

DONALD L. HOWELL, II
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO. 3366

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UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

The Staff of the Idaho Public Utilities Commission, by and through its Attorney of Record, Donald L. Howell II, Deputy Attorney General, submits the following comments in the above referenced case.

BACKGROUND

On February 1, 2011, PacifiCorp dba Rocky Mountain Power filed an Application for authority to recover its deferred net power costs pursuant to the Energy Cost Adjustment Mechanism (ECAM) approved in Order No. 30904 (September 2009). The ECAM is designed to annually adjust Rocky Mountain's rates upward or downward to reflect the difference between the Company's actual power supply costs and those costs embedded in base rates. Rocky Mountain's actual costs of providing electric service (its "power supply costs") vary from year to year depending on the Company's fuel (natural gas and coal) costs, the surplus power sales, the power

purchases, and the market price of power. In this Application, the Company is proposing to recover an additional \$11 million in deferred net power costs starting April 1, 2011, and ending March 31, 2012. The energy cost adjustment rates are contained in service Schedule No. 94. Rocky Mountain requested that this Application be processed by Modified Procedure.

The ECAM

The ECAM is designed to recover all components of net power costs as traditionally defined in the Company's general rate cases and modeled in its production dispatch model "GRID". (Recovery is subject to adjustment for load growth and sharing.) The ECAM is calculated to collect or credit the accumulated difference between total Company base net power costs ("Base NPC") and the total Company actual net power costs ("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 deferred period December 1, 2009 to November 30, 2010. Application at 1. The annual ECAM rate 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 (Monsanto Company and Agrium, Inc.).¹

The ECAM rate component is in effect for one year, usually from April 1 through March 31 of the following calendar year. The primary components of the ECAM are base and actual NPC 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.

¹ Tariff contract loads (Monsanto and Agrium) are not subject to any ECAM deferral period until 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.

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 four additional components: (1) the Load Growth Adjustment; (2) a credit for the sale of SO2 emission credits; (3) an adjustment for coal stripping costs (EITF 04-6 Adjustment); and (4) a Renewable Resource Adder for renewable resources not in rate base.

Under the ECAM, the Company and its ratepayers share the differences between the actual NPC and base NPC, SO2 sales, and the Load Growth Adjustment. The sharing percentage is 90% for ratepayers and 10% for the Company. In good years, Rocky Mountain's Idaho customers are credited with 90% of the below normal cost savings. In high cost years, Idaho customers pay 90% of the Company's higher than normal 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 Company's first ECAM deferral period from July 1, 2009 to November 30, 2009. Order No. 31033.

The Current Application

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

The ECAM includes a deferral for renewable resources that recognizes the Company's investments in renewable generation projects that were not being recovered in Idaho rates, even though these projects provided 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.

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.

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
Load Growth Adjustment	5,286,046
SO2 Credit	(93,906)
EITF 04-6 Adjustment	<u>(108,588)</u>
Total	\$11,157,074
	<u>90%</u>
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.

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 recovery year (April 1, 2011 through March 31, 2012). The proposed ECAM rates would increase the Company's rates as follows:

Residential Customers (Schedule 1): 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%

STAFF ANALYSIS

This is the Company's first full year ECAM filing after the Commission issued Order No. 30904 in September 2009. Last year's ECAM filing only covered a 5-month period ending November 30, 2009. Consequently, this filing includes adjustments for Net Power Cost Differential, Load Growth Adjustment, SO2 Sales, EITF 04-6 Adjustment, and a Renewable Resource Adder for the 12-month period of December 1, 2009 through November 30, 2010.

The Commission Staff has reviewed the Company's ECAM filing and audited the Company's actual results as they pertain to the ECAM.

Net Power Cost Differential – The Net Power Cost differential is the primary reason for the creation of a power cost adjustment mechanism for Rocky Mountain. Normally this differential is by far the single largest cost component of the mechanism. In this case, however, the Net Power Cost differential is just about half of the ECAM recovery amount requested by the Company (the LGA (see below) is the other large balance).

The Staff reviewed the transactions in the FERC accounts used to record net power costs. 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). The Staff analysis did not find any transaction that was not reasonable or significantly out-of-trend with previous activity.

Staff confirmed the Idaho share of net power costs increased by \$6,073,522; the Idaho customers' share of the increased cost is \$5,466,170 after 90/10 sharing.

Load Growth Adjustment – The Load Growth Adjustment (LGA) is also a major component of this year's ECAM deferral. During the 12-month review period, actual Idaho loads were down 302,438 MWh or 12.52% from the 2007 normalized 12-month period used to calculate the Idaho base load. At an approved adjustment rate of \$17.48/MWh, this results in a Load Growth Adjustment of \$5,286,046. The Idaho customer share is \$4,757,441 after 90/10 sharing. These are the same results obtained by the Company.

When loads are reduced from base conditions, the Load Growth Adjustment mechanism imputes revenue to reimburse the Company for unrecovered fixed costs approved for recovery by

the Commission in previous general rate cases. Idaho Power and Avista PCA's include similar mechanisms. When loads are increasing, this adjustment removes fixed costs from the ECAM because the approved level of fixed cost is recovered in the sale of additional MWh. The Load Growth Adjustment is designed to be symmetrical. Therefore, because the Idaho Load Growth was negative, the approved level of fixed cost is added to the ECAM adjustment. Staff notes that this is a unique situation in which the Load Growth Adjustment comprises a major part of the ECAM adjustment. In spite of an overall decrease in load, net power costs have risen during the 12-month period primarily due to a large increase in net power costs during all months except June and July of 2010.

Given this unique situation (loads decreasing, while power costs increasing), the Staff proposes that the Load Growth Adjustment amount be amortized over two years for the following reasons. First, less than three months ago, Rocky Mountain received a general rate increase that averaged 6.78%. The Staff proposal reduces the average increase in this case from 7.4% to 5.8%. Even with Staff's proposed adjustment, the combination of these two increases is significant. Second, the Commission recently issued an order that changed the Company's Load Growth Adjustment Rate (LGAR) mechanism. The effect of this change reduced the LGAR by about three-quarters (Case No. GNR-E-10-03, Order No. 32206). The reduced LGAR reduces the amount of next year's Load Growth Adjustment even if the load decline is equivalent to this year's decline. However, because the recent rate case reset the base load, Staff expects that the 2011 actual load will more closely match the reset base load. This would further reduce the Load Growth Adjustment for next year. Staff believes that this year's Load Growth Adjustment can be spread over two years without causing an ECAM rate increase next year.

The Staff also proposes that the second year's amortization of the Load Growth Adjustment amount be carried in the deferral balance with interest for future recovery. Because the two tariff contract customers are not subject to ECAM rate adjustments that accumulated prior to January 1, 2011, the Staff believes that these customers should be assessed none of the amortized portion of this Load Growth Adjustment in future filings.

SO2 Credits – In Commission Order No. 30904 the Commission accepted a stipulated settlement that required that the ECAM include and share revenues from the sale of SO2 credits between the Company and its customers (90% customers/10% company). This applied to all SO2 sales beginning July 2009. For the 12-month ECAM deferral period ending November 30, 2010, Staff calculated the Idaho portion of the credit by multiplying total sales by the Idaho energy

allocation factor of 6.5865%. The Idaho portion of the SO2 credit was then further reduced to an Idaho tariff customer portion by multiplying the percent of the Idaho tariff load to total Idaho load in each month. The Staff calculated the Idaho tariff customer portion to be \$93,906. The Idaho customer share is \$84,516 after 90/10 sharing. These are the same results obtained by the Company.

Idaho EITF 04-6 Deferral – The EITF-04-6 Deferral reflects the Idaho-allocated differences between excluding the Company's coal stripping costs recorded on the Company's books (pursuant to the guidance of the accounting pronouncement EITF 04-6), and the amortization of the coal stripping costs when the coal was excavated and consumed as directed in Commission Order No. 30987. Idaho's allocated share is further prorated to exclude the two tariff contract customers' load. The total EITF 04-6 coal stripping deferral adjustment was calculated by the Company to be a \$108,588 reduction to the NPC deferral balance; the Idaho customer share of the credit is \$97,729 after 90/10 sharing. Staff agrees with the Company's calculation.

Renewable Resource Adder – The Renewable Resource Adder is a relatively short term adjustment included in the ECAM. This adjustment allows the ECAM to include the costs for renewable resources that have come on-line since base power costs were set in Case No. PAC-E-08-07. The costs are included at 55 \$/MWh. The costs of the Renewable Resource Adder were not included in base rates during the original case but generation from these resources reduces actual Net Power Costs. Because the costs and benefits of these resources were included in base rates in the recent general rate case (Case No. PAC-E-10-07), this special adjustment will not be included in ECAM deferrals after December 31, 2010. Staff calculated the Idaho customer share of this cost to be \$2,696,763. These are the same results obtained by the Company.

Interest – As required by Commission Order No. 30904 the Company included interest on monthly deferral balances at the Commission approved customer deposit interest rate of 1% for 2010. The Staff calculated the interest amount to be \$61,885. These are the same results obtained by the Company.

The Staff calculates the ECAM components proposed for recovery in this filing to be:

NPC Differential for Deferral	\$ 6,073,522
Load Growth Adjustment	2,643,023
SO2 Credit	(93,906)
EITF 04-6 Adjustment	<u>(108,588)</u>
Total	\$8,514,051
	<u>90%</u>
Customer Responsibility	\$7,662,646
Renewable Resource Adder	2,696,763
Unamortized Previous Balance	760,036
Interest	<u>61,885</u>
November 2010 Deferral Balance	\$11,181,330
Less ECAM Balance	<u>(760,036)</u>
Proposed ECAM Recovery	\$10,421,294

The Staff proposed amortization of the Load Growth Adjustment discussed above reduces the ECAM recovery in this case from the Company calculation of \$12,800,015 to \$10,421,294, a reduction of \$2,390,723 or 18.58%. Attachment A shows Staff's calculations in more detail.

ECAM Rates

The methodology for calculating ECAM rates is generally defined in the Settlement Stipulation accepted by the Commission in Order No. 30904. The details of the rate design were accepted by participating parties in discussions after Order No. 30904 was issued and applied in last year's ECAM case. The rates were to be energy rates (¢/kWh) and they were to be loss differentiated. In Company Exhibit No. 3, the Company proposes three different energy rates that vary by delivery voltage. In general, the lower the delivery voltage, the higher the losses associated with serving the load. Higher losses translate into higher ECAM rates and lower losses, due to higher delivery voltages, translate into lower ECAM rates.

Attachment B to these comments shows the Staff calculations of the three loss differentiated rates on line 30. The Staff calculates the ECAM rates for customers taking service at the secondary distribution voltage level to be 0.569 ¢/kWh. The ECAM rate for those taking service at the Primary Distribution voltage level is 0.550 ¢/kWh. Finally, customers taking service at the Transmission voltage level would pay an ECAM rate of 0.535 ¢/kWh. These rates applied to the Company's customer Classes are expected to produce \$10,421,000 in ECAM revenue over the course of the year which is approximately a 5.8% average increase in current revenue. As

shown in the extreme right column of Attachment B, the actual percentage increases vary by customer class.

CUSTOMER RELATIONS

Customer Notice and Press Release

The Customer Notice and Press Release were included in Rocky Mountain Power's Application. Staff identified a few items in the Customer Notice and Press Release that needed to be changed to be in compliance with Procedural Rule 125, IDAPA 31.01.01.125. The corrections were made by RMP.

The Customer Notice was mailed to Rocky Mountain's customers with cyclical billings beginning February 7, 2011 and ending March 4, 2011.

Customer Comments

Customers were given until March 23, 2011 to file comments. As of March 15, 2011, sixteen customers had sent comments. None supported the Company's proposed rate increase. Most customers complained that the utility just received a general rate increase. About five customers objected to the proposed increase because they are on fixed or low incomes.

RECOMMENDATIONS

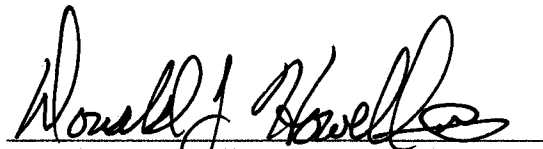
The Staff recommends that the Commission accept an Idaho ECAM deferral balance of \$12,800,015 for the December 1, 2009 through November 30, 2010 deferral period as proposed by the Company and verified by the Staff. The Staff further proposes that \$10,421,294 be set for recovery in this ECAM case. The reduced amount reflects the 2-year amortization of the Load Growth Adjustment as previously discussed in these comments. Staff further recommends that the amortized portion of the Load Growth Adjustment be specifically excluded from any ECAM application to special contract customers (Monsanto Company and Agrium, Inc.) in future filings.

The Staff also recommends that the Commission approve the following loss differentiated energy rates to be included in Schedule 94 (See Attachment B, line 30):

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

The Staff recommends that these rates become effective April 1, 2011 as requested by the Company.

Respectfully submitted this 16th day of March 2011.


Donald L. Howell, II
Deputy Attorney General

Technical Staff: Keith Hessing
Cecily Vaughn
Marilyn Parker

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Idaho ECAM Deferral (PAC-E-11-7)
December 1, 2009 through November 30, 2010

	As Filed by RMP	As Proposed by Staff	Difference	% Difference from RMP Filing
NPC Differential for Deferral	6,073,522	6,073,522	-	-
LGAR	5,286,046	2,643,023	(2,643,023)	
SO2 Credit	(93,906)	(93,906)	-	-
EITF 04-6 Adjustment	(108,588)	(108,588)	-	-
Total	11,157,074	8,514,051	(2,643,023)	
	1	1	-	
Customer Responsibility	10,041,367	7,662,646	(2,378,721)	
Renewable Resource Adder	2,696,763	2,696,763	-	-
Unamortized Previous Balance	760,036	760,036	-	-
Interest	61,885	61,885	-	-
November 2010 Deferral Balance	13,560,051	11,181,330	(2,378,721)	
Less ECAM Balance	(760,036)	(760,036)	-	-
Proposed ECAM Recovery	12,800,015	10,421,294	(2,378,721)	-18.58%

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 (1)	Sch. (2)	Average		Present		At Meter			At Generation MWh ¹ (9)	ECAM Proposal			Present		
			Cust (3)	MWH (4)	Rev (\$000) (5)	S (6)	P (7)	T (8)	Rev (\$000) (10)		S (11)	P (12)	T (13)	ECAM Rev (\$000) ³ (14)	Net Change (\$000) (15)	% (16)
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			106,486	110,325	\$570	0.569	0.550	0.535	\$97	\$473	8.6%
9	Irrigation	10	4,810	545,290	\$41,007	545,290			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	7,769			8,557	\$44	0.569	0.550	0.535	\$8	\$36	6.4%
11	General Service	23	6,692	134,294	\$11,216	133,563	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	18,907			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	731	0	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	1,385,173	\$65,249			1,385,173	1,435,109							
16	Special Contract 2		1	101,450	\$4,884			101,450	105,107							
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																
20	Security Area Lighting	7	204	264	\$97	264			291	\$2	0.569	0.550	0.535	\$0	\$1	1.3%
21	Security Area Lighting (R&F)	7A	153	131	\$52	131			144	\$1	0.569	0.550	0.535	\$0	\$1	1.2%
22	Street Lighting - Company	11	30	101	\$44	101			111	\$1	0.569	0.550	0.535	\$0	\$0	1.1%
23	Street Lighting - Customer	12	323	2,313	\$407	2,313			2,548	\$13	0.569	0.550	0.535	\$2	\$11	2.6%
24	AGA Revenue	--	--	0	\$0											
25	Total Public Street Lighting		710	2,809	601	2,809	0	0	3,094	16				3	13	2.2%
26	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%
27	Total Sales to Ultimate Customers		72,715	1,839,250	146,394	1,690,562	42,202	106,486	2,017,380	10,421				1,827	8,595	5.8%
(excluding Contracts 1&2)																
28																
29	¹ Equal to MWh sales by voltage times the corresponding loss factors in this line:															
30	² Total Proposed ECAM Revenue (\$000) and Rate by Voltage (cents/kWh):															
31	³ Equal to MWh sales by voltage times the corresponding present rate in this line:															

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16TH DAY OF MARCH 2011, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-11-07, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

TED WESTON
ID REG AFFAIRS MGR
ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111
E-MAIL: ted.weston@pacificorp.com

YVONNE R HOGLE
SENIOR COUNSEL
ROCKY MOUNTAIN POWER
201 S MAIN ST STE 2300
SALT LAKE CITY UT 84111
E-MAIL: yvonne.hogle@pacificorp.com

DATA REQUEST RESPONSE CENTER
E-MAIL ONLY:
datarequest@pacificorp.com



SECRETARY

CERTIFICATE OF SERVICE