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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE	)	
APPLICATION OF ROCKY	)	**CASE NO. PAC-E-08-08**
MOUNTAIN POWER FOR	)	
APPROVAL OF AN ENERGY COST	)	**Direct Testimony of Gregory N. Duvall**
ADJUSTMENT MECHANISM	)	
	)	

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-08-08

October 2008

Q. Please state your name, business address and present position with Rocky Mountain Power (the Company), a division of PacifiCorp.

A. My name is Gregory N. Duvall, my business address is 825 NE Multnomah St., Suite 600, Portland, Oregon 97232, and my present title is Director, Long Range Planning and Net Power Costs.

Qualifications

Q. Briefly describe your educational and professional background.

A. I received a degree in Mathematics from University of Washington in 1976 and a Master of Business Administration degree from University of Portland in 1979. I was first employed by Pacific Power in 1976 and have held various positions in resource and transmission planning, regulation, resource acquisitions and trading. From 1997 through 2000 I lived in Australia where I managed the Energy Trading Department for Powercor, a PacifiCorp subsidiary at that time. After returning to Portland, I was involved in direct access issues in Oregon, was responsible for directing the analytical effort for the Multi-State Process (MSP), and currently direct the work of the integrated resource planning group, the load forecasting group, the forward pricing group, and the net power cost group in the Company.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. My testimony describes the Company's proposed Energy Cost Adjustment Mechanism (ECAM), including the need for a mechanism of this kind, costs that would be recovered by the mechanism, and how the proposed mechanism would be administered.

Energy Cost Adjustment Mechanism

Q. Please briefly describe the proposed Energy Cost Adjustment Mechanism.

A. The proposed ECAM is a rate designed to allow the Company to collect or credit the differences between the actual net power costs (NPC) incurred to serve customers in Idaho and the amount collected from customers in Idaho through rates set in general rate cases. On a monthly basis, the Company will compare the actual system net power costs (Actual NPC) to the net power costs embedded in rates from the most recent general rate case (Base NPC), and defer the differences in a balancing account. An ECAM rate will be calculated annually to collect from or credit to customers the accumulated balance over the subsequent year.

Q. Why is the Company proposing an ECAM at this time?

A. The Company's net power costs represent a large proportion of the Company's total revenue requirement. They are subject to a high degree of volatility largely outside of the Company's control. Some of the factors causing this volatility include changes in retail load, hydro conditions, wind generation, market prices, third party wheeling expenses, natural gas and coal fuel expenses. Because the Company depends on both the electricity and natural gas markets to balance its system and meet the load requirement, fluctuations in the markets invariably impact the Company's net power costs. Coal expenses, which were previously relatively stable, are affected by changes in commodity costs due to contract re-openers, and even the captive mine costs may change significantly in today's environment due to the rapid escalation of the costs of mining equipment and supplies. An ECAM would provide safeguards to customers and give the

Company an opportunity to recover the net power costs that are prudently incurred to serve those customers.

Q. Please describe the volatility of the wholesale power and natural gas markets?

A. Exhibit No. 1 shows the historic natural gas prices at Henry Hub and Opal, along with the wholesale electricity prices for Mid-Columbia and Palo Verde separated by heavy and light load hours from January 1, 2005 through October 20, 2008. Over this period, gas prices have ranged from below $1/mmbtu to over $15/mmbtu and electricity prices have gone from near zero to over $300/MWh. Over the last 12 months, gas prices at Henry Hub have gone from about $5 to $13 and back to $7/mmbtu, while Opal has gone from $0.25/mmbtu to over $10/mmbtu. Over the same time, electricity has varied widely from about $40/MWh to $150/MWh and back again.

Q. Does the Company expect the volatility of net power costs will continue?

A. Yes, it certainly could, given the current economic conditions and uncertainties regarding environmental legislation. The volatility in fuel and wholesale electric prices is compounded by the variability in the Company's load – also caused by economic conditions. Small fluctuations in load, combined with fuel and wholesale power volatility, can lead to significant changes in net power costs. In addition, the composition of the Company's resource portfolio is shifting to wind and natural gas fired generation, both of which increase the volatility of the net power costs because of the high volatility of wholesale natural gas and power market prices and the intermittent nature of wind resources.

Q. Why are general rate cases no longer adequate to capture net power costs?

A. The Company's general rate cases in Idaho utilize historical test years with known and measurable adjustments under the Commission's rules and requirements. Static test period data cannot accurately reflect the volatility in net power costs that we are currently experiencing.

For example, in Case No. PAC-E-08-07, I explained in my direct testimony that the Company's system net power costs at that time were increasing sharply at a rate of $40 to $50 million every six months. The Company had not experienced rising net power costs of this magnitude since the Western energy crisis. This trend was in part due to sharp price increases in wholesale power and natural gas. Referring to Exhibit No. 1, it can be seen that this trend continued through July 2008. Then, in August 2008, natural gas and wholesale power prices began a precipitous drop. If the Company had a rate case with a test period ending June 30, 2008, the wholesale power and natural gas costs in that period would not at all be representative of current costs – to the detriment of customers.

During a period of net power cost volatility, requiring a utility to recover its net power costs through a rate case virtually ensures that either customers or the Company will be harmed.

Q. Is the Company proposing a symmetrical mechanism for net power cost recovery?

A. Yes. The Company wants to recover its prudent and reasonable net power costs – nothing more or less. Thus, we are proposing an ECAM mechanism that is applied symmetrically to safeguard customers when the net power costs that the

Company actually incurs are lower.

Q. Does the ECAM shift the risk of net power cost increases away from the Company and onto the customer?

A. No. Based on the historic data presented in Exhibit No. 1, a symmetrical tracker is as much a safeguard for customers as it is for the Company. For example, a rate case where NPC are based on $100-150/MWh prices for electricity would not serve customers well if actual prices turned out to be less than $80/MWh. Or, if actual hydro generation were 500,000 megawatt-hours greater than the normalized amount included in rates and market prices were $100/MWh, NPC would be overstated by $50 million total Company.

The proposed ECAM will recover from customers only actual net power costs and will pass through to customers any actual net power cost reductions. While this creates symmetry, a desirable feature of an adjustment mechanism, it does not shift from the Company to customers the risks of prudent acquisition and reasonable pricing. The Company retains that risk. The Commission, Commission staff and parties will have the opportunity to assess the prudence and reasonableness of the net power costs in the annual reconciliation filing on April 1 of each year and as part of any general rate cases.

Q. What types of costs would be included in the ECAM?

A. The ECAM rate will be calculated using all components of net power costs as traditionally defined in the Company's general rate cases and modeled by the Company's production dispatch model GRID. Specifically, Base NPC and Actual NPC will include amounts typically booked to the following FERC accounts:

Account 447 – Sales for resale, excluding on-system wholesale sales and other revenues that are not modeled in GRID
Account 501 – Fuel, steam generation; excluding fuel handling, start up fuel/gas[1], diesel fuel, residual disposal and other costs that are not modeled in GRID
Account 503 – Steam from other sources
Account 547 – Fuel, other generation
Account 555 – Purchased power, excluding BPA residential exchange credit pass-through if applicable
Account 565 – Transmission of electricity by others

The mechanism addresses power cost expenses and does not include any costs associated with fixed cost recovery (i.e., capital investment in rate base). However, as has been done in Idaho in the past, the Company may file future applications requesting an increase in rates based on the revenue requirement of individual resources. This will assure a better match between new resource fixed costs and net variable power costs. If net power cost recovery is updated regularly but other fixed costs are not, a mismatch will be created between the variable and fixed costs associated with new resources. This mismatch is particularly significant for renewable resources since they have near-zero variable costs, are added with greater frequency than traditional generation investments, and are depreciated more rapidly than traditional generation investments.

Q. **Is the Company proposing the deferral be based on forecasted net power costs?**

A. Not at this time. The Company is requesting to establish an ECAM and defer the differences between Base NPC and Actual NPC. The Company may later request using forecast net power costs to adjust the Base NPC similar to the mechanism

[1] Start up fuel is accounted for separate from the primary fuel for steam power generation plants. Start up costs are not accounted for separately for natural gas plants, and therefore all fuel for natural gas plants is included in the determination of both Base NPC and Actual NPC.

authorized for Idaho Power and Avista.

Q. How would Base NPC be calculated?

A. Base NPC is computed using total company net power costs from the most recent general rate case. Initially, Base NPC would be set based on the Company's current general rate case, Case No. PAC-E-08-07, including any adjustments ultimately approved by the Commission in that case. Monthly net power costs are divided by the monthly normalized load used to determine the net power costs to express the costs on a per unit basis.

Q. Do Actual NPC include adjustments prior to the comparison with Base NPC?

A. Yes. Adjustments will be made to net power costs as booked to be consistent with the Company's production dispatch model, to remove prior period accounting entries, and to include applicable Commission-adopted adjustments reflected in the most recent general rate case. Actual NPC will not be adjusted for hydro conditions and forced outages because they give rise to the fluctuations in net power costs that this mechanism is designed to capture. Actual NPC will be subject to review by the Commission and other parties annually when the Company files its applications for recovery of the deferred net power costs.

Q. Please explain the balancing account and the calculation of the ECAM rate.

A. The balancing account and ECAM rate serve as a true-up mechanism to recover or credit the differences between Base NPC and Actual NPC. On a monthly basis, the Company will compare Actual NPC to Base NPC. Any differences in the system per-unit cost will be multiplied by actual Idaho load in that month and the product will be deferred in the balancing account. The monthly under- or over-recovery will accumulate in the balancing account and earn interest at the Company's most recently approved rate of return on rate base in Idaho.

On an annual basis the cumulative deferred balance in the balancing account will be converted to the Schedule 94 ECAM rate expressed on a cents per kilowatt-hour basis for projected Idaho sales for the twelve months of the ECAM recovery period. An example of the monthly deferral calculation is provided as Exhibit No. 2.

Q. Is the Company proposing to defer the net power costs associated with the two tariff contract customers?

A. Not initially. In Case No. PAC-E-07-05 the Commission approved a stipulation including an energy service agreement with specific planned rate increases for these customers through December 31, 2010. The Company committed not to seek further increases to these customers rates before January 1, 2011 and is not proposing any modifications to those rate plans in this application. Rather, the tariff contract customers' loads will be included in the ECAM cost deferral calculation beginning January 1, 2011 (the rate plan expires December 31, 2010), and would be subject to the ECAM rate from that date forward. To keep it simple, Exhibit No. 2 does not make a distinction between the deferral balances accumulated before or after January 1, 2011. If the application is approved any balance at December 31, 2010 would be isolated from the balance calculated beginning January 1, 2011.

Q. How will the ECAM rate be applied across customer classes?

A. The Schedule 94 rate will be applied equally to the energy charge rate for all customer classes, with the initial exception of the Company's two tariff contract customers in Idaho. Exhibit No. 3 is an example of the initial Schedule 94.

Q. When will the ECAM rate be implemented?

A. The Company proposes to implement the ECAM coincident with new rates resulting from Case No. PAC-E-08-07. Initially the ECAM rate will be zero because there would not yet be any deferred balance in the balancing account. The Company will begin tracking the monthly deferrals once new rates from Case No. PAC-E-08-07 are in effect.

Q. When will the Company reconcile the ECAM costs and recoveries and update the ECAM factors?

A. The Company proposes to file annual ECAM reconciliations and updated factors on April 1 each year with a new ECAM rate effective June 1. The first application addressing a deferred amount in the balancing account would be made April 1, 2010.

Q. Does this conclude your testimony?

A. Yes.

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Case No. PAC-E-08-08
Exhibit No. 1
Witness: Gregory N. Duvall

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

ROCKY MOUNTAIN POWER

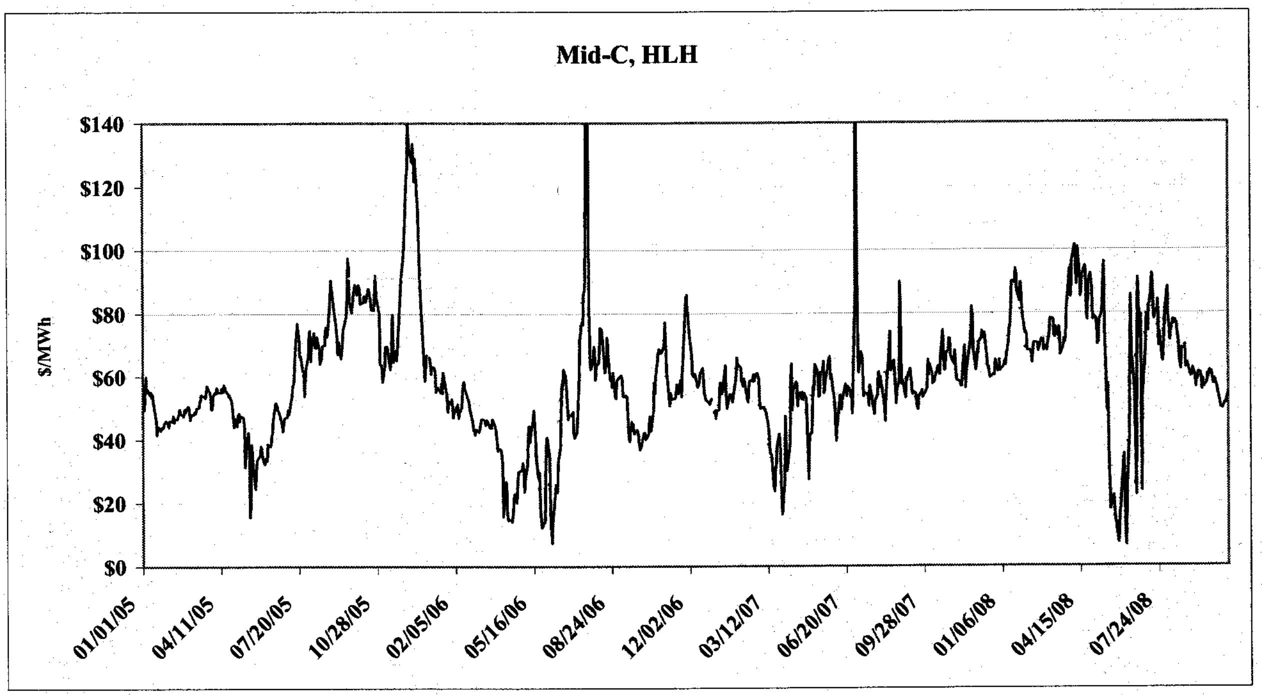
Exhibit Accompanying Direct Testimony of Gregory N. Duvall

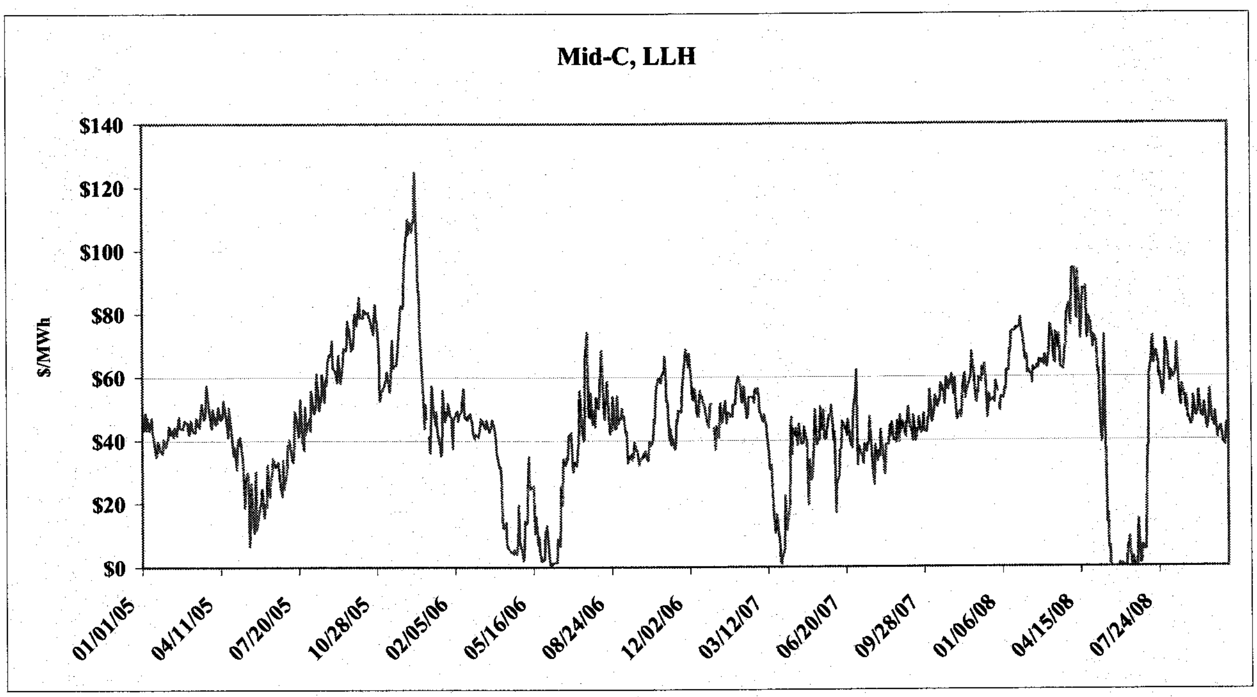
October 2008

Rocky Mountain Power
Exhibit No. 1 Page 1 of 3
Case No. PAC-E-08-08
Witness: Gregory N. Duvall

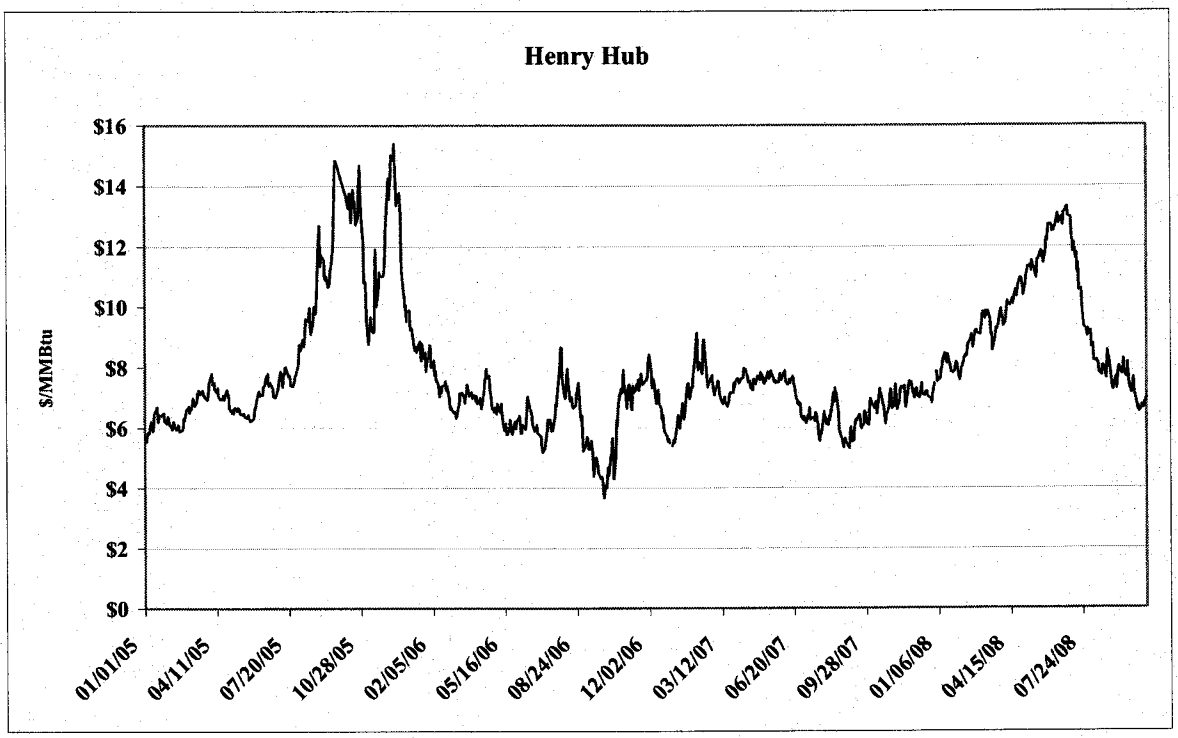
Day Ahead Spot Price History (Electricity)

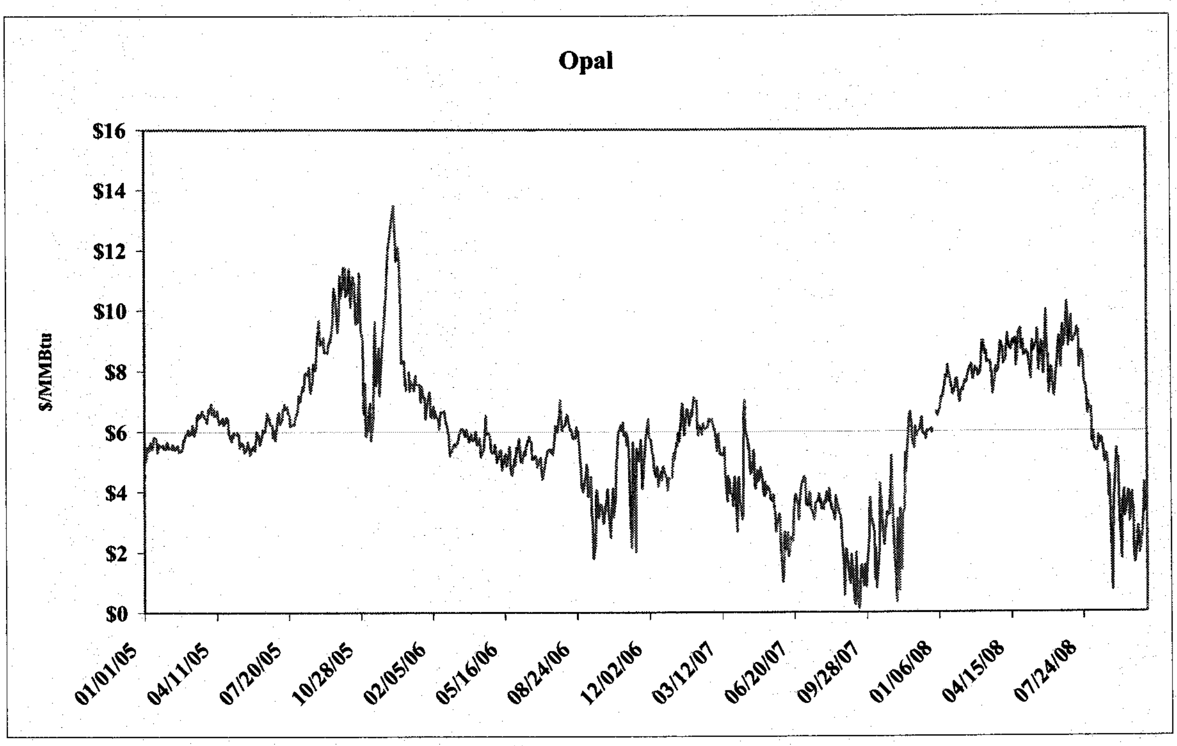
Source: ICE



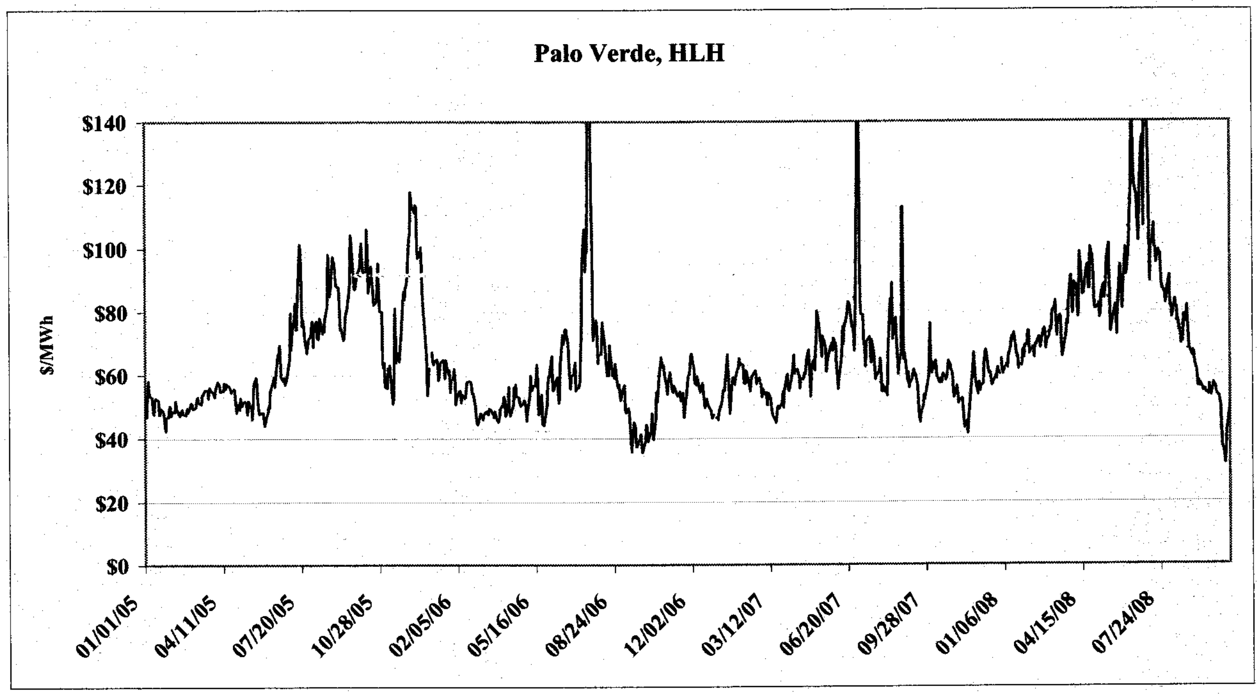


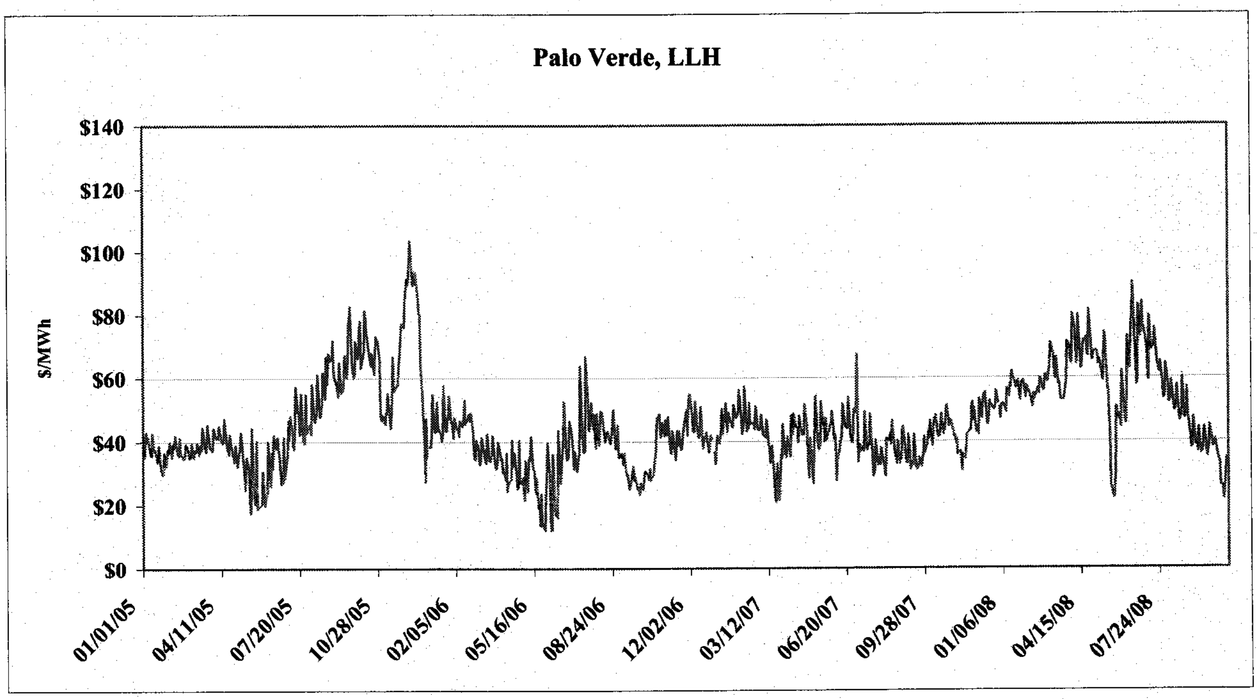
Day Ahead Spot Price History (Natural Gas)
Source: ICE





Day Ahead Spot Price History (Electricity)
Source: ICE





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Case No. PAC-E-08-08
Exhibit No. 2
Witness: Gregory N. Duvall

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Gregory N. Duvall

October 2008

Rocky Mountain Power
Exhibit No. 2 Page 1 of 4
Case No. PAC-E-08-08
Witness: Gregory N. Duvall

EXHIBIT 2
Net Power Costs Deferral, for Illustrative purpose

Line No.			Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
1	Base NPC Rate ($/MWh)					18.23	15.93	17.86	23.64	21.87	13.80	17.50	15.99	16.93
2	Total Company Adjusted Actual NPC ($)					86,000,000	89,000,000	89,000,000	110,000,000	144,000,000	80,000,000	85,000,000	90,000,000	90,000,000
3	Actual Retail Load (MWh)					4,350,000	4,550,000	5,000,000	5,550,000	5,550,000	4,500,000	5,000,000	5,000,000	5,550,000
4	**Actual NPC ($/MWh)**	Line 4 = Line 2 / Line 3				**19.77**	**19.56**	**17.80**	**19.82**	**25.95**	**17.78**	**17.00**	**18.00**	**16.22**
5	NPC Differential $/MWh	Line 5 = Line 4 - Line 1				1.54	3.63	(0.06)	(3.82)	4.08	3.98	(0.50)	2.01	(0.71)
6	Actual Idaho Tariff Load (MWh)					118,577	167,728	260,916	333,549	268,536	206,094	131,383	123,804	154,694
7	Actual Idaho Tariff Contract Load (MWh)													
8	**NPC Differential for Deferral ($)**	Line 8 = Line 5 * Lines 6+7				**182,623**	**608,925**	**(15,655)**	**(1,274,218)**	**1,094,539**	**819,795**	**(65,692)**	**248,847**	**(110,418)**
9	**Recovery of Deferred Balances**													
10	Deferred Balance ($)	Line 10 = Line 21												
11	Projected Retail Sales in the Recovery Period (MWh)													
12	ECAM Surcharge Rate ($/MWh)	Line 12 = Line 10 / Line 11												
13	Actual Idaho Tariff Sales (MWh)													
14	Actual Tariff Contract Sales (MWh)													
15	**Recovery of Deferral ($)**	Line 15 = Line 12 * Lines 13+14												
16	**Balancing Account ($)**													
17	Beginning Balance					0	183,252	795,539	785,312	(487,885)	607,064	1,433,867	1,377,831	1,637,031
18	Incremental Deferral					182,623	608,925	(15,655)	(1,274,218)	1,094,539	819,795	(65,692)	248,847	(110,418)
19	ECAM Adjustment	Line 19 = -Line 15												
20	Interest					629	3,361	5,429	1,021	409	7,009	9,655	10,353	10,901
21	**Ending Balance ($)**					**183,252**	**795,539**	**785,312**	**(487,885)**	**607,064**	**1,433,867**	**1,377,831**	**1,637,031**	**1,537,514**
22	Interest Rate					8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%

For Illustrative Purpose

EXHIBIT 2
Net Power Costs Deferral, for illustrative purpose

Line No.		Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10
1	Base NPC Rate ($/MWh)	14.48	13.89	11.44	18.23	15.93	17.86	23.64	21.87	13.80	17.50	15.99	16.93
2	Total Company Adjusted Actual NPC ($)	85,000,000	85,000,000	80,000,000	86,000,000	83,000,000	80,000,000	85,000,000	90,000,000	90,000,000	80,000,000	85,000,000	89,000,000
3	Actual Retail Load (MWh)	5,500,000	4,550,000	5,000,000	4,550,000	4,550,000	5,000,000	5,550,000	5,550,000	4,500,000	5,000,000	5,000,000	5,550,000
4	**Actual NPC ($/MWh)**	**15.45**	**18.68**	**16.00**	**18.90**	**18.24**	**16.00**	**15.32**	**16.22**	**20.00**	**16.00**	**17.00**	**16.04**
5	NPC Differential $/MWh	0.97	4.79	4.56	0.67	2.31	(1.86)	(8.32)	(5.65)	6.20	(1.50)	1.01	(0.89)
6	Actual Idaho Tariff Load (MWh)	144,281	156,260	134,222	118,577	167,728	260,916	333,549	268,536	206,094	131,383	123,804	154,694
7	Actual Idaho Tariff Contract Load (MWh)												
8	**NPC Differential for Deferral ($)**	**140,608**	**748,690**	**612,053**	**79,577**	**387,746**	(485,304)	(2,776,693)	(1,518,246)	**1,277,781**	(197,075)	**125,042**	(138,291)
9	**Recovery of Deferred Balances**												
10	Deferred Balance ($)				Balance as of Dec-31-2009		1,537,514						
11	Projected Retail Sales in the Recovery Period (MWh)						2,010,000						
12	ECAM Surcharge Rate ($/MWh)						0.76	0.76	0.76	0.76	0.76	0.76	0.76
13	Actual Idaho Tariff Sales (MWh)						241,589	308,842	248,645	190,828	121,651	114,634	143,235
14	Actual Tariff Contract Sales (MWh)												
15	**Recovery of Deferral ($)**						184,799	236,243	190,196	145,970	93,055	87,687	109,565
16	**Balancing Account ($)**												
17	Beginning Balance	1,537,514	1,689,203	2,452,114	3,083,175	3,184,275	3,595,302	2,947,667	(55,337)	(1,770,047)	(646,534)	(942,119)	(911,128)
18	Incremental Deferral	140,608	748,690	612,053	79,577	387,746	(485,304)	(2,776,693)	(1,518,246)	1,277,781	(197,075)	125,042	(138,291)
19	ECAM Adjustment						(184,799)	(236,243)	(190,196)	(145,970)	(93,055)	(87,687)	(109,565)
20	Interest	11,081	14,221	19,008	21,522	23,281	22,469	9,932	(6,268)	(8,299)	(5,455)	(6,364)	(7,133)
21	**Ending Balance ($)**	**1,689,203**	**2,452,114**	**3,083,175**	**3,184,275**	**3,595,302**	**2,947,667**	(55,337)	(1,770,047)	(646,534)	(942,119)	(911,128)	(1,166,118)
22	Interest Rate	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%

For Illustrative Purpose

EXHIBIT 2
Net Power Costs Deferral, for illustrative purpose

Line No.		Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11
1	Base NPC Rate ($/MWh)	14.48	13.89	11.44	18.23	15.93	17.86	23.64	21.87	13.80	17.50	15.99	16.93
2	Total Company Adjusted Actual NPC ($)	110,000,000	95,000,000	80,000,000	85,000,000	90,000,000	90,000,000	80,000,000	85,000,000	89,000,000	110,000,000	95,000,000	80,000,000
3	Actual Retail Load (MWh)	4,550,000	4,550,000	5,000,000	5,550,000	5,550,000	4,500,000	5,000,000	5,000,000	5,550,000	4,550,000	4,550,000	5,000,000
4	**Actual NPC ($/MWh)**	**24.18**	**20.88**	**16.00**	**15.32**	**16.22**	**20.00**	**16.00**	**17.00**	**16.04**	**24.18**	**20.88**	**16.00**
5	NPC Differential $/MWh	9.70	6.99	4.56	(2.91)	0.29	2.14	(7.64)	(4.87)	2.24	6.68	4.89	(0.93)
6	Actual Idaho Tariff Load (MWh)	144,281	156,260	134,222	118,577	167,728	260,916	333,549	268,536	206,094	131,383	123,804	154,694
7	Actual Idaho Tariff Contract Load (MWh)	137,137	93,727	127,635	123,007	142,427	137,380	128,195	113,135	142,087	136,041	139,207	123,060
8	**NPC Differential for Deferral ($)**	**2,728,579**	**1,747,188**	**1,194,067**	(704,141)	**88,771**	**852,354**	(3,527,726)	(1,858,738)	**778,546**	**1,785,278**	**1,285,895**	(258,312)
9	**Recovery of Deferred Balances**												
10	Deferred Balance ($)				Balance as of Dec-31-2010		(1,166,118)						
11	Projected Retail Sales in the Recovery Period (MWh)						2,010,000						
12	ECAM Surcharge Rate ($/MWh)	0.76	0.76	0.76	0.76	0.76	(0.58)	(0.58)	(0.58)	(0.58)	(0.58)	(0.58)	(0.58)
13	Actual Idaho Tariff Sales (MWh)	133,594	144,685	124,280	109,794	155,303	241,589	308,842	248,645	190,828	121,651	114,634	143,235
14	Actual Tariff Contract Sales (MWh)												
15	**Recovery of Deferral ($)**	102,190	110,674	95,066	83,985	118,797	(140,160)	(179,177)	(144,253)	(110,710)	(70,577)	(66,506)	(83,099)
16	**Balancing Account ($)**												
17	Beginning Balance	(1,166,118)	1,461,285	3,113,509	4,237,754	3,476,117	3,469,945	4,489,792	1,160,647	(551,747)	336,771	2,201,342	3,573,574
18	Incremental Deferral	2,728,579	1,747,188	1,194,067	(704,141)	88,771	852,354	(3,527,726)	(1,858,738)	778,546	1,785,278	1,285,895	(258,312)
19	ECAM Adjustment	(102,190)	(110,674)	(95,066)	(83,985)	(118,797)	140,160	179,177	144,253	110,710	70,577	66,506	83,099
20	Interest	1,014	15,710	25,244	26,489	23,853	27,334	19,404	2,091	(738)	8,716	19,831	24,024
21	**Ending Balance ($)**	**1,461,285**	**3,113,509**	**4,237,754**	**3,476,117**	**3,469,945**	**4,489,792**	**1,160,647**	(551,747)	**336,771**	**2,201,342**	**3,573,574**	**3,422,385**
22	Interest Rate	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%

For Illustrative Purpose

EXHIBIT 2
Net Power Costs Deferral, for Illustrative purpose

Line No.		Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
1	Base NPC Rate ($/MWh)	14.48	13.89	11.44	18.23	15.93	17.86	23.64	21.87	13.80	17.50	15.99	16.93
2	Total Company Adjusted Actual NPC ($)	85,000,000	90,000,000	85,000,000	84,000,000	84,000,000	80,000,000	90,000,000	95,000,000	80,000,000	85,000,000	90,000,000	90,000,000
3	Actual Retail Load (MWh)	5,550,000	5,550,000	4,500,000	5,000,000	5,000,000	5,550,000	4,550,000	4,550,000	5,000,000	5,550,000	5,550,000	4,500,000
4	**Actual NPC ($/MWh)**	**15.32**	**16.22**	**18.89**	**16.80**	**16.80**	**14.41**	**19.78**	**20.88**	**16.00**	**15.32**	**16.22**	**20.00**
5	NPC Differential $/MWh	0.84	2.33	7.45	(1.43)	0.87	(3.45)	(3.86)	(0.99)	2.20	(2.18)	0.23	3.07
6	Actual Idaho Tariff Load (MWh)	144,281	156,260	134,222	118,577	167,728	260,916	333,549	268,536	206,094	131,383	123,804	154,694
7	Actual Idaho Tariff Contract Load (MWh)	137,137	93,727	127,635	123,007	142,427	137,380	128,195	113,135	142,087	136,041	139,207	123,060
8	**NPC Differential for Deferral ($)**	**235,073**	**581,523**	**1,950,542**	**(345,465)**	**269,834**	**(1,372,364)**	**(1,782,231)**	**(378,190)**	**765,998**	**(584,238)**	**59,497**	**852,706**
9	**Recovery of Deferred Balances**												
10	Deferred Balance ($)				Balance as of Dec-31-2011		3,422,385						
11	Projected Retail Sales in the Recovery Period (MWh)						3,410,000						
12	ECAM Surcharge Rate ($/MWh)	(0.58)	(0.58)	(0.58)	(0.58)	(0.58)	1.00	1.00	1.00	1.00	1.00	1.00	1.00
13	Actual Idaho Tariff Sales (MWh)	133,594	144,685	124,280	109,794	155,303	241,589	308,842	248,645	190,828	121,651	114,634	143,235
14	Actual Tariff Contract Sales (MWh)						127,204	118,699	104,755	131,562	125,964	128,896	113,945
15	**Recovery of Deferral ($)**	(77,505)	(83,940)	(72,102)	(63,698)	(90,101)	370,132	429,094	354,683	323,561	248,515	244,414	258,114
16	**Balancing Account ($)**												
17	Beginning Balance	3,422,385	3,759,627	4,453,293	6,513,597	6,275,748	6,680,174	4,977,710	2,793,070	2,076,921	2,535,197	1,717,046	1,543,326
18	Incremental Deferral	235,073	581,523	1,950,542	(345,465)	269,834	(1,372,364)	(1,782,231)	(378,190)	765,998	(584,238)	59,497	852,706
19	ECAM Adjustment	77,505	83,940	72,102	63,698	90,101	(370,132)	(429,094)	(354,683)	(323,561)	(248,515)	(244,414)	(258,114)
20	Interest	24,663	28,203	37,660	43,919	44,491	40,033	26,685	16,724	15,838	14,602	11,196	12,685
21	**Ending Balance ($)**	**3,759,627**	**4,453,293**	**6,513,597**	**6,275,748**	**6,680,174**	**4,977,710**	**2,793,070**	**2,076,921**	**2,535,197**	**1,717,046**	**1,543,326**	**2,150,603**
22	Interest Rate	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%	8.27%

For Illustrative Purpose

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UTILITIES COMMISSION

Case No. PAC-E-08-08
Exhibit No. 3
Witness: Gregory N. Duvall

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

ROCKY MOUNTAIN POWER

Exhibit Accompanying Direct Testimony of Gregory N. Duvall

October 2008

ROCKY MOUNTAIN POWER

ELECTRIC SERVICE SCHEDULE NO. 94

STATE OF IDAHO

Energy Cost Adjustment

AVAILABILITY: At any point on the Company's interconnected system.

APPLICATION: This Schedule shall be applicable to all retail tariff Customers taking service under the Company's electric service schedules.

ENERGY COST ADJUSTMENT: The Energy Cost Adjustment is calculated to collect or refund the accumulated difference between total Company Base Net Power Cost and total Company Actual Net Power Cost calculated on a cents per kWh basis.

MONTHLY BILL: In addition to the Monthly Charges contained in the Customer's applicable schedule, all monthly bills shall have applied the following cents per kilowatt-hour rate.

Schedule 1	0.0000 cents per kWh
Schedule 6	0.0000 cents per kWh
Schedule 6A	0.0000 cents per kWh
Schedule 7	0.0000 cents per kWh
Schedule 7A	0.0000 cents per kWh
Schedule 8	0.0000 cents per kWh
Schedule 9	0.0000 cents per kWh
Schedule 10	0.0000 cents per kWh
Schedule 11	0.0000 cents per kWh
Schedule 12	0.0000 cents per kWh
Schedule19	0.0000 cents per kWh
Schedule 23	0.0000 cents per kWh
Schedule 23A	0.0000 cents per kWh
Schedule 24	0.0000 cents per kWh
Schedule 35	0.0000 cents per kWh
Schedule 35A	0.0000 cents per kWh
Schedule 36	0.0000 cents per kWh