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201 South Main, Suite 2300
Salt Lake City, Utah 84111

March 23, 2011

IDAHO PUBLIC
UTILITIES COMMISSION

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 Rocky Mountain Power's reply comments in the above referenced matter.

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

Very truly yours,


Jeffrey K. Larsen
Vice President, Regulation

Enclosures

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Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

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 Utility Commission (the “Commission”), submits comments in the above referenced case.

Background

On February 1, 2011 the Company filed an Application for authority to recover its 2010 deferred net power costs pursuant to the Energy Cost Adjustment Mechanism (ECAM). In the Application the Company requested authority to recover an additional \$11 million in deferred net power costs (“NPC”) above the current collection rate for a total of \$12.8 million, starting April 1, 2011 through March 31, 2012 through the energy cost adjustment rates contained in service Schedule No. 94.

On March 16, 2011 the Commission staff (the "Staff") filed comments on this Application. Staff's audit of the Application confirmed that the amount requested by the Company was appropriate and accurately reflected the actual NPC incurred by the Company to serve its retail customers.

While the Company's Application requested recovery of the NPC deferral over a twelve-month period Staff's comments propose amortizing the Load Growth Adjustment ("LGA") portion of the Application over a two-year period with interest.

Comments

The Company does not object to Staff's recommendation to amortize the LGA component of the ECAM deferral over a two-year period with the following comments. First, the Company agrees with Staff that the Commission's recent Order No. 32206 (March 2011), which reduced the LGAR will mitigate the future impact of the LGAR / LCAR. Second, the renewable resource adder will not be included in the ECAM in the future, which made up approximately 21 percent of the current balance. The Commission's Order No. 32196 (February 2011), included these resources in base rates thereby eliminating the need to included them in the ECAM in the future. Finally, Staff's proposal if approved by the Commission will increase the recovery level of NPC through the ECAM rider, Schedule No. 94, to approximately \$12.2 million (\$1.8 million from 2009 plus the \$10.4 for 2010) above base rates.

While the Company appreciates Staff's concern and effort to mitigate price increases pushing additional costs into future periods runs the risk of only compounding similar increases next year. The Company points to the actual NPC in this Application for 2010 of \$1.172 billion compared to the recently approved base net power costs (Order

No. 32196) of \$1.023 billion. Based on the Company's recently filed general rate case in Wyoming, 2011 NPC are expected to be approximately \$1.377 billion, an increase of \$354 million over base rates. On a dollar per MWh basis there is a \$5.20 per MWh difference, (\$17.82 per MWh compared to \$23.02 per MWh), which equates to an Idaho allocated increase of approximately \$19 million in NPC above base rates. If the Commission approves Staff's recommended change to Schedule No. 94 approximately \$10.4 million a year will be collected through Schedule No. 94. During 2012 if NPC are in line with the Company's estimate Schedule No. 94 would need to be increased to collect approximately \$9 million for increased NPC, plus the \$2 million LGA deferral, plus associated interest. Second, in Order No. 32196 (February 2011), the Commission approved a dollar for dollar tracking of renewable energy credit ("REC") revenues and set the base at \$92 million. The Company does not expect to match this level of REC sales in the future which will also add upward pressure on next year's application. The Company's only intent of providing this information is to inform the Commission that it expects NPC to increase significantly during the 2011 deferral period.

Staff's comments recommended that the second year's amortization of the LGA be carried in the deferral balance with interest for future recovery. However, their recommendation was not specific what interest rate should be applied. The Company assumes Staff's intention was to apply the Commission approved customer deposit rate. Currently the Commission approved customer deposit interest rate is one percent. Typically the Company would object to such a low carrying charge. However for this limited situation the Company does not object to Staff's recommendation to amortize the LGA over two-years with interest at the customer deposit rate.

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Conclusion

WHEREFORE, Rocky Mountain Power requests that:

- (1) the Commission approve the ECAM rates as proposed by Staff to collect approximately \$10,421,294; and
- (2) the Commission approve the customer deposit rate as the appropriate interest rate to be applied to \$2,378,721 deferral of the LGA; and
- (3) the Commission order that the \$2,378,721 deferral plus interest and any over or under recovery of the \$10,421,294 from the 2010 deferral will be collected from the Company's retail customers excluding the load served on tariff contracts for Monsanto Company and Agrium, Inc.

DATED this 23rd day of March, 2011.

Mark C. Moench/hs

Mark C. Moench
Daniel E. Solander

Attorneys for
Rocky Mountain Power