

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF

FROM: CAMILLE CHRISTEN
DEPUTY ATTORNEY GENERAL

DATE: SEPTEMBER 9, 2016

SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION TO UPDATE BASE NET POWER COSTS AND IMPLEMENT A RATE STABILITY PLAN, CASE NO. PAC-E-16-12

On September 1, 2016, PacifiCorp dba Rocky Mountain Power filed an Application requesting Commission authorization to *decrease* net power costs (NPC) included in base rates and set a new level of base NPC to be tracked in the Energy Cost Adjustment Mechanism (ECAM). Application at 1. The Company also asks the Commission for an Order approving a new level of base retail load and authorizing the Company to adjust the Load Change Adjustment Rate (LCAR), Production Tax Credit (PTC) and Renewable Energy Credit (REC) rates. *Id.* at 7; Wilding Direct at 4. As an alternative to updating rates, the Company proposes a Rate Stability Plan, under which rates would remain unchanged. Application at 2. With this Plan, instead of reducing rates, the Company would track the incremental revenue collection due to its decreased NPC and “utilize the incremental revenue collection to net against the Commission approved depreciation deferral.” *Id.* (citing Order No. 32910). The Company asks that the Commission issue an Order approving the Application by December 15, 2016, with an effective date of January 1, 2017. *Id.* at 7. With its Application, the Company attached the Direct Testimonies of Ted Weston and Michael Wilding, the proposed updated tariff sheets, and supporting workpapers for the proposed tariff sheets, including the proposed impacts by rate schedule.

BACKGROUND

A base level of NPC is recovered through the Company's base rates for service. This base NPC is also tracked in the ECAM and is compared against actual NPC each month. Under

the ECAM, the Company defers the difference between actual NPC and base NPC into a balancing account. At the end of the yearly deferral period, the Company credits or collects the difference between actual NPC and base NPC through a decrease or increase in customer rates.¹ The Commission approved an update to the base NPC included in base rates and the ECAM in 2015. *See* Order No. 33440. In that case, the Commission approved a stipulation agreed to by the parties, which required in part that the Company file an Application to update base NPC and base rates, no later than September 1, 2016, to be effective January 1, 2017. *Id.*

THE APPLICATION

The Company states that the present Application to update base NPC is a compliance filing in accordance with Order No. 33440.² Application at 1. Under the stipulation approved in that Order, the updated base NPC was to be the amount reported in the 2015 annual results of operations report, after appropriate pro forma adjustments. Order No. 33440 at 5.

In the Application, the Company seeks Commission authorization to use the NPC from the 2015 annual results of operations report to update base NPC included in rates and tracked in the ECAM. Application at 4-5. The Company's proposed base NPC is \$91.6 million, which is a reduction of \$3.2 million from current base NPC set in 2015. *Id.* at 1, 4. This update to the NPC would reduce the Company's revenue requirement by approximately \$1.1 million and, "if implemented as an adjustment to base rates, it represents a reduction of approximately four tenths of one percent." *Id.* at 1. The updated base NPC would also be used for tracking in the ECAM. *Id.*

In addition, the Company seeks Commission authorization to update base retail load based on the 2015 annual results of operations report. *Id.* at 4. The Company's proposed update to retail load would result in a base retail load of 3,407,488 MWh, a reduction of 75,992 MWh from current base retail load. *Id.* at 5. The Company requests approval of this updated retail load and authorization to adjust the LCAR, PTC, and REC rates. *Id.* at 7; Wilding Direct at 4.

As an alternative to reducing rates, the Company proposes a Rate Stability Plan, which "would keep rates at the current level and utilize the incremental revenue collected to offset other regulatory assets mitigating customers' future rate impact." Application at 4-5. Specifically, the Company states the revenues would be applied "against the depreciation

¹ The Commission approved the Company's most recent ECAM filing in Order No. 33492, Case No. PAC-E-16-05.

² Case No. PAC-E-15-09.

deferral from the 2013 depreciation study.” *Id.* at 6 (*citing* Order No. 32910). The Company indicates that it intends to discuss the Plan with parties, including the potential to treat any rate reduction associated with the 2017 ECAM filing in the same manner. *Id.*


The Company requests that this Application be processed under Modified Procedure. *Id.* The Company requests that the Commission approve the new base NPC, base retail load, and the new LCAR, PTC and REC rates. *Id.* at 7. If the parties cannot reach agreement on the Rate Stability Plan, the Company requests approval of the tariff revisions included in Attachment A to the Application. *Id.* The Company requests the Commission issue an Order approving the Application no later than December 15, 2016, to be effective January 1, 2017. *Id.*

STAFF RECOMMENDATION

Staff recommends that the Commission issue an Order providing Notice of Application and setting an Intervention Deadline of 14 days from the service date of the Order.

COMMISSION DECISION

Does the Commission wish to issue an Order providing Notice of Application and setting an Intervention Deadline of 14 days from the service date of the Order?



Camille Christen
Deputy Attorney General

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