

KRISTINE A. SASSER  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
TELEPHONE: 208-334-0357  
E-MAIL: [kris.sasser@puc.idaho.gov](mailto:kris.sasser@puc.idaho.gov)  
IDAHO BAR NO. 6618

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IDAHO PUBLIC  
UTILITIES COMMISSION

Street Mailing Address:

472 West Washington Street  
Boise, Idaho 83702-5918

Attorney for the Commission Staff

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE COMMISSION'S )  
INQUIRY INTO LOAD GROWTH ) CASE NO. GNR-E-10-03  
ADJUSTMENTS THAT ARE PART OF )  
POWER COST ADJUSTMENT ) COMMISSION STAFF MOTION  
MECHANISMS. ) TO CONSIDER PROPOSED  
\_\_\_\_\_ ) METHODOLOGY**

Power supply costs represent a significant portion of a utility's total revenue requirement and are subject to a high degree of volatility largely outside the utility's control. Power cost adjustment mechanisms allow a utility to collect from customers or credit to customers the majority of the difference between actual net power costs incurred by the utility to serve its customers and the normalized amount of power supply costs collected from customers through rates set in a general rate case.

In a recent case (PAC-E-10-01), the Commission observed that in periods of declining load the mechanism "appears to operate much the same as a decoupling mechanism reimbursing the Company for lost revenue for reductions in customer usage (sales)." Order No. 31033. The Commission directed Staff to hold a workshop "to discuss this phenomenon and report continued justification for use of an LGAR [load growth adjustment rate] when loads decline." *Id.*

COMMISSION STAFF MOTION  
TO CONSIDER PROPOSED METHODOLOGY 1

On June 9, 2010, Commission Staff met with representatives from Avista, Idaho Power and Rocky Mountain Power to identify and discuss differences in the three load growth adjustment mechanisms. On September 10, 2010, the Commission initiated this case and issued a Notice of Workshop to provide a forum for the exploration of issues related to load growth adjustments. The workshop was held September 28, 2010. Representatives from Avista, Idaho Power, and Rocky Mountain Power were in attendance as well as Commission Staff and other interested parties.

Avista and Idaho Power utilize a Power Cost Adjustment mechanism (PCA). Rocky Mountain Power's mechanism is characterized as an Energy Cost Adjustment Mechanism (ECAM). All three mechanisms are designed to recover/rebate abnormal power supply costs in similar ways. All three currently contain a load *growth* adjustment mechanism. The Commission and other parties have expressed concern over costs added to the adjustment mechanisms due to *declining* loads.

Some parties support an asymmetrical approach that would remove dollar amounts from recovery by the utilities when load grows with no adjustment when load declines. Others believe that the adjustment can be made symmetrical and fair by eliminating the load growth adjustment mechanism entirely. At the September 28 workshop, Avista offered a compromise position that amounts to a revision of current methodology. The proposal maintains symmetry in growing and declining load scenarios and substantially reduces the load growth adjustment rate (LGAR) such that the impact of imputed costs to the various utilities in declining load scenarios is reduced but not eliminated.

The proposal bases the rate on the energy classified portion of embedded production revenue requirement. Presently, the rate for Idaho Power and Rocky Mountain Power is based on all embedded production revenue requirement. Avista's current rate is based on all production and transmission revenue requirement. The proposed change reduces load decline imputed costs that accumulate in the three cost adjustment mechanisms. It also potentially eliminates the issue of decoupling from the cost adjustment mechanisms and avoids the possibility of double recovery of demand classified embedded production revenue requirement that Idaho Power recovers from residential and small commercial customers through a Fixed Cost Adjustment (FCA) mechanism. The following table shows the LGARs under present methodology and Avista's proposed methodology for all three utilities.

<b>UTILITY</b>	<b>UNITS</b>	<b>CURRENT METHODOLOGY</b>	<b>PROPOSED METHODOLOGY</b>
Avista	\$/MWH	48.00	30.16
Idaho Power	\$/MWH	26.63	15.43
Rocky Mountain Power	\$/MWH	19.53	4.88

By this Motion, Staff requests that the Commission allow the interested parties to proceed on the consideration of this proposal through the use of Modified Procedure, set a comment deadline of January 14, 2011, and a response comment deadline of January 28, 2011.

Respectfully submitted this 17<sup>th</sup> day of November 2010.




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Kristine A. Sasser  
Deputy Attorney General

N:GNR-E-10-03\_ks\_LGAR Motion

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 17<sup>th</sup> DAY OF NOVEMBER 2010, SERVED THE FOREGOING **COMMISSION STAFF MOTION TO CONSIDER PROPOSED METHODOLOGY**, IN CASE NO. GNR-E-10-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

LISA NORDSTROM  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070

MIKE YOUNGBLOOD  
IDAHO POWER COMPANY  
PO BOX 70  
BOISE ID 83707-0070

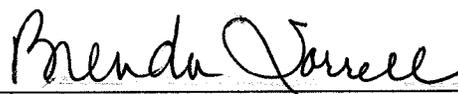
MARK C MOENCH  
DANIEL E SOLANDER  
ROCKY MOUNTAIN POWER  
201 S MAIN STREET SUITE 2300  
SALT LAKE CITY UT 84111

TED WESTON  
ROCKY MOUNTAIN POWER  
201 S MAIN STREET SUITE 2300  
SALT LAKE CITY UT 84111

DAVID J MEYER  
AVISTA UTILITIES  
PO BOX 3727  
SPOKANE WA 99220

KELLY NORWOOD  
AVISTA UTILITIES  
PO BOX 3727  
SPOKANE WA 99220

ATLANTA POWER COMPANY  
PO BOX 10  
ATLANTA ID 83601-0010

  
SECRETARY