

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF PACIFICORP DBA)
ROCKY MOUNTAIN POWER'S) CASE NO. PAC-E-17-02
APPLICATION FOR APPROVAL OF ITS)
\$16.7 MILLION DEFERRAL OF NET)
POWER COSTS, AND AUTHORITY TO) ORDER NO. 33776
DECREASE RATES BY \$9.0 MILLION)**

On March 31, 2017, PacifiCorp dba Rocky Mountain Power applied to the Commission for an Order authorizing the Company to adjust its rates under the Energy Cost Adjustment Mechanism (ECAM). The ECAM allows the Company to adjust its rates each year to capture the difference between the Company's actual power supply expenses and the power expenses embedded in base rates. The adjustment is a separate line item on customer bills that increases if power supply costs are higher than the amount already included in base rates, or decreases if power supply costs are lower. The ECAM does not affect the Company's earnings. The Company's present ECAM Application, if approved, would *decrease* rates in all customer classes, with an average residential customer's bill decreasing by about \$1.65 per month. The Company asked that the new rates take effect June 1, 2017.

On April 25, 2017, the Commission issued a Notice of Application and Notice of Modified Procedure and invited interested persons to comment on the case. *See* Order No. 33750. The Monsanto Company, the Idaho Irrigation Pumpers Association, and PacifiCorp Idaho Industrial Customers intervened and filed comments, and the Company filed a timely reply.

Having reviewed the record, including the Application, comments, and reply, we authorize the ECAM deferral amount of \$7,526,845 for the deferral period of December 1, 2015 through December 31, 2016; adopt the Company's "alternative rate plan"; and approve a \$3 million reduction in Schedule 94. The \$4.0 million excess ECAM deferral shall be used to reduce the depreciation regulatory asset authorized by Order No. 32910. Our decision is further discussed below.

OVERVIEW OF THE ECAM

The ECAM allows the Company to increase or decrease rates each year to reflect changes in the Company's power supply costs over the year. Due to its diverse generation

portfolio and other factors, the Company's actual cost of providing electricity varies from year-to-year. Neither the Company nor its shareholders receive any financial return as a result of this filing.

To determine the ECAM, the Company tracks the monthly difference between the actual Net Power Costs (NPC) it incurred to serve customers, and the embedded (or base) NPC it collected from customers through base rates. The Company defers the difference between actual NPC and base NPC into a balancing account for later disposition at the end of the yearly deferral period. At that time, the ECAM allows the Company to credit or collect the difference between actual NPC and base NPC through a decrease or increase in customer rates.

The Commission first approved an annual ECAM for the Company in 2009, and the mechanism has been modified several times since then. *See* Order Nos. 30904, 32432, 32910, 33008, and 33440. ECAM rates are reflected in Electric Service Schedule No. 94.

THE APPLICATION

The Company's Application asked the Commission to approve deferral of the 2016 energy related costs of \$7.5 million and decrease by \$7 million the revenues collected through the energy cost adjustment mechanism, Schedule 94. Application at 1. The filing included an alternative rate proposal that would provide customers a 1% decrease now and mitigate a future rate increase, rather than a 2.4% decrease reflected outside the alternative proposal. *Id.* at 5.

The Company's Application noted that, besides the NPC difference, this year's ECAM includes: (1) a Load Change Adjustment Rate (LCAR); (2) an adjustment for coal stripping costs; (3) an adjustment for SO₂ allowance sales; (4) an adjustment for load control (DSM); (5) a true-up of 100% of the incremental Renewable Energy Credit (REC) revenues; (6) Production Tax Credits (PTC); (7) Deer Creek amortization expense; and (8) Lake Side 2 generation resource adder. The ECAM, as usual, included a "90/10 sharing band" in which customers pay/receive 90% of the increase/decrease in the difference between actual NPC and base NPC, LCAR, SO₂ sales, DSM costs, and the coal stripping costs, and the Company incurs/retains the remaining 10%.

The Company requested an Order approving the deferral, for later recovery through rates, of \$7.5 million in power supply costs for the deferral period and a revised Electric Service Schedule 94, Energy Cost Adjustment, which would reflect the ECAM adjustment and decrease

the Company's Schedule 94 revenues by \$7 million. The Company's proposal would *decrease* prices for customer classes as follows:

- Residential Customers – 1.8%
- Residential Schedule 36, Optional Time-of-Day Service – 2.1 %
- General Service Schedule 6 – 2.5%
- General Service Schedule 9 – 2.9%
- Irrigation Customers – 2.2%
- Commercial or Industrial Heating Schedule 19 – 2.3%
- General Service Schedule 23 – 2.0%
- General Service Schedule 35 – 3.0%
- Public Street Lighting – 0.9%
- Industrial Customer, Schedule 400 – 3.0%
- Industrial Customer, Schedule 401 – 3.1%

Source: Application, Exhibit No. 3 to Direct Testimony of Robert M. Meredith; *See also*, News Release and Customer Notice filed with Application.

THE COMMENTS

Staff and the three intervenors filed comments. All supported the Company's Application and the proposed rate decrease, and did not object to the Company's calculations or analysis.

A. Commission Staff

Staff reviewed the Company's Application focusing on four areas: (1) costs and revenues in the Company's NPC; (2) an audit of contracts, invoices, and other documents to authenticate the actual cost and revenue; (3) a review of whether the Company accurately calculated the deferral amount, account balances, and resulting rates in compliance with past Commission Orders; and (4) the accuracy and appropriateness of the alternative rate proposal. Staff Comments at 3. Staff concluded that the costs and revenues were accurate, and provided support for the Company's alternative rate proposal. *Id.* Further, Staff concluded that the Company accurately adjusted for the difference in prudently incurred actual costs/revenues verses base rate revenue recovery in its Application.

Staff noted a \$66 million difference between Actual NPC and NPC recovered through base rates for the period of January 2016 through December 2016. Noting the increase in coal costs, Staff stated that one reason for the increase "was the unanticipated abandonment of the Joy Longwall at Bridger Coal Company." *Id.* at 5-6. Staff reported that the Company wrote off the remaining asset amount (book value) of \$12.5 million as well as the recovery costs of \$7.6

million. *Id.* at 6-7. Staff agreed with the Company's accounting treatment of the Longwall failure. *Id.*

With regard to the proposed rates, Staff compared the Company's requested \$7 million reduction to flow-through all customer rates on an equal-line loss-adjusted cents-per-kilowatt-hour (kWh) basis beginning on June 1, 2017. Staff also analyzed the Company's alternative proposal to reduce rates by \$3 million. Order No. 32910. The alternative proposal would provide an immediate 1% decrease in rates.

The proposed alternative rate plan would decrease rates for customer classes through the ECAM as follows:

- Residential Customers – 0.8%
- Residential Schedule 36, Optional Time-of-Day Service – 0.9 %
- General Service Schedule 6 – 1.1%
- General Service Schedule 9 – 1.2 %
- Irrigation Customers – 0.9 %
- Commercial or Industrial Heating Schedule 19 – 1.0%
- General Service Schedule 23 – 0.9 %
- General Service Schedule 35 – 1.3 %
- Public Street Lighting – 0.4 %
- Industrial Customer, Schedule 400 – 1.3 %
- Industrial Customer, Schedule 401 – 1.3 %

Staff Comments at 10-11. Staff agreed with the alternative rate plan, noting that retaining the \$4 million of revenue from the ECAM would reduce the impact of the depreciation regulatory asset, and mitigate the need for recovery in a future rate case.

Finally, Staff found that the Company's customer notice and press release complied with Commission rules.

In sum, Staff recommended that the Commission authorize the ECAM deferral amount of \$7,526,845 for the period of December 1, 2015 through December 31, 2016, adopt the Company's alternative rate plan to reduce Schedule 94 and reduce the depreciation deferral, direct the Company to apply the \$4.0 million in excess of the ECAM deferral amount to reduce the depreciation regulatory asset authorized by Order No. 32910, and accept late-filed customer comments.

B. Other Commenters

The Monsanto Company, the Idaho Irrigation Pumpers Association, and PacifiCorp Idaho Industrial Customers (PIIC) all filed comments in support of the Company's Application.

Monsanto and PIIC also expressed support for the alternative rate proposal to offset the depreciation deferral balance of \$5.7 million.

No public comments were received.

FINDINGS AND DISCUSSION

We find that Rocky Mountain is an electrical corporation and public utility, and that we have jurisdiction over the Company and the issues in this case under *Idaho Code* §§ 61-119, 61-129, 61-501, and 61-502. Based on our review of the record, we find that the Company's current ECAM rates are unreasonable and would enable the Company to over-collect its deferred power costs.

Based on our review of the record, we find that the Company's proposed deferral of the 2016 energy-related costs of \$7.5 million, and decrease of \$7 million in revenues collected is prudent and reasonable. Furthermore, we find that the Company's alternative rate proposal is forward-thinking and supported by all parties to the case. The \$3 million ECAM rate decrease will enable the Company to recover its deferred net power costs in accordance with the Commission's prior Orders, and give customers a 1% decrease in rates. Further, the remaining \$4 million in ECAM funds anticipates and mitigates the impact of next year's regulatory asset and the need for recovery of that asset in a future rate case. We acknowledge the comments of the intervening parties and appreciate their contribution. We note that they all support the alternative proposal to offset a future rate increase. Accordingly, we find it fair, just and reasonable to approve the Company's proposed Schedule 94 as attached in its reply comments, with the new rates effective on June 1, 2017.

ORDER

IT IS HEREBY ORDERED that Rocky Mountain Power's Electric Service Schedule 94, Energy Cost Adjustment, is approved as filed in its reply. The new rates shall take effect on June 1, 2017.

IT IS FURTHER ORDERED that a total deferral amount of \$7,526,845 is approved for the period of December 1, 2015 through December 31, 2016.

IT IS FURTHER ORDERED that the Company's proposed alternative rate plan is approved.

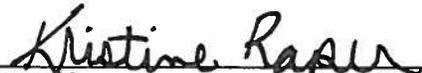
THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7)

days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31ST day of May 2017.



PAUL KJELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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