

Idaho Public Utilities Commission

Case No. PAC-E-10-07, Interlocutory Order No. 32151

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Rocky Mountain residential customers get net 5.5 percent increase

Residential customers of Rocky Mountain Power will pay a net increase of about 5.5 percent in electric rates effective January 1. For all customer classes combined, the average base rate increase approved by the Idaho Public Utilities Commission is 6.78 percent.

Rocky Mountain Power, serving 70,000 customers in eastern Idaho, filed last May with the Idaho Public Utilities Commission for an average 13.7 percent rate increase. In October, Rocky Mountain Power lowered its request to 12.3 percent, seeking an additional \$24.9 million in annual revenue. The additional annual revenue requirement approved by the commission is \$13.75 million.

The commission adjusted the amount allowed in rates by reducing pension expense and eliminating wage increases which, the commission said, addresses some of the concerns of customers and takes into account the economy in southeast Idaho. The commission also reduced the company's proposed investment it sought to include in rates for the Populus to Terminal transmission line from eastern Idaho into northern Utah.

The commission conducted two public workshops, a three-day technical hearing and five public hearings during the six-month investigation of the case and received hundreds of written customer comments. The commission was pleased by the large turnout at the public workshops and hearings where customers expressed concern about rate increases given the current state of the economy and also about paying for wind and transmission projects they thought would benefit other states and not Idaho. "Customers may rest assured that this commission will never approve expenses for generation and transmission projects that do not benefit customers in Idaho," said Commissioner Marsha Smith, who chaired the hearings.

For residential customers, the average base rate increase is 6.8 percent. However, the commission reduced customers' Energy Efficiency Charge from 4.72 percent to 3.4 percent, resulting in a net average increase for residential customers of about 5.5 percent.

Residential customers will actually pay less than the current rate for their first 700 kilowatt-hours of use in the summer months and their first 1,000 kWhs of use in the winter months. The commission approved a two-tiered rate structure that increases rates as consumption increases. From May to October, standard residential customers will pay 9.58 cents per kWh for their first 700 kWh. The current May-October rate is 10.4 cents. For use exceeding 700 kWhs during summer, the new rate is 12.9 cents. From November through April, residential customers will pay 7.33 cents per kWh for the first 1,000 kWhs. The current winter rate is 8 cents. For use above 1,000 kWh, the rate is 9.9 cents.

The commission rejected a Rocky Mountain Power request to increase rates of residential customers in the optional Time of Day program by 15.6 percent, while increasing standard residential customer rates by 8 percent. Instead, the commission approved the same percentage increase for all residential customers.

For the other major customer classes, the average increase with the company's proposal in parenthesis is as follows:

- General service (commercial) – 4.5 percent (9.7)
- General service (large power) – 7.4 percent ((13.3)
- Irrigation – 2.9 percent (7.6)
- Monsanto – 9.6 percent (18.2)
- Agrium – 9.4 percent (14.7)

The commission approved an upper limit of Return on Equity at 9.9 percent, less than the company's current ROE of 10.25 percent and its requested ROE of 10.6 percent. The utility is not guaranteed an ROE, but an opportunity to earn a return of up to 9.9 percent on the investments it makes to serve customers. Under its previous ROE of 10.25 percent, the company earned an average 6 percent over the last 10 years.

Addressing the continued needs of the low-income sector in Rocky Mountain's Idaho territory, the commission increased the company's annual funding level for low-income weatherization from \$150,000 to \$300,000.

State statutes require that all rate requests be considered by the commission to determine whether 1) expenses the utility has already incurred and now seeks to recover through customer rates were necessary to serve customers and 2) if those expenses were necessary, were they prudently incurred. The commission may deny expense recovery to a utility if the utility fails to provide evidence that adequately supports the new expenses as needed to serve customers and prudently incurred. All commission decisions can be appealed to the state Supreme Court by the utility, intervenors or customers.

A final order in this case will not be issued until late February. Issues related to the contract between Rocky Mountain Power and its largest customer, Monsanto, will be further examined over the next two months, with a technical hearing scheduled for Feb. 1. The final order will determine what Monsanto should be paid for allowing Rocky Mountain to interrupt service during certain times of the year.

Petitions for reconsideration or appeals can be made after the final order is issued in February.