

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL

**FROM:** NEIL PRICE  
DEPUTY ATTORNEY GENERAL

**DATE:** FEBRUARY 15, 2013

**SUBJECT:** ROCKY MOUNTAIN POWER'S APPLICATION TO INCREASE RATES THROUGH ITS ENERGY COST ADJUSTMENT MECHANISM (ECAM), CASE NO. PAC-E-13-03

On February 1, 2013, 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. The Company requests an effective date of April 1, 2013, for the proposed increase in Idaho rates. RMP requests that this matter be processed through Modified Procedure.

### THE FILING

RMP is requesting a Commission Order approving the recovery of power costs deferred for the period of December 1, 2011 through November 30, 2012 ("Deferral Period"). *Application* at 1. RMP is requesting approval to recover approximately \$15.9 million in deferred net power costs. *Id.*

RMP's Application seeks to revise Schedule 94, Energy Cost Adjustment, to recover approximately \$15.2 million in total deferred net power costs for the collection period beginning April 1, 2013 through March 31, 2014. *Id.* RMP states that this amount represents an increase of approximately \$2.2 million over current Schedule 94 rates, *see* Order No. 32597 (Case No. PAC-E-12-03), and will apply exclusively to Monsanto and Agrium. *Id.* at 1-2. The Company is proposing no increase to the standard tariff customers. *Id.* at 2, 7. Similarly, RMP requests that the Schedule 94 increase become effective on April 1, 2013. *Id.* at 2.

RMP estimated Monsanto (\$6.3 million) and Agrium's (\$.5 million) share in the deferral period. *Id.* at 5. This filing includes the first amortized payment of those amounts, approximately \$2.1 million for Monsanto and approximately \$0.1 million for Agrium. *Id.*

As background, the Company recounts that on September 29, 2009, the Commission issued Order No. 30904 approving the implementation of an annual ECAM. *Id.* at 3. 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. *Id.* Base and actual NPC are booked into specific FERC accounts. *Id.* at 3-4. The ECAM process allows the Company to credit or collect the difference between the actual NPC incurred to serve its Idaho customers and the NPC collected through rates. *Id.* at 4. RMP defers the difference into an ECAM balancing account. *Id.*

The ECAM includes five additional components: the load growth adjustment rate ("LGAR") or load change adjustment rate ("LCAR"), a credit for SO<sub>2</sub> allowance sales, an adjustment for the treatment of coal stripping costs, a renewable resource adder for the renewable resources that are not yet in rate base and a true-up of renewable energy credit ("REC") revenues, as authorized by the Commission in Order No. 32196. *Id.* at 4-5. The ECAM includes a 90 percent (customers)/10 percent (Company) "sharing band" wherein customers pay/receive the increase/decrease in actual NPC compared to base NPC and RMP incurs/retains the remaining 10 percent. *Id.* at 4.

The Company notes that the base NPC originated from its 2010 and 2011 general rate cases. *Id.* at 5-6. The base NPC was set at \$1.025 billion and \$1.205 billion, respectively. *Id.* at 6. The combined base NPC for the deferral period is \$1.176 billion. *Id.* For the deferral period, the NPC differential for deferral was approximately \$18.4 million before the 90/10 sharing band. *Id.* Higher summer irrigation usage led to a LCAR reduction in the deferral balance by approximately \$0.7 million before sharing. *Id.*

Credits for SO<sub>2</sub> allowance sales revenues received by the Company were also included as an offset to the NPC deferral. *Id.* Additionally, Idaho's allocated differences between including coal stripping costs incurred by the Company and recorded on the Company's books pursuant to accounting pronouncement EITF 04-6, and the amortization of the coal stripping costs when the coal was excavated was added to the NPC differential for deferral. *Id.*

In addition to the foregoing ECAM calculation components discussed above, the deferral balance reflects the difference between actual REC revenues during the deferral period and the amount of REC revenues included in base rates. *Id.* at 7. The 90/10 sharing band does not apply to the REC revenue true-up included in the ECAM. *Id.*

The deferred ECAM balance of \$25.5 million as of November 30, 2012, is derived from the following calculation: 90% X (deferred NPC + LCAR + SO2 revenues + coal stripping costs adjustment) + interest charges + REC revenues. *Id.* The sum of the three groups' tariff customers, Monsanto and Agrium, ending balances result in the ECAM deferral balance of \$25.5 million. *Id.*<sup>1</sup>

RMP notified customers of this filing by "issuing a press release sent to local media organizations and messages in customer bills over the course of a billing cycle." *Id.* at 8. Copies of RMP's Application are available for review at the Company's local offices in its Idaho service territory. *Id.*

RMP has attached a copy of the direct testimony, including exhibits, of Brian S. Dickman, Manager of Net Power Costs, and Joelle R. Steward, Director of Pricing, Cost of Service, and Regulatory Operations in the Regulation Department, in support of its Application. Mr. Dickman's testimony and exhibit, describes the actual NPC incurred by the Company to serve retail load for the historical 12-month period and explains the main increases between actual NPC and base NPC. *Id.* at 4-5. Ms. Steward's testimony supports the new ECAM tariff surcharge rates. *Id.* at 5.

### COMMISSION DECISION

Does the Commission wish to process RMP's ECAM filing through Modified Procedure with a corresponding 21-day comment period?

  
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Neil Price  
Deputy Attorney General

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<sup>1</sup> As stated above, the Company will amortize and collect Monsanto's and Agrium's share of the deferral balance, as approved by the Commission in this case, over three years pursuant to the 2011 GRC Stipulation. As part of the deferral balance the Company is also collecting the second year of the amortized payment from Monsanto and Agrium that resulted from the 2012 ECAM case.