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IDAHO PUBLIC
UTILITIES COMMISSION

February 1, 2011

VIA OVERNIGHT DELIVERY

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

Re: Case No. PAC-E-11-07
In the Matter of the Application of Rocky Mountain Power for Authority to Increase Rates by \$11.0 Million to Recover Deferred Net Power Costs Through the Energy Cost Adjustment Mechanism

Dear Ms. Jewell:

Please find enclosed for filing an original and nine (9) copies of Rocky Mountain Power's Application in the above referenced matter, along with Rocky Mountain Power's direct testimony, exhibits and confidential information attestation letter. Also enclosed is a CD containing the Application, direct testimony, exhibits and attestation letter.

All formal correspondence and questions regarding this Application should be addressed to:

Ted Weston
Idaho Regulatory Affairs Manager
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-2963
Email: ted.weston@pacificorp.com

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Telephone: (801) 220-4050
Email: yvonne.hogle@pacificorp.com

Communications regarding discovery matters, including data requests issued to Rocky Mountain Power, should be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 Multnomah, Suite 2000
Portland, Oregon 97232

Idaho Public Utilities Commission

February 1, 2011

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Informal inquiries may be directed to Ted Weston, Idaho regulatory affairs manager, at (801) 220-2963.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey K. Larsen" with a stylized flourish at the end.

Jeffrey K. Larsen,
Vice President, Regulation

Enclosures

Mark C. Moench
Yvonne R. Hogle
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Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) **CASE NO. PAC-E-11-07**
OF ROCKY MOUNTAIN POWER FOR)
AUTHORITY TO INCREASE RATES BY) **APPLICATION OF ROCKY**
\$11.0 MILLION TO RECOVER DEFERRED) **MOUNTAIN POWER**
NET POWER COSTS THROUGH THE)
ENERGY COST ADJUSTMENT)
MECHANISM)

Rocky Mountain Power, a division of PacifiCorp (“Company” or “Rocky Mountain Power”), in accordance with Idaho Code §61-502, §61-503, and RP 052, hereby respectfully submits this application (“Application”) to the Idaho Public Utilities Commission (“Commission”) pursuant to its approved energy cost adjustment mechanism (“ECAM”), requesting approval to adjust Schedule 94, Energy Cost Adjustment, and establish the ECAM rate for all customer classes excluding tariff contracts based on the deferral period beginning December 1, 2009 through November 30, 2010. The Company is proposing to recover approximately \$12.8 million in total

deferred net power costs for the period beginning April 1, 2011 through March 31, 2012, representing an increase of \$11.0 million over Schedule 94 rates currently in effect as approved in Order No. 31033 of Case No. PAC-E-10-01. Rocky Mountain Power respectfully requests that this increase in Idaho rates become effective on April 1, 2011, pursuant to Schedule 94. In support of its Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation, which provides electric service to retail customers through its Rocky Mountain Power division in the states of Idaho, Wyoming, and Utah. Rocky Mountain Power is a public utility in the state of Idaho and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Idaho. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho providing retail electric service to approximately 73,000 customers in the state.

2. Communications regarding this filing should be addressed to:

Ted Weston
Idaho Regulatory Affairs Manager
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-2963
Email: ted.weston@pacificorp.com

Yvonne R. Hogle, Senior Counsel
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-4050
Email: Yvonne.hogle@pacificorp.com

3. In addition, Rocky Mountain Power requests that all data requests regarding this Application should be sent in Microsoft Word or plain text format to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 Multnomah, Suite 2000
Portland, Oregon 97232

Informal questions may be directed to Ted Weston, Idaho Regulatory Affairs Manager at (801) 220-2963.

Brief Overview of the ECAM

4. On October 23, 2008, Rocky Mountain Power filed an Application with the Commission, Case No. PAC-E-08-08, seeking approval of an ECAM. After meeting with staff and other parties over a period of approximately four months, the Company and the parties entered into a stipulation agreeing to the type of ECAM that would be acceptable to all the parties. On June 29, 2009, the parties filed said ECAM Stipulation with the Commission.

5. On September 29, 2009, by Order No. 30904 issued in Case No. PAC-E-08-08, the Commission approved the implementation of an annual ECAM.

6. By agreement, the costs that are to be included in the ECAM are net power costs ("NPC") that are defined in the Company's general rate cases and modeled by the Company's production dispatch model GRID. Specifically, base and actual NPC include amounts booked to the following FERC accounts:

- Account 447 (sales for resale, excluding on-system wholesale sales and other revenues not modeled in GRID),

- Account 501 (fuel, steam generation, excluding fuel handling, start up fuel/gas, diesel fuel, residual disposal and other costs 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), and
- Account 565 (transmission of electricity by others).

7. The ECAM allows the Company to collect or credit the differences between the actual NPC incurred to serve customers in Idaho and the NPC collected from Idaho customers through rates set in general rate cases.

8. On a monthly basis, the Company compares 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”), Case No. PAC-E-08-07, and defers the differences into the ECAM balancing account. This comparison is on a system-wide basis and on a dollar per megawatt-hour basis.

9. In addition to the comparison of Actual NPC to Base NPC, the ECAM includes four additional components: the Load Growth Adjustment Rate (“LGAR”), a credit for SO₂ allowance sales, an adjustment for the treatment of coal stripping costs, and a renewable resource adder for renewable resources that are not yet in rate base. These components are described in more detail below.

10. Finally, the ECAM includes a symmetrical sharing band of 90 percent (customers) / 10 percent (Company) that shares the NPC differential between Actual

NPC and Base NPC, LGAR, SO₂ sales, and the coal stripping costs adjustment between the customers and the Company. The sharing band is also described in more detail below.

11. On February 1, 2010, the Company filed an Application with the Commission (Case No. PAC-E-10-01) seeking approval to recover approximately \$2.2 million in deferred net power costs associated with the first ECAM deferral period of July 1, 2009 to November 30, 2009. By Order No. 31033, the Commission approved recovery of approximately \$2.0 million in deferred net power costs through Schedule 94, Energy Cost Adjustment, effective April 1, 2010.

Proposed Deferred ECAM Rate Increase

12. In support of this Application, Rocky Mountain Power has filed the testimony and exhibits of Company witness Hui Shu. Dr. Shu's testimony provides the ECAM rate to be effective April 1, 2011 for the April 1, 2011 through March 31, 2012 period. Dr. Shu describes the Actual NPC incurred by the Company to serve retail load for the historical 12-month period ended November 30, 2010.

13. In this Application, Dr. Shu's **Exhibit 1**, part of which is confidential ("Exhibit 1"), to her testimony illustrates the detailed calculation of the deferred NPC adjustment. Starting with the base NPC in the amount of approximately \$982 million, previously approved by the Commission in its Order 30783, the Company takes the monthly NPC from that amount and divides it by the monthly normalized load used to determine NPC to express the costs on a dollar per megawatt-hour basis [line 1 of **Exhibit 1**]. The actual NPC rate on a dollar per megawatt-hour basis is then calculated by taking the monthly actual NPC and dividing it by the actual monthly system load [line 4 of **Exhibit 1**].

14. Next, the deferral amount is calculated on a monthly basis by subtracting the monthly base NPC rate from the actual NPC rate. This results in a monthly NPC rate differential [line 5 of **Exhibit 1**] which is then multiplied by actual Idaho retail load at input, excluding the tariff contract load [lines 6 and 7 of **Exhibit 1**]. This results in the NPC differential for deferral [line 8 of **Exhibit 1**].

15. As described in Dr. Shu's testimony, the LGAR is a symmetrical adjustment to offset over or under collection of the Company's production related revenue requirement, excluding NPC, due to variances in Idaho load. Pursuant to Commission Order No. 30904, the Commission-approved symmetrical LGAR is \$17.48 per megawatt-hour. Dr. Shu's testimony describes how the LGAR adjustment was derived. Line 12 of **Exhibit 1** in Dr. Shu's testimony illustrates the LGAR adjustment used in this docket.

16. Under this Application, credits for SO₂ allowance sales revenues received by the Company from December 1, 2009 to November 30, 2010 are included as an offset to the NPC deferral. Dr. Shu's testimony describes how the SO₂ sales revenues were offset against deferred NPC in this docket. Line 17 of **Exhibit 1** in Dr. Shu's testimony contains the total Company SO₂ sales revenues credited against the deferred NPC.

17. Through Order No. 30987 in the Company's Case No. PAC-E-09-08, the Commission granted authorization of the Company's Application to defer costs associated with coal mine stripping activities recorded under treatment prescribed by the Financial Accounting Standards Board ("FASB") Emerging Issues Task Force standard 04-6 ("EITF 04-6"). Based on this authorization, the Company records to Other Regulatory Assets the mine stripping costs and amortizes the costs to fuel expense when

coal is extracted and consumed. The Company has included an adjustment to reflect this treatment in the deferred NPC on line 20 of **Exhibit 1**.

18. Line 21 of **Exhibit 1** in Dr. Shu's testimony contains the ECAM deferral that is the NPC differential for deferral (line 8) plus the LGAR adjustment (line 12) plus the SO₂ sales revenues (line 17) plus the coal stripping costs adjustment (line 20).

19. A sharing band between customers and the Company is included such that customers pay/receive the increase/decrease in Actual NPC when compared to Base NPC, and the Company incurs/retains the remaining 10 percent. The sharing bands also apply to the SO₂, LGAR and coal stripping cost adjustments. Line 23 of **Exhibit 1** in Dr. Shu's testimony reflects the customers' share of these components.

20. As approved in Case No. PAC-E-08-08, the ECAM includes a renewable resource adder which will continue from the effective date of the ECAM to the effective date of rates set in a general rate case occurring subsequent to the 2008 rate case (Case No. PAC-E-08-07). Investments in renewable generation facilities not included in rate base in the 2008 rate case are included in the renewable resource adder until the effective date of rates set in the 2010 rate case (Case No. PAC-E-10-07). The renewable resource adder recognizes that the Company has made significant investments in renewable generation projects that were not included in rates effective during the ECAM deferral period, 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 \$55.00 per megawatt-hour multiplied by the actual megawatt-hour output generated by the renewable resources that were not included in rate base in Case No. PAC-E-08-07. Lines 24 through 30 of

Exhibit 1 in Dr. Shu's testimony include a detailed calculation of this adjustment. Dr. Shu's testimony also includes the renewable generation projects that are included in the renewable resource adder in this docket.

21. In addition to the ECAM calculation components discussed above, the deferral balance reflects Schedule 94 revenues authorized in the 2010 ECAM, Case No. PAC-E-10-01, which total approximately \$1.3 million from April 1, 2010 to November 30, 2010 on line 35 of **Exhibit 1**, as an offset to the deferred NPC. The Company has also reflected interest charges on the monthly balances in the deferred NPC, as illustrated on line 37 of **Exhibit 1**.

22. The deferred ECAM balance of \$13.6 million as of November 30, 2010 [line 38 of **Exhibit 1**] is the sum of the components described above: 90% X (deferred NPC + LGAR + SO₂ revenues+ coal stripping costs adjustment) + the renewable resource adder + interest charges + under collection of 2010 ECAM deferral (described below). Lines 32 through 38 of **Exhibit 1** in Dr. Shu's testimony illustrate the detailed calculations that validate this balance. Approximately \$760,000 of this balance represents an under collection of the \$2.0 million ECAM deferral that was approved in Case No. PAC-E-10-01 and scheduled for recovery through Schedule 94 rates from April 1, 2010 to March 31, 2011. The Company has subtracted this amount from the \$13.6 million November 2010 balance to calculate the \$12.8 million collection proposed in this Application as it is expected that the approximate \$760,000 under collection will largely be recovered through Schedule 94 rates from December 1, 2010 to March 31, 2011. Based on customer loads assumed in the 2010 rate case (Case No. PAC-E-10-07), Schedule 94 revenue at current rates is expected to be approximately \$1.8 million. Any

over or under collections of the original \$2.0 million deferral will be addressed in future ECAM filings.

23. Dr. Shu's testimony includes a more detailed explanation of (1) how the Company calculated the Idaho deferred ECAM, (2) the types of adjustments that were made to Actual NPC during the deferral period for this Application, and (3) the primary drivers that caused Actual NPC to be different from Base NPC.

Allocation of Deferred ECAM to Retail Tariffs

24. Pursuant to Schedule 94, the deferred ECAM balance is allocated to all retail tariff rate schedules based on delivery voltage levels adjusted for line losses as established in the 2010 Idaho general rate case. Dr. Shu's testimony describes in greater detail the calculation of the proposed Schedule 94 rates. **Exhibit 2** of Dr. Shu's testimony illustrates the allocation of the deferred NPC price change across rate schedules and the billing determinants used for each rate Schedule. **Exhibit 3** shows the proposed tariff Schedule 94.

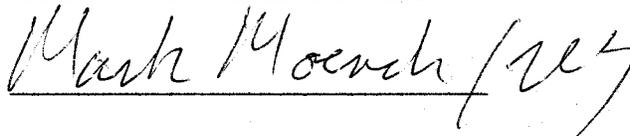
25. Rocky Mountain Power is notifying its customers of this Application by means of a press release sent to local media organizations and messages in customer bills over the course of a billing cycle. In addition, copies of this Application will be made available for review at the Company's local offices in its Idaho service territory.

26. WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue an order (1) authorizing that this matter be processed by Modified Procedure; (2) approve the ECAM deferred balance; and (3) implement the proposed electric service schedule 94 as filed in **Exhibit 3**.

DATED this 1st day of February 2011.

Respectfully submitted,

ROCKY MOUNTAIN POWER

A handwritten signature in black ink that reads "Mark Moench" followed by a stylized flourish.

Mark C. Moench
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