ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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Salt Lake City, Utah 84111

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January 14, 2011

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: Case No. GNR-E-10-03
In the matter of the Commission's inquiry into load growth adjustments that are part of the power cost adjustment mechanisms.

Dear Ms. Jewell:

Enclosed please find an original and seven copies of Rocky Mountain Power's comments for the above-referenced matter regarding load growth adjustment rates.

If you have any questions please contact Ted Weston at (801) 220-2963.

Very truly yours,

Jeffrey Larsen /TW

Jeffrey K. Larsen
Vice President, Regulation

Cc: Service List

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Attorneys for Rocky Mountain Power

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 THE	)	
POWER COST ADJUSTMENT	)	Comments of Rocky Mountain
MECHANISMS.	)	Power on Load Growth
	)	Adjustments

COMMENTS OF ROCKY MOUNTAIN POWER ON LOAD GROWTH ADJUSTMENTS

COMES NOW PacifiCorp dba Rocky Mountain Power ("RMP" or the "Company") and pursuant to Rules 56 and 256 of the rules of Procedure of the Idaho Public Utilities Commission (the "Commission"), submits comments on the inquiry into the load growth adjustment rate ("LGAR") that is part of the Company's power cost adjustment mechanism.

I. Background

On February 1, 2010, Rocky Mountain Power filed an Application with the Commission for authority to implement a power cost adjustment to rates for all customer classes excluding tariff contract customers (Monsanto Company and Agrium, Inc). The Company's Energy Cost Adjustment Mechanism ("ECAM") was approved by the

Commission on September 29, 2009, in Case No. PAC-08-08, Order No. 30904. The ECAM, which includes an LGAR, is designed to collect or credit 90% of the accumulated difference between total Company base net power costs (Base NPC) collected from Idaho customers through rates and total Company actual net power costs (Actual NPC) incurred to serve customers in Idaho calculated on a cents-per-kilowatt-hour basis.

In Case No. PAC-E-10-01, Order No. 31033 issued March 31, 2010, the Commission directed Staff to hold a workshop for the three utilities and discuss the justification of the LGAR in times of declining load.

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, at the Commission offices in Boise. Representatives from Avista, Idaho Power, and Rocky Mountain Power were in attendance along with other interested parties.

Pursuant to Commission directions in Order No. 32124, Rocky Mountain Power is providing the following comments concerning the appropriateness of the load growth adjustment rate as part of an energy cost adjustment mechanism.

II. Comments

Rocky Mountain Power continues to support the need for an ECAM because net power costs represent a large portion of the Company's total revenue requirement that are subject to a high degree of volatility that to a large extent are outside the Company's control, and appreciates the Commission's finding that such a mechanism is in the public interest and ordering its use. The implementation of the Company's ECAM was as a result of a stipulation among parties to the ECAM docket. The Company's original ECAM application did not include an LGAR because the Company believes capital and the other operation and maintenance costs included in the LGAR calculation are not highly volatile or largely outside the Company's control and therefore should not be included as part of the energy cost adjustment mechanism. In order to make progress towards the implementation of an ECAM, the Company accepted an LGAR as proposed by Commission Staff as part of the broader settlement to approve and implement the ECAM.

Rocky Mountain Power's ECAM is different from Avista and Idaho Power's power costs adjustment mechanisms because the ECAM compares net power costs included in rates to actual net power cost incurred to serve customers on a cents-per-kilowatt-hour basis. By comparing net power costs on a cents-per-kilowatt-hour basis any impact caused by variations in load is excluded. This method addresses the Commission's concern that the Company should not be allowed to collect growth-related power supply costs through an ECAM surcharge and then also collect base revenue from that new load to cover the same power supply costs.

In Case No. PAC-E-08-08, (Order No. 31033) the Commission stated that the LGAR "appears to operate much the same as a decoupling mechanism reimbursing the Company for lost revenue for reductions in customer usage (sales)" and went on to state "If the Company desires a decoupling mechanism it should request and justify one in a separate filing." Rocky Mountain Power agrees with the Commission, the LGAR does act as a decoupling mechanism and is not an appropriate component of the ECAM.

Rocky Mountain Power believes the LGAR unfairly penalizes utilities by only considering changes in loads and not considering changes in underlying costs. With the current build cycle that most utilities are in, Rocky Mountain Power questions the appropriateness of an LGAR. To eliminate this penalty the underlying components of an LGAR would need to be compared on a cost-per-kilowatt-hour basis from the base period to the actual period. However, even with that correction the LGAR would continue to function as a capital and O&M recovery mechanism which Rocky Mountain Power believes was never the Commission's intent when power cost adjustment mechanisms were implemented. Utilities have appropriate venues to seek recovery of these types of costs. The LGAR is not an appropriate component of the ECAM.

Rocky Mountain Power is not surprised with the fluctuation in its Idaho loads which is the reason the Company would only agree to include an LGAR as part of the settlement if it was symmetrical. Approximately 15 to 20 percent of the energy usage in the Company's Idaho service territory is irrigation load. While the other customer classes' usage is relatively stable, irrigation is not. The Company has witnessed 50,000 to 150,000 megawatt-hour swings in usage levels from year to year. To illustrate this point, in Case No. PAC-E-08-07, which is the basis of the current base net power costs in the ECAM, irrigation loads were approximately 698,000 MWh at sales level. During 2009, the first year of the ECAM, irrigation usage had dropped to 545,000 MWh. While 2010 usage was up slightly to 557,000 MWh, usage was still well below the base load level. Because Rocky Mountain Power's ECAM is based on a cents-per-kilowatt-hour comparison any net power cost changes driven solely by volumetric swings are automatically excluded eliminating the need for an LGAR for Rocky Mountain Power.

If it is the Commission's determination that the LGAR should be part of a net power cost mechanism, then Rocky Mountain Power strongly believes it should be treated symmetrically. As demonstrated above, for Rocky Mountain Power an LGAR would be driven almost completely by irrigation usage due to weather or other factors impacting pumping. Additionally, the Company does not believe an asymmetrical method would ever work. For example if an asymmetrical LGAR were implemented, a utility could experience a decline in loads eleven months of the year and would not make a monthly accounting entry to record an LGAR impact, but for one month of the year experience an increase in loads in which an asymmetrical LGAR would require the Company to record an LGAR credit. In this scenario the Company would provide a credit to customers even though for the year the Company experienced negative load growth. Finally, part of rate design is to establish just, reasonable, and ***fair*** rates. Rocky Mountain Power believes asymmetrical application of an LGAR would be inequitable and certainly not fair.

At the September 28, 2010 LGAR workshop Avista presented a compromise proposal which maintains symmetry in growing and declining load scenarios and substantially reduces the LGAR such that the impact of imputed costs to the various utilities in fluctuating load scenarios is reduced but not eliminated. Absent the elimination of the LGAR for Rocky Mountain Power due to the per unit methodology already included in its ECAM, the Company would be more supportive of the compromise position proposed by Avista than the current LGAR calculation because the proposal only includes the energy component of the production plant cost of service rather than total costs. Rocky Mountain Power believes this is closer aligned to net power costs.

III. Conclusion

Rocky Mountain Power's opinion is that an LGAR is not appropriate for inclusion in its ECAM. The current methodology based on cents per kWh addresses volumetric changes and therefore eliminates the need for any type of LGAR adjustment. However if the Commission determines it wants to continue to utilize the LGAR, Rocky Mountain would support the symmetrical compromise position proposed by Avista in the September 28, 2010 workshop, as long as it is based only on generation expenses not included in the ECAM.

DATED this 14th day of January, 2011.

Mark Moench / DES

Mark C. Moench
Daniel E. Solander

Attorneys for
Rocky Mountain Power

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of January, 2011, I caused to be served, via overnight delivery and E-mail, a true and correct copy of Rocky Mountain Power's Comments in Case No. GNR-E-10-03 to the following:

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