

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL**

DATE: FEBRUARY 5, 2010

**SUBJECT: CASE NO. PAC-E-10-01 (PacifiCorp)
SCHEDULE 94 ENERGY COST ADJUSTMENT**

On February 1, 2010, PacifiCorp dba Rocky Mountain Power (PacifiCorp; Company) filed an Application with the Idaho Public Utilities Commission (Commission) for authority to implement a power cost adjustment to rates for all customer classes excluding tariff contract customers (Monsanto Company and Agrium, Inc.).¹ The proposed power cost adjustment is calculated pursuant to an Energy Cost Adjustment Mechanism (ECAM) approved by the Commission on September 29, 2009 in Case No. PAC-E-08-08, Order No. 30904. The energy cost adjustment is calculated to collect or credit 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. The initial deferral period was July 1, 2009 through November 30, 2009. The Company is proposing to recover approximately \$2.2 million in total deferred net power costs. The energy cost adjustment is set forth in a new electric service Schedule No. 94.

The ECAM is designed to recover the sum of all components of net power costs as traditionally defined in the Company's general rate cases and modeled in its production dispatch model GRID. The mechanism addresses only power cost expenses and does not include any costs associated with fixed-cost recovery, i.e., capital investment in rate base. Specifically, base and actual NPC will include costs typically booked to the following Federal Energy Regulatory Commission (FERC) accounts.

¹ Tariff contract loads (Monsanto and Agrium) are not subject to any ECAM surcharges/credits until January 1, 2011. Reference Case No. PAC-E-07-05, Order No. 30482.

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,² 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 (wheeling).

In addition to the comparison of actual NPC to base NPC, the ECAM includes three additional components: the load growth adjustment rate (LGAR) revenues, a credit for SO2 allowance sales, and a renewable resource adder. The ECAM also includes a symmetrical sharing band of 90% (customers)/10% (Company) that shares the NPC differential between actual NPC and base NPC, SO2 sales and LGAR revenues between the customers and the Company.

Pursuant to the ECAM, a renewable resources adder recognizes that the Company has made significant investments in renewable generation projects that are not yet being recovered in Idaho rates, even though these projects provide significant benefits to customers. Specifically, the adjustment recognizes that actual NPC were reduced by power generated from these renewable generation projects. Pursuant to Commission Order No. 30904, the Commission approved a renewable resource adjustment of \$55 per megawatt-hour (MWh) multiplied by the actual MWh output generated by the renewable resources that were not included in rate base in Case No. PAC-E-08-07.

The components making up the deferred ECAM balance are reflected in the following table:

| | |
|-------------------------------|------------------|
| NPC Differential for Deferral | \$ 121,504 |
| LGAR | 1,499,793 |
| SO2 | <u>(120,562)</u> |
| Total | \$1,500,735 |
| | <u>90%</u> |
| Customer Responsibility | \$1,350,662 |
| Renewable Resource Adder | 811,412 |
| Interest | <u>8,022</u> |
| Total Company Recovery | \$2,170,096 |

² Start up fuel is accounted for separate from the primary fuel for steam-powered 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.

The proposed Schedule 94 energy cost adjustment will have the following rate impacts:

Residential Customers – an increase of 1.29%, i.e., approximately \$0.91 per month for the average residential home using 850 kWh per month.

Irrigation Customers (Schedule 10): 1.55% increase

General Service

Schedule 23/23A: 1.34% increase

Schedule 6/6A/8/35: 1.70% increase

Schedule 9: 2.13% increase

Schedule 19: 1.57% increase

Public Street Lighting

Schedules 7/7A, 11, 12: 0.46% increase

PacifiCorp requests that its Application be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. The proposed effective date is April 1, 2010.

COMMISSION DECISION

PacifiCorp has filed an Application requesting a \$2.2 million Schedule 94 energy cost adjustment for an effective date of April 1, 2010. This is first power cost adjustment for the Company. An Energy Cost Adjustment Mechanism was approved by the Commission on September 29, 2009, in Case No. PAC-E-08-08. The Company recommends that its Application be processed pursuant to Modified Procedure. Staff concurs with the Company's requested procedure and recommends a March 10 comment deadline and March 17 reply deadline. Does the Commission find the proposed procedure and scheduling acceptable?



Scott Woodbury
Deputy Attorney General

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