10-07.

[6] See Commission Order No. 32216, Case No. PAC-E-11-07.

[7] The second year amortization for the Load Change adjustment in Commission Order No. 32216 was approximately $2.6 million. The amortization is subject to 90/10 sharing resulting in a $2.4 million deferral cost as reflected in the above table.

Company Proposal	Tariff Customers	Monsanto	Agrium	Total
Calculation of Deferral (Dec. 2010 thru Nov. 2011)				
NPC Differential for Deferral	10,532,075	7,460,738	576,204	18,569,017
Load Change Adjustment	(237,317)	105,158	(44,888)	(177,047)
SO2 Credit	(5,722)	(4,420)	(331)	(10,474)
EITF 04-6 Adjustment	68,315	21,620	2,145	92,079
Total NPC Differential + Adjustments	10,357,350	7,583,095	533,130	18,473,575
Customer Sharing	90%	90%	90%	90%
Customer Responsibility (with sharing)	9,321,615	6,824,785	479,817	16,626,217
Renewable Resource Adder	282,851			282,851
REC Deferral	821,390	371,539	31,817	1,224,746
Company Recovery for 2011 Deferral Period	10,425,857	7,196,325	511,633	18,133,815
Company Recovery for 2010 Yr. 2 LCAR Ordered Amortization	2,378,721	0	0	2,378,721
Total Company Recovery for Deferral	12,804,578	7,196,325	511,633	20,512,536
Balancing Account				
Beginning Balance (as of Nov. 30, 2010)	11,181,331			11,181,331
ECAM Revenue Collection (Dec. 1, 2010 thru Nov. 30, 2011)	(7,821,058)			(7,821,058)
Interest	189,858			189,858
Estimated Undercollection (on Nov. 30, 2011)	3,550,131	0	0	3,550,131
Total Company Recovery for Deferral (see above)	12,804,578	7,196,325	511,633	20,512,536
Ending Balance subject to Surcharge Collection (on Nov. 30, 2011)	16,354,709	7,196,325	511,633	24,062,667
Tariff 94 Collection - Dec. 1, 2011 thru Mar. 31, 2012	(3,000,000)			(3,000,000)
Tariff 94 Collection - Apr. 1, 2012 thru Mar. 31, 2013	(10,450,734)	(2,409,685)	(171,269)	(13,031,688)
Ending Balance after Estimated Collection (Mar. 31, 2013)	2,903,975	4,786,640	340,364	8,030,979

The Company is not seeking to collect the entire $24 million because it is anticipating that "an increase in the collection rate this year would be followed by a decrease in the rate next year."[8] It is seeking approval to collect an estimated $13.0 million from April 1, 2012 through March 30, 2013 through Schedule 94 ECAM rates. The increase in the ECAM surcharge[9] consists entirely of new Tariff 94 revenue from contract customers Monsanto and Agrium. The Company is not requesting an increase to other Tariff customers' rates in this year's Application.

The only Schedule 94 rates the Company is proposing to change in this Application are for special contract customers Monsanto and Agrium (Schedule 400 and 401, respectively). Prior to the end of calendar year 2010, Monsanto and Agrium were not subject to the ECAM. Beginning January 1, 2011, by Commission Order, Monsanto and Agrium are subject to the ECAM.[10] Furthermore, both customers share of the Commission-approved 2011 ECAM balances are to be amortized and collected over three years.[11] The Application's impact to revenue and rates for both customers are shown in the table below.

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[8] RMP Application, Case No. PAC-E-12-03.

[9] Commission approved $10.4 million for recovery in Commission Order No. 32216, Case No. PAC-E-11-07.

[10] See Commission Order No. 30904, Case No. PAC-E-08-08.

[11] See Commission Order No. 32432, Case No. PAC-E-11-12.

Schedule 94 Rate Impacts	ECAM Rate	Revenue Impact	% Revenue Impact
Schedule 400	0.175 cents/kWh	$ 2,410,000	3.3%
Schedule 401	0.164 cents/kWh	$ 171,000	3.2%
Total – (Idaho Jurisdiction)		$ 2,581,000	1.1%

Analysis of Application

Staff's review of the Company's ECAM filing focused on three different areas. First, Staff reviewed the overall proposal and verified the validity of the proposed cost deferral relative to the Company's operating conditions and environment. Second, Staff reviewed the method and basis used to calculate cost deferrals, account balances, and rates to ensure they were correctly and accurately applied relative to previous Commission Orders. Third, Staff performed an audit of contracts and components of actual cost to ensure completeness and accuracy compared to what was used in the Company's filing. As a result of the review, Staff believes the following to be accurate:

1. The 42 percent increase in the cost deferral for this year's ECAM ($18.1 million) over last year's filing (12.8 million) is mainly due to the inclusion of Monsanto and Agrium. Previously these costs were absorbed by RMP and reduced earnings;
2. Approximately 92 percent of the total cost deferral is due to an increase in the NPC differential primarily caused by unrealized electricity sales in the wholesale market;
3. An incorrect transmission line loss percentage reduces the Company's Cost Deferral recovery by $2,004 (the Company has agreed to this correction);
4. Except for the incorrect line loss percentage noted above, all figures used to form the base cost for deferral were established based on previous Commission Orders;
5. Actual costs used to compare against the base cost were audited with no major inconsistencies found that would change the filing; and
6. The method used by the Company was accurately and correctly applied based on previous Commission Orders and all costs included in the filing were comprehensive and complete.

While performing its review, Staff discovered an error in the transmission line loss percentage used to determine cost deferrals in the Company's filing. The table below highlights Staff's proposed adjustment to the Company's filing. Details of the changes using Exhibit No. 1 from the Company's Application are included in Attachment A. The Company incorrectly used a 4.543 percent transmission line loss percentage across the entire 12-month deferral period. Staff and the Company agree that this percentage should have only been used for the first 27 days during

December 2010, which corresponds to the effective period for the 2008 rate case.[12] The remaining deferral period should have used a transmission line loss percentage of 3.605 percent authorized in the 2010 rate case.[13] If Staff's adjustment is accepted by the Commission, the effect of this error amounts to a $2,004 reduction in the total ending deferral balance subject to surcharge collection from $24,062,667 to $24,060,663.

Staff's Transmission Line Loss Adjustment	**Tariff Customers**	**Monsanto**	**Agrium**	**Total**
Calculation of Deferral (Dec. 2010 thru Nov. 2011)				
NPC Differential for Deferral	10,604,372	7,393,798	571,035	18,569,205
Load Change Adjustment	(371,075)	226,551	(35,191)	(179,715)
SO2 Credit	(5,765)	(4,381)	(328)	(10,474)
EITF 04-6 Adjustment	68,546	21,426	2,126	92,098
Total NPC Differential + Adjustments	10,296,078	7,637,394	537,642	18,471,114
Customer Sharing	90%	90%	90%	90%
Customer Responsibility (with sharing)	9,266,470	6,873,655	483,878	16,624,003
Renewable Resource Adder	283,124			283,124
REC Deferral	824,967	368,206	31,531	1,224,703
Company Recovery for 2011 Deferral Period	10,374,561	7,241,861	515,409	18,131,830
Company Recovery for 2010 Yr. 2 LCAR Ordered Amortization	2,378,721	0	0	2,378,721
Total Company Recovery for Deferral	12,753,282	7,241,861	515,409	20,510,551
Balancing Account				
Beginning Balance (as of Nov. 30, 2010)	11,181,331			11,181,331
ECAM Revenue Collection (Dec. 1, 2010 thru Nov. 30, 2011)	(7,821,058)			(7,821,058)
Interest	189,858			189,839
Estimated Undercollection (on Nov. 30, 2011)	**3,550,131**	**0**	**0**	**3,550,112**
Total Company Recovery for Deferral (see above)	12,753,282	7,241,861	515,409	20,510,551
Ending Balance subject to Surcharge Collection (on Nov. 30, 2011)	**16,303,413**	**7,241,861**	**515,409**	**24,060,663**
Tariff 94 Collection - Dec. 1, 2011 thru Mar. 31, 2012	(3,000,000)			(3,000,000)
Tariff 94 Collection - Apr. 1, 2012 thru Mar. 31, 2013	(10,450,734)	(2,409,685)	(171,269)	(13,031,688)
Ending Balance after Estimated Collection (Mar. 31, 2013)	**2,852,679**	**4,832,176**	**344,140**	**8,028,975**

Although the overall change to the Company is small, the largest and most important effect of the error is the allocation of cost to Monsanto, Agrium, and the balance to the Company's Tariff customers. Because Monsanto and Agrium's ECAM balances are subject to a three-year amortization, the Company's filing requires the separation of all ECAM related costs and account balances between the three groups of customers, which are allocated based on actual load. A change in the transmission line loss percentage changes the allocation from the Company's Application, increasing the ECAM deferral for Monsanto and Agrium by $45,536 and $3,776, respectively, while decreasing Tariff customers' deferral by $51,296. The largest effect of the re-allocation is due to the Load Change Adjustment. The proportional decrease in load impacts Monsanto and Agrium's loads

[12] See Case No. PAC-E-08-07.

[13] See Case No. PAC-E-10-07.

more than other Tariff customers. Since the Load Change Adjustment cost is inversely proportional to growth in load, Monsanto and Agrium's higher load decrease resulted in a proportionately higher allocation of load change adjustment cost. The net effect of Staff's transmission line loss adjustment is summarized in the table below.

Net Affect of Staff's Adjustment on Customers	**Tariff Customers**	**Monsanto**	**Agrium**
Calculation of Deferral (Dec. 2010 thru Nov. 2011)			
NPC Differential for Deferral	72,297	(66,940)	(5,169)
Load Change Adjustment	(133,758)	121,393	9,697
SO2 Credit	(43)	39	3
EITF 04-6 Adjustment	231	(194)	(19)
Total NPC Differential + Adjustments	(61,272)	54,299	4,512
Customer Sharing	90%	90%	90%
Customer Responsibility (with sharing)	(55,145)	48,870	4,061
Renewable Resource Adder	273	0	0
REC Deferral	3,577	(3,333)	(286)
Company Recovery for 2011 Deferral Period	**(51,296)**	**45,536**	**3,776**
Company Recovery for 2010 Yr. 2 LCAR Ordered Amortization	**0**	**0**	**0**
Total Company Recovery for Deferral	**(51,296)**	**45,536**	**3,776**
Balancing Account			
Beginning Balance (as of Nov. 30, 2010)	0	0	0
ECAM Revenue Collection (Dec. 1, 2010 thru Nov. 30, 2011)	0	0	0
Interest	0	0	0
Estimated Undercollection (on Nov. 30, 2011)	**0**	**0**	**0**
Total Company Recovery for Deferral (see above)	(51,296)	45,536	3,776
Ending Balance subject to Surcharge Collection (on Nov. 30, 2011)	**(51,296)**	**45,536**	**3,776**
Tariff 94 Collection - Dec. 1, 2011 thru Mar. 31, 2012	0	0	0
Tariff 94 Collection - Apr. 1, 2012 thru Mar. 31, 2013	0	0	0
Ending Balance after Estimated Collection (Mar. 31, 2013)	**(51,296)**	**45,536**	**3,776**

Details of Staff's analysis for each component of cost included in the deferral are shown in the following subsections. Monsanto and Agrium were not subject to ECAM deferral until January 2011. This required the Company to allocate December 2010 NPC differentials and other ECAM component costs to Tariff customers only. Staff believes that the method used by the Company for calculating and separating each set of customer's costs was fair and reasonable. Staff recognizes that the Company will need to keep this separation (Monsanto, Agrium, and Tariff customers) for at least the next four ECAM filings due to the Commission approved amortization.[14] No additional mention of this separation will be given in the detailed analysis below unless important differences from this general methodology exist. Finally, all further analysis reflects Staff's line loss adjustment.

[14] See Commission Order No. 32216, Case No. PAC-E-11-07.

Net Power Cost Differential – The NPC differential is the main reason RMP's ECAM exists. The NPC differential is the difference between NPC embedded in base rates and actual NPC accumulated across the deferral period. It makes up more than 92 percent of the total cost for the 2011 deferral period (factoring the 90/10 sharing arrangement) in this year's filing. Staff confirmed that Idaho's jurisdictional share of NPC differential was $18.6 million (Company Exhibit No. 1, line 13, Dec. 2010 – Nov. 2011), and after sharing, passes approximately $16.7 million (Company Exhibit No. 1, line 47, Dec. 2010 – Nov. 2011) to customers in the ECAM surcharge.

The primary driver causing the $18.6 million differential was mainly due to lost opportunity sales of wholesale electricity. Idaho's share of the shortfall between sales included in the base and actual sales realized during the deferral period was $34.5 million. Staff agrees with the Company that this was likely due to a drop in wholesale market prices and a reduction in the amount of electricity the Company could sell compared to quantities projected in rate cases. The effects were moderated by lower purchase power and natural gas fuel actual costs (both approximately $8 million, Idaho's share) compared to amounts included in the base. A summary of the Idaho differences between base and actual NPC are illustrated in the table below.

Idaho Share of Net Power Cost (millions)		Base		Actual		Difference
Wholesale Market Sales	$	(55.1)	$	(20.7)	$	34.5
Purchased Power Cost	$	37.9	$	29.9	$	(8.0)
Natural Gas Fuel Cost	$	29.7	$	21.8	$	(8.0)
Wheeling Cost	$	7.8	$	8.1	$	0.3
Coal Fuel Cost	$	39.7	$	39.5	$	(0.2)
Other Generation	$	0.2	$	0.2	$	(0.0)
Total	**$**	**60.2**	**$**	**78.8**	**$**	**18.6**

Staff analyzed the Company's filing and found that the base NPC used to calculate the deferral balance was established and approved in Commission Orders[15] and appropriately applied. Additionally, Staff's analysis did not reveal unreasonable transactions.

Staff's conclusion was reached after reviewing base NPC from GRID as approved by the Commission in rate cases and transactions in FERC accounts used to record net power costs. Specifically, base and actual NPC include amounts booked to the following FERC accounts: Account 447 (sales for resale, excluding on-system wholesale sales and other revenues not modeled in GRID); Account 501 (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 sources);

[15] See Case Nos. PAC-E-08-07 and PAC-E-10-07.

Account 547 (fuel, other generation); Account 555 (purchased power, excluding BPA residential exchange credit pass-through if applicable); and Account 565 (transmission of electricity by others).

Load Change Adjustment - This symmetrical adjustment covers fixed production costs that are embedded in the energy portion of base rates that: (1) are credited to customers by adjusting for any over collection when loads are greater than projected, or (2) allows for utility cost recovery when loads are less than projected. The adjustment is subject to the 90/10 sharing stipulated in Commission Order No. 30904. Staff believes the base load projections and Load Change Adjustment Rates used to calculate the adjustment were approved by Commission Orders and correctly applied in the Company's filing. Other than the line loss error mentioned previously, Staff believes the actual loads and fixed production costs in energy rates used to calculate the adjustment were accurate based on the audit.

Three separate LCAR's were used in the current filing. Each was based on allocated costs authorized by the general rate case in effect for associated months in the deferral period.[16] However, the method of calculation for the Load Change Adjustment Rate (LCAR), formally known as the Load Growth Adjustment Rate (LGAR), was changed effective April 1, 2011.[17] The primary change was to limit fixed production cost recovery to those embedded in the Company's energy allocated fixed costs. In RMP's case, this was 25 percent of the previous LCAR, reducing it from $21.89 per MWh to $5.47 per MWh.

This year's Load Change Adjustment, with Staff's line loss adjustment, accounted for a $179,715 credit back to customers because actual loads were 2,657 MWh higher than normalized loads used to calculate the base in the applicable general rate cases. This is significantly less than the Load Change Adjustment surcharge of $4.8 million in last year's ECAM. Because of the large size of last year's adjustment, approximately $2.4 million was carried over for recovery from last year's two-year Commission authorized amortization.[18] Staff verified that the amortization was not included in either Monsanto or Agrium's ECAM balances as approved in the Commission's Order.

SO2 Credits – Idaho customers were credited with $10,474 in SO2 sales in the Company's filing down from $84,516 last year. This is based on Idaho's jurisdictional allocation of RMP's total system SO2 sales and the 90/10 sharing ordered by the Commission in Case No. PAC-E-08-08. Staff

[16] See Case No. PAC-E-08-07 for period December 1–27, 2010 and Case No. PAC-E-10-07 for Dec. 28–Nov. 30, 2011. Effective April 1, 2011, due to Case No. GNR-E-10-03, LCAR was reduced to 25 percent of previous LCAR.

[17] See Commission Order No. 32206, Case No. GNR-E-10-03.

[18] See Commission Order No. 32216, Case No. PAC-E-11-07.

reviewed the Company's method for calculating the credit and audited actual SO2 sales and believes the amount included in the Company's filing is accurate. It was unaffected by Staff's proposed transmission line loss adjustment.

Idaho EITF 04-6 Deferral – The EITF-04-6 Deferral reflects the amortization of coal stripping cost for regulatory purposes as directed in Commission Order No. 30987.[19] This regulatory account was created following FASB Accounting Pronouncement EITF 04-06 requiring stripping cost be recorded on the Company's books at 100 percent of the cost during each month it occurs. The total EITF 04-6 Coal Stripping Deferral adjustment with Staff's adjustment is calculated to be a $92,098 surcharge to Idaho customers. The calculation is subject to the 90/10 sharing. Other than the Transmission Line Loss adjustment, Staff believes that the Company's calculation is accurate and reflects the proper regulatory treatment.

Renewable Resource Adder – This is the last ECAM filing that includes the Renewable Resource Adder. Through Order No. 30904 (PAC-E-08-08), this adjustment allows the ECAM to include the cost for renewable resources that were on-line but not included in base rates.[20] The ECAM filing reflects these costs up until December 27, 2010, when they were included in base rates through General Rate Case No. PAC-E-10-07. Staff calculated Idaho customers' share of this cost to be $283,124 after accounting for Staff's line loss adjustment. No sharing is applied.

Renewable Energy Credits Adjustment – As approved in Commission Order No. 32196 (PAC-E-10-07), the Company reflects the difference between REC revenue included in base rates and actual REC revenue. No sharing is applied which means that 100 percent of the total difference is a surcharge or credit to customers. Staff calculated the difference between the base and accrued REC revenue to be a surcharge of $1,224,703. Staff based its calculation on the Company's filing but included the line loss adjustment which Staff believes accurately reflects the appropriate REC adjustment.

Interest – As required by Commission Order No. 30904, the Company included interest on monthly deferral balances at the Commission approved customer deposit interest rate of one percent for 2010 and 2011. Staff calculates the interest amount to be $189,839 after accounting for the transmission line loss adjustment.

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[19] See Case No. PAC-E-09-08.

[20] See Case No. PAC-E-08-07.

Analysis of ECAM Rates

The Company has proposed to maintain current rates for retail customers other than Agrium and Monsanto. The Company proposes to establish new Schedule 94 rates for Agrium at 0.164 cents/kWh and Monsanto at 0.175 cents/kWh. Staff believes the methodology used by the Company to establish these new rates is reasonable. The methodology meets the intent generally defined in Commission Order No. 30904[21] and meets the three-year amortization requirements authorized by Order No. 32432 from the last general rate case.[22]

The Company predicts the proposed ECAM rate structure will generate a combined total of $13 million in revenue from April 1, 2012 through March 31, 2013. With the addition of $3 million the Company is predicting to receive in revenue from the previous ECAM case[23] and $5.2 million to be collected from contract customers' remaining two-year amortization, this leaves a net $2.8 million for future recovery. Staff recognizes that carrying an unrecovered balance forward to next year's ECAM could result in higher ECAM rates than would otherwise occur. However, in an effort to promote rate stability, Staff accepts the Company's proposal to maintain existing ECAM rates with the expectation that rates will not increase next year.

The Company used the correct transmission line loss percentage when developing the loss differentiated rates for both Monsanto and Agrium. However, the incorrect transmission line loss percentage used in calculating the deferral cost would increase the size of Monsanto and Agrium's rates by approximately 0.001 cents/kWh, if the adjusted deferral balances were used. Staff believes the impact is relatively small and the original rates proposed by the Company should be implemented since future deferral balances will be trued up in next year's ECAM using Staff's adjusted deferral balances as a starting point, if authorized.

CUSTOMER RELATIONS

Customer Notice and Press Release

The Customer Notice and Press Release were included in Rocky Mountain Power's Application. The Press Release was compliant with Procedural Rule 125, IDAPA 31.01.01.125.

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[21] See Case No. PAC-E-08-08.

[22] See Case No. PAC-E-11-12.

[23] See Commission Order No. 32216, Case No. PAC-E-11-07.

However, Staff found the Customer Notice to be difficult to understand and believes that many customers may have had the same difficulty. Staff's primary concerns with the Customer Notice centered on the Company's use of undefined terminology such as "energy balancing account" as well as references to tariff schedules by number without providing definitions or explanations. Staff did not ask RMP to re-write its Customer Notice because when the concerns were identified, the Customer Notices had been printed and were already being inserted into customers' monthly statements. However, Staff suggests that when RMP files its next ECAM, that prior to mailing, the Company provide a draft of its Customer Notice and Press Release to Staff for review.

The Customer Notices were mailed to RMP's customers with cyclical billings beginning February 8, 2012 and ending March 7, 2012.

Customer Comments

Customers were given until March 13, 2012 to file comments. As of March 13, 2012, no customers had filed comments. On March 15, 2012, one comment was received. That customer opposed an increase in rates.

STAFF RECOMMENDATIONS

Staff makes the following recommendations for adoption and authorization by the Commission.

1. Accept and approve for recovery Staff's adjusted Idaho ECAM deferral balance of \$7,241,861 for Monsanto, \$515,409 for Agrium, and \$10,374,561 for remaining Tariff customers for a grand total of \$18,131,830 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).
2. Approve the transmission loss differentiated energy rate to be included in Schedule 94 for Schedule 400 of 0.175 ¢/kWh.
3. Approve the transmission loss differentiated energy rate to be included in Schedule 94 for Schedule 401 of 0.164 ¢/kWh.
4. Approve the continuation of Tariff customers' current rates.

Staff recommends that these rates become effective April 1, 2012 as requested by the Company.

Respectfully submitted this 20th day of March 2012.

Neil Price
Deputy Attorney General

Technical Staff: Patricia Harms
Mike Louis
Marilyn Parker
Keith Hessing

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Attachment A (Commission Staff Transmission Line Loss Adjustement)
Idaho ECAM Deferral
December 2010 through November 2011

Line No.			Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Line Loss Adjustment Totals	RMP Application Totals	Change
1	Base NPC Rate ($/MWh) - See (1) below		16.93	14.76	14.63	15.38	16.64	17.06	17.31	21.60	22.89	20.75	17.28	17.77			
2	Total Company Adjusted Actual NPC ($)		95,757,018	107,401,699	102,209,579	99,507,678	96,035,896	96,927,539	103,624,344	140,645,161	147,796,095	122,984,469	110,065,405	121,246,771	1,344,201,655	1,344,201,655	0
3	Actual Retail Load (MWh)		5,261,325	5,299,026	4,692,843	4,882,154	4,531,018	4,505,487	4,632,662	5,367,046	5,321,022	4,680,341	4,621,700	4,859,771	58,654,395	58,654,395	0
4	Actual NPC ($/MWh)	= Line 2 / Line 3	18.20	20.27	21.78	20.38	21.20	21.51	22.37	26.21	27.78	26.28	23.81	24.95			
5	NPC Differential $/MWh	= Line 4 - Line 1	1.27	5.51	7.15	5.00	4.55	4.46	5.05	4.61	4.88	5.53	6.54	7.18			
6	Actual Tariff Customer Load		153,250	160,331	141,729	136,017	124,858	145,712	221,350	357,395	213,794	175,314	128,163	138,879	2,096,791	2,083,491	(13299)
7	Actual Monsanto Load			129,817	109,200	128,159	124,430	125,155	126,916	130,231	123,394	92,830	132,304	126,605	1,349,041	1,361,254	12214
8	Actual Agrium Load			10,731	9,477	10,513	10,174	9,834	4,821	9,295	9,530	9,547	10,087	9,591	103,599	104,537	938
9	Actual Idaho Load (MWh)		153,250	300,879	260,406	274,689	259,461	280,701	353,088	496,921	346,717	277,691	270,554	275,075	3,549,431	3,549,283	(148)
10	**Tariff Customer NPC for Deferral**	= Line 5 * Line 6	193,993	883,662	1,013,681	680,331	568,724	649,500	1,118,712	1,647,210	1,043,905	969,554	838,063	997,037	10,604,372	10,532,075	(72298)
11	**Monsanto NPC for Deferral**	= Line 5 * Line 7		715,485	781,021	641,030	566,773	557,869	641,439	600,228	602,501	513,387	865,139	908,925	7,393,798	7,460,738	66941
12	**Agrium NPC for Deferral**	= Line 5 * Line 8		59,141	67,784	52,584	46,340	43,835	24,367	42,838	46,531	52,800	65,959	68,854	571,035	576,204	5170
13	**Total NPC Differential for Deferral ($)**		193,993	1,658,288	1,862,486	1,373,945	1,181,838	1,251,204	1,784,519	2,290,276	1,692,937	1,535,742	1,769,161	1,974,816	18,569,204	18,569,017	(187)
14	Tariff Customer Base Load		175,051	144,717	119,568	135,644	129,164	181,576	233,767	288,806	245,224	162,268	139,580	137,975	2,093,340	2,093,340	0
15	Monsanto Base Load			138,565	117,487	124,170	124,111	124,052	119,988	122,207	122,094	120,978	120,235	117,407	1,351,296	1,351,296	0
16	Agrium Base Load			10,384	9,340	9,340	9,340	9,340	7,692	9,340	9,340	9,340	9,340	9,340	102,138	102,138	0
17	Total Base Load		175,051	293,666	246,395	269,155	262,615	314,969	361,447	420,354	376,659	292,587	269,155	264,722	3,546,774	3,546,774	0
18	Tariff Customer Load Differential	= Line 6 - Line 14	(21,801)	15,614	22,162	372	(4,306)	(35,865)	(12,417)	68,589	(31,430)	13,046	(11,417)	904	3,450	(9,849)	(13299)
19	Monsanto Base Load Differential	= Line 7 - Line 15		(8,748)	(8,288)	3,989	319	1,103	6,928	8,024	1,299	(28,148)	12,069	9,198	(2,255)	9,959	12214
20	Agrium Base Load Differential	= Line 8 - Line 16		346	137	1,173	833	494	(2,871)	(46)	189	207	747	250	1,461	2,399	938
21	Difference Base Load to Actual Load		(21,801)	7,213	14,011	5,535	(3,154)	(34,268)	(8,359)	76,567	(29,941)	(14,896)	1,398	10,352	2,657	2,509	(148)
22	Load Change Adjustment Rate (LCAR) ($/MWH) (2)		18.05	21.89	21.89	21.89	5.47	5.47	5.47	5.47	5.47	5.47	5.47	5.47			
23	**Tariff Customer LCA**	= -Line 18 x Line 22	393,453	(341,798)	(485,122)	(8,153)	23,554	196,180	67,920	(375,181)	171,923	(71,360)	62,453	(4,943)	(371,075)	(237,317)	133758
24	**Monsanto Base LCA**	= -Line 19 x Line 22		191,489	181,418	(87,329)	(1,743)	(6,032)	(37,896)	(43,892)	(7,107)	153,972	(66,018)	(50,313)	226,551	105,158	(121393)
25	**Agrium Base LCA**	= -Line 20 x Line 22		(7,584)	(3,002)	(25,672)	(4,559)	(2,702)	15,702	249	(1,036)	(1,132)	(4,085)	(1,370)	(35,191)	(44,888)	(9698)
26	**Load Change Adjustment Revenues**		393,453	(157,893)	(306,706)	(121,154)	17,252	187,446	45,726	(418,824)	163,780	81,479	(7,649)	(56,626)	(179,715)	(177,047)	2667
27	SO2 Allowances Sales		-	-	($78,000)	($41,737)	($4,505)	$0	($40,509)	$0	$0	$0	$0	$0	(164,750)	(164,750)	0
28	Idaho SE Factor		6.5570%	6.3575%	6.3575%	6.3575%	6.3575%	6.3575%	6.3575%	6.3575%	6.3575%	6.3575%	6.3575%	6.3575%			
29	Idaho Allocated SO2 Allowance Sales	= Line 27 x Line 28	-	-	(4,959)	(2,653)	(286)	-	(2,575)	-	-	-	-	-	(10,474)	(10,474)	0
30	Idaho Allocated EITF 04-6 Deferral Adjustment		33,727	(11,997)	(20,948)	(11,103)	(50,550)	(33,494)	(33,248)	47,975	31,771	46,838	78,031	30,412	107,414	107,414	0
31	Total Adjustments		33,727	(11,997)	(25,906)	(13,756)	(50,836)	(33,494)	(35,824)	47,975	31,771	46,838	78,031	30,412	96,940	96,940	0
32	Tariff Customer - ID Load %		54.59%	53.29%	54.43%	49.52%	48.12%	51.91%	62.69%	71.92%	61.66%	63.13%	47.37%	50.49%			
33	Monsanto - ID Load %			43.15%	41.93%	46.66%	47.96%	44.59%	35.94%	26.21%	35.59%	33.43%	48.90%	46.03%			
34	Agrium - ID Load %			3.57%	3.64%	3.83%	3.92%	3.50%	1.37%	1.87%	2.75%	3.44%	3.73%	3.49%			
35	**Tariff Customer Adjustments**	= Line 31 x Line 32	18,410	(6,393)	(14,100)	(6,812)	(24,463)	(17,387)	(22,458)	34,504	19,591	29,570	36,964	15,354	62,781	62,592	(188)
36	**Monsanto Adjustments**	= Line 31 x Line 33		(5,176)	(10,864)	(6,418)	(24,379)	(14,934)	(12,877)	12,573	11,307	15,657	38,158	13,997	17,045	17,199	154
37	**Agrium Adjustments**	= Line 31 x Line 34		(428)	(943)	(526)	(1,993)	(1,173)	(489)	897	873	1,610	2,909	1,060	1,797	1,814	16
38	**Total Adjustments**		18,410	(11,997)	(25,906)	(13,756)	(50,836)	(33,494)	(35,824)	47,975	31,771	46,838	78,031	30,412	81,623	81,605	(18)
39	Tariff Customer NPC Differential + LCA + SO2 + EITF	= Sum of Lines 10, 23, 35	605,855	535,470	514,459	665,367	567,814	828,293	1,164,175	1,306,532	1,235,419	927,764	937,480	1,007,448	10,296,078	10,357,350	61272
40	Monsanto NPC Differential + LCA + SO2 + EITF	= Sum of Lines 11, 24, 36	-	901,798	951,576	547,283	540,651	536,904	590,666	568,910	606,701	683,016	837,279	872,610	7,637,394	7,583,095	(54299)
41	Agrium NPC Differential + LCA + SO2 + EITF	= Sum of Lines 12, 25, 37	-	51,130	63,839	26,385	39,789	39,960	39,580	43,985	46,368	53,278	64,784	68,544	537,641	533,130	(4511)
42	Total NPC Differential + LCA + SO2 + EITF		605,855	1,488,398	1,529,874	1,239,035	1,148,254	1,405,157	1,794,421	1,919,427	1,888,488	1,664,058	1,839,543	1,948,602	18,471,113	18,473,575	2462
43	Customer / Company Sharing ratio		90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%			
44	**Tariff Customer NPC Differential + LCA + SO2 + EITF Deferral**	= Line 39 x Line 43	545,270	481,923	463,013	598,830	511,033	745,464	1,047,757	1,175,879	1,111,877	834,988	843,732	906,704	9,266,470	9,321,615	55145
45	**Monsanto NPC Differential + LCA + SO2 + EITF Deferral**	= Line 40 x Line 43	-	811,618	856,418	492,554	486,586	483,213	531,600	512,019	546,031	614,715	753,551	785,349	6,873,654	6,824,785	(48869)
46	**Agrium NPC Differential + LCA + SO2 + EITF Deferral**	= Line 41 x Line 43	-	46,017	57,455	23,747	35,810	35,964	35,622	39,587	41,731	47,950	58,305	61,689	483,877	479,817	(4060)
47	**Customer / Company Sharing (90/10)**		545,270	1,339,558	1,376,887	1,115,131	1,033,429	1,264,641	1,614,979	1,727,484	1,699,639	1,497,652	1,655,589	1,753,742	16,624,001	16,626,217	2216
48	Renewables Generation (MWhs)		155,931														
49	Renewable Adder Rate per MWh		$55.00														
50	Total Renewable Resources Adder	= Line 48 x Line 49	8,576,210														
51	Idaho SG Factor		6.0479%														
52	Idaho Allocation	= Line 50 x Line 51	518,681														
53	Idaho Tariff Customers Percent		54.59%														
54	Renewable Resources Adder	= Line 52 x Line 53	283,124												283,124	282,851	(273)

Attachment A
Case No. PAC-E-12-03
Staff Comments
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