

("Actual NPC") incurred to serve customers in Idaho calculated on a cents-per-kilowatt-hour basis. In this case the Company requests authority to recover its net power costs for the 12-month deferred period December 1, 2009 to November 30, 2010. Application at 1. The annual ECAM surcharge or credit is combined with the Company's base rates to produce a customer's overall energy rate. The ECAM rate adjustment is applicable to all customer classes excluding tariff contract customers.¹

The ECAM rate component is in effect for one year, usually from April 1 through March 31 of the following calendar year. The mechanism addresses only power cost expenses. Specifically, base and actual NPC will include costs typically booked to the following Federal Energy Regulatory Commission (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,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 between actual NPC to base NPC, the ECAM includes four additional components: (1) the load growth adjustment rate (LGAR); (2) a credit for the sale of SO₂ emission credits; (3) an adjustment for coal stripping costs; and (4) a renewable resource adder for renewable resources not yet in rate base.

Under the ECAM, the Company and its ratepayers "share" the differences between the actual NPC and base NPC, SO₂ sales, and LGAR revenues. The sharing percentage is 90% for ratepayers and 10% for the Company. In good years, Rocky Mountain's Idaho customers are

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

² Start-up fuel is accounted for separately 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.

credited with 90% of the below-normal cost savings. In high-cost years, Idaho customers pay 90% of the Company's abnormal power supply costs. In last year's ECAM case, the Commission approved recovery of approximately \$2.0 million in deferred net power costs for the first ECAM deferral period from July 1, 2009 to November 30, 2009. Order No. 31033.

B. The Current Application

The current Application represents an increase of \$11.0 million over the Schedule 94 ECAM rates currently in effect. Application at 2. The current Application would recover the deferred power supply costs for the 12-month period ending November 30, 2010. Application at ¶ 12. As shown in the table below, the Company is requesting authority to recover a total of \$12.8 million (existing \$1.8 million + \$11 million proposed increase).

The ECAM includes a deferral for renewable resources that recognizes the Company's 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.³ 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. *Id.* at ¶ 20.

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

NPC Differential for Deferral	\$ 6,073,522
LGAR	5,286,046
SO2 Credit	(93,906)
EITF 04-6 Adjustment	<u>(108,588)</u>
Total	\$11,157,074
	90%
Customer Responsibility	\$10,041,366
Renewable Resource Adder	2,696,763
Unamortized Previous Balance	760,036
Interest	<u>61,885</u>
November 2010 Deferral Balance	\$13,560,051
Less ECAM Balance	<u>(760,036)</u>
Proposed ECAM Recovery	\$12,800,015

Source: Dir. Testimony at 10.

³ The renewable wind resources included in this Application are: Glenrock; Glenrock II; Seven Mile; Seven Mile II; Rolling Hills; High Plains; McFadden Ridge; and Dunlap. Dir. Testimony at 8.

The Company calculates that the change in ECAM rates in Schedule 94, if approved, will result in an overall increase of 7.4% or \$11 million for the ECAM year (April 1, 2011 through March 31, 2012). As proposed, the ECAM will increase the following rates schedules:

Residential Customers (Schedule 1) – a 6.1% increase, i.e., approximately \$5.00 per month for the average residential home using 839 kWh per month.

Residential Time-of-Day (Schedule 36): 7.5%

Irrigation Customers (Schedule 10): 7.9%

General Service

Schedule 23/23A: 7.1%

Schedule 6/6A: 8.6%

Time-of-Day (Schedule 35): 11.2%

High Voltage (Schedule 9): 10.9%

Commercial/Industrial (Schedule 19): 8.2%

Public Street Lighting (Schedules 7/7A, 11, 12): 2.8%

COMMENTS

A. Customer Comments

The Commission received comments from approximately 20 customers. The customer comments uniformly opposed the Company's rate increase. In opposing the Company's ECAM rate increase, most customers noted that the Company had just received an increase in its base rates about three months ago. Other low-income and fixed-income customers argued that the Company should reduce its expenses thereby mitigating the need for any rate increase.

B. Staff Comments

After auditing Rocky Mountain's Application and workpapers, Staff agreed with the Company's calculation regarding the various ECAM accounts. However, Staff recommended one adjustment to the proposed recovery mechanism. More specifically, Staff recommended that the Commission amortize the recovery of the load growth adjustment amount of \$5.286 million over a two-year period instead of recovering this amount in one year. Staff's proposal, in essence, would defer recovery of about \$2.64 million until 2012.

Staff noted that during the 12-month deferral period ending November 30, 2010, actual Idaho load decreased 12.52% from the 2007 normalized 12-month period. Given this

unique situation of loads decreasing while power costs increase, Staff proposed that the load growth adjustment be amortized over two years for the following reasons. First, Rocky Mountain recently received a general rate increase of approximately 6.78%. Amortizing the load growth adjustment over two years would decrease the average increase in this case from about 7.4% to 5.8%. Even with these adjustments the accumulation of the two increases is significant.

Second, the Commission recently issued an Order changing the Company's load growth adjustment rate (LGAR) mechanism. The affect of this change reduces the LGAR by about 75% (Case No. GNR-E-10-03, Order No. 32206). The lower LGAR will result in a smaller deferral amount for next year's load growth adjustment even if loads decline again this year. Third, Staff also proposed that the second year's amortization be carried in the deferral balance with interest for future recovery. Finally, because the two tariff contract customers are not subject to the ECAM rate adjustments that accumulated prior to January 1, 2011, Staff recommended these customers should not be assessed any of the amortized portion of the load growth adjustment for the 24-month amortization period.

Based upon Staff's proposal regarding the load growth adjustment, the ECAM recovery for the first year would be reduced by about \$2.39 million or approximately 18.58%. Attachment B to Staff's comments shows the Staff rate calculations for the adjustment described above. Staff proposed the following ECAM rates:

Secondary Distribution Rate	0.569¢/kWh
Primary Distribution Rate	0.550¢/kWh
Transmission Rate	0.535¢/kWh

C. Company Reply

The Company filed reply comments on March 23, 2011.⁴ In its reply comments, the Company stated that it does not object to Staff's recommendation to amortize the recovery of the LGAR component over a two-year period. Reply at 2. The Company agreed with Staff's first two observations regarding the reduction in the LGAR amount for next year and acknowledged that the renewable resource adder "will not be included in the ECAM in the future." *Id.*

While the Company appreciated Staff's efforts to mitigate the price increases, the Company expressed some concern that pushing additional costs into future years "runs the risk of only compounding similar increases next year." *Id.* Based upon the Company's recently filed

⁴ On March 24, 2011, the Company filed an erratum to page 3 of its reply comments.

general rate case in Wyoming, Rocky Mountain expects that the net power costs attributable to Idaho may increase by approximately \$19 million above base rates next year. *Id.* at 3. This would result in an ECAM increase for next year of more than \$9 million, plus the \$2 million deferral of the load growth adjustment amount plus the associated interest. The Company also noted that it does not expect to match the level of credit flowing from the sale of renewable energy credits for next year. *Id.* at 3.

The Company also noted that Staff's proposed adjustment did "not specify what interest rate should be applied." The Company assumes and agrees that interest to the LGAR deferral amount should be set at the customer deposit rate.

ITEM	RMP PROPOSAL	STAFF PROPOSAL
NPC Differential for Deferral	\$ 6,073,522	\$ 6,073,522
LGAR	5,286,046	2,643,023
SO2 Credit	(93,906)	(93,906)
EITF 04-6 Adjustment	<u>(108,588)</u>	<u>(108,588)</u>
Total	\$11,157,074	\$ 8,514,051
	<u>90%</u>	<u>90%</u>
Customer Responsibility	\$10,041,366	\$ 7,662,646
Renewable Resource Adder	2,696,763	2,696,763
Unamortized Previous Balance	760,036	760,036
Interest	<u>61,885</u>	<u>61,885</u>
November 2010 Deferral Balance	\$13,560,051	\$11,181,330
Less ECAM Balance	<u>(760,036)</u>	<u>(760,036)</u>
Proposed ECAM Recovery	\$12,800,015	\$10,421,294

Source: Dir. Testimony at 10.

FINDINGS

Based upon our review of the Application and the comments, we first find that there is agreement between the Company and Staff regarding the ECAM accounts. Although the public comments urged us to reject the Company's Application, the Commission instituted the ECAM in 2009 to allow the variations in power supply costs to be recognized on an annual basis. We affirm the adoption of this process as the preferred way to address these cost variations. However, we find it reasonable to mitigate this year's proposed increase by adopting Staff's recommendation to amortize the recovery of the load growth adjustment amount over two years instead of recovering this amount in one year. Deferring half of the load growth amount will postpone recovery of about \$2.64 million until the next year. Adopting this adjustment decreases the average increase in this case from 7.4% to 5.8%. We understand and appreciate the

Company's concern regarding deferral of additional costs into future years. We believe that it is appropriate in this case to mitigate this rate increase for Rocky Mountain customers. Consequently, Rocky Mountain may recover \$10,421,294 in deferred net power supply costs during the 12-month period beginning April 1, 2011.

We further find that it is reasonable that the deferred LGAR amount (\$2,643,023) accrue interest at the customer deposit rate set out in Utility Customer Relations Rule 106, IDAPA 31.21.01.106. We also find that the two tariff customers (Monsanto and Agrium) are not subject to the ECAM rate adjustments for this year or the LGAR deferral amount carried over to the second year of the two-year period (April 1, 2012 through March 31, 2013).

ORDER

IT IS HEREBY ORDERED that PacifiCorp dba Rocky Mountain Power's Application for authority to recover its deferred net power costs through the ECAM is approved as modified above. The LGAR component of the ECAM shall be recovered over a two-year period.

IT IS FURTHER ORDERED that Rocky Mountain defer \$2,643,023 of the load growth adjustment amount to the next ECAM deferral period. This LGAR deferral amount will accrue interest at the customer deposit rate set out in Utility Customer Relations Rule 106, IDAPA 31.21.01.106. In addition, the recovery of this deferred amount shall not apply to Monsanto and Agrium.

IT IS FURTHER ORDERED that Rocky Mountain file a new Schedule 94 conforming to the rates set out on page 5 of this Order and on line 30 of Appendix A. The revised Schedule 94 shall be filed with the Commission within seven days of this Order. The revised Schedule 94 rates shall become effective for service rendered on and after April 1, 2011.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. PAC-E-11-07 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.


DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 31st
day of March 2011.


JIM D. KEMPTON, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


MACK A. REDFORD, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

bls/O:PAC-E-11-07_dh2

COMMISSION STAFF - ATTACHMENT B
ESTIMATED IMPACT OF PROPOSED ECAM ADJUSTMENT
FROM ELECTRIC SALES TO ULTIMATE CONSUMERS
DISTRIBUTED BY RATE SCHEDULES IN IDAHO
12 MONTHS ENDING DECEMBER 2010

Line No.	Description	Sch.	Average Cust	MWH	Present Rev (\$000)	At Meter MWh by Voltage			At Generation MWh ¹	ECAM Proposal Rate \$/kWh ²			Present ECAM Rev (\$000) ³	Net Change		
						S	P	T		Rev (\$000)	S	P		T	(\$000)	%
Residential Sales																
1	Residential Service	1	42,506	427,907	\$41,658	427,907			471,331	\$2,435	0.569	0.550	0.535	\$428	\$2,007	4.8%
2	Residential Optional TOD	36	15,050	280,407	\$22,027	280,407			308,862	\$1,596	0.569	0.550	0.535	\$280	\$1,315	5.9%
3	AGA Revenue	--	--	0	\$4											
4	Total Residential		57,556	708,314	63,689	708,314	0	0	780,193	4,030				708	3,322	5.2%
Commercial & Industrial																
5	General Service - Large Power	6	1,059	280,497	\$18,962	239,026	41,470		307,438	\$1,588	0.569	0.550	0.535	\$278	\$1,311	6.8%
6	General Svc. - Lg. Power (R&F)	6A	243	33,001	\$2,496	33,001			36,350	\$188	0.569	0.550	0.535	\$33	\$155	6.1%
7	Subtotal - Schedule 6		1,302	313,498	21,458	272,028	41,470	0	343,788	1,776				311	1,465	6.7%
8	General Service - High Voltage	9	12	106,486	\$5,432	545,290			110,325	\$570	0.569	0.550	0.535	\$97	\$473	8.6%
9	Irrigation	10	4,810	545,290	\$41,007	7,769			600,626	\$3,103	0.569	0.550	0.535	\$545	\$2,557	6.2%
10	Comm. & Ind. Space Heating	19	135	7,769	\$563	133,563	731		8,557	\$44	0.569	0.550	0.535	\$8	\$36	6.4%
11	General Service (R&F)	23	6,692	134,294	\$11,216	18,907	731		147,895	\$764	0.569	0.550	0.535	\$134	\$630	5.5%
12	General Service (R&F)	23A	1,494	18,907	\$1,648	152,470	731	0	20,826	\$108	0.569	0.550	0.535	\$19	\$89	5.3%
13	Subtotal - Schedule 23		8,186	153,201	12,864	152,470			168,721	872				153	718	5.5%
14	General Service Optional TOD	35	3	1,883	\$99	1,883			2,074	\$11	0.569	0.550	0.535	\$2	\$9	8.7%
15	Special Contract 1	1	1	1,385,173	\$65,249				1,385,173							
16	Special Contract 2	1	1	101,450	\$4,884				101,450							
17	AGA Revenue	--	--	0	\$681											
18	Total Commercial & Industrial		14,451	2,614,750	152,237	979,439	42,202	1,593,109	2,774,308	6,375				1,116	5,259	3.4%
Public Street Lighting																
19	Security Area Lighting	7	204	264	\$97	264			291	\$2	0.569	0.550	0.535	\$0	\$1	1.3%
20	Security Area Lighting (R&F)	7A	153	131	\$52	131			144	\$1	0.569	0.550	0.535	\$0	\$1	1.2%
21	Street Lighting - Company	11	30	101	\$44	101			111	\$1	0.569	0.550	0.535	\$0	\$0	1.1%
22	Street Lighting - Customer	12	323	2,313	\$407	2,313			2,548	\$13	0.569	0.550	0.535	\$2	\$11	2.6%
23	AGA Revenue	--	--	0	\$0											
24	Total Public Street Lighting		710	2,809	601	2,809	0	0	3,094	16				3	13	2.2%
25	Total Sales to Ultimate Customers		72,717	3,325,873	216,527	1,690,562	42,202	1,593,109	3,557,596	10,421				1,827	8,595	3.9%
26	Total Sales to Ultimate Customers (excluding Contracts 1&2)		72,715	1,839,250	146,394	1,690,562	42,202	1,064,86	2,017,380	10,421				1,827	8,595	5.8%
Footnotes																
27	¹ Equal to MWh sales by voltage times the corresponding loss factors in this line:															
28	² Total Proposed ECAM Revenue (\$000) and Rate by Voltage (cents/kWh):															
29	³ Equal to MWh sales by voltage times the corresponding present rate in this line:															

¹ Equal to MWh sales by voltage times the corresponding loss factors in this line.
² Total Proposed ECAM Revenue (\$000) and Rate by Voltage (cents/kWh).
³ Equal to MWh sales by voltage times the corresponding present rate in this line.