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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-12-12**
POWER TO CANCEL SCHEDULE 17 AND)
IMPLEMENT A PARTIAL REQUIREMENTS) **COMMENTS OF THE**
TARIFF.) **COMMISSION STAFF**
)

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Neil Price, Deputy Attorney General, and in response to the Notice of Application, Notice of Modified Procedure and Notice of Intervention Deadline in Order No. 32666 issued on October 17, 2012, submits the following comments.

BACKGROUND

On August 13, 2012, PacifiCorp dba Rocky Mountain Power (“Rocky Mountain” or “Company”) filed an Application, pursuant to *Idaho Code* §§ 61-301, 61-307, 61-622, and 61-623, with the Commission seeking authorization to cancel electric service Schedule No. 17, Standby Service, and replace it with a new electric service Schedule No. 31, Partial Requirements Service. Rocky Mountain states that its partial requirements service is designed for customers with on-site generation, or whose electric service requirements are obtained from any service other than the Company including back-up, supplementary, excess and maintenance power.

The Company states that a customer can contract for Schedule 31 partial requirements service for a minimum of one year. Schedule 31 service is not required where on-site generation is used only for emergency supply in case of utility outage. Schedule 31 service would be available to high voltage customers with loads up to 15,000 kW. Consistent with Schedule 9, General Service - High Voltage, customers with loads in excess of 15,000 kW will require a special contract.

The Company states that its proposed Schedule 31 rates are based on and aligned with current Schedule 9 rates and the cost of service results from the Company's last general rate case, Case No. PAC-E-11-12. According to the Company, this assures consistency between Schedule 31 and the corresponding full requirement rates on Schedule 9, under which eligible customers would otherwise take service.

Based on a recent Idaho customer inquiry, the Company believes that Idaho customers would benefit from a partial requirements service option currently available in the Company's other jurisdictions. According to the Company, Schedule 17 has not been updated for the last several rate cases because no customers have been on the schedule for at least 15 years. The Company states that significant modifications are necessary in order to make Schedule 17 compatible with the Company's other jurisdictions. Thus, the Company proposes to cancel the current standby service Schedule 17 and implement a new partial requirement service as Schedule 31.

STAFF REVIEW

Staff reviewed the Application and accompanying testimony and is generally supportive of the Company's proposal. Staff believes the new standby service rate design and partial requirements service option will better fit the needs of eligible customers, and will enable on-site generation by large customers.

Proposal to Cancel Schedule 17

The proposed Schedule 31 differs from the existing Schedule 17, most notably by removing barriers to participation for high voltage customers and by allowing customers a partial requirements service option. Backup service under Schedule 17 has always been limited to customers with contract demand up to 2,500 kW. Schedule 31, on the other hand, has been

designed for high voltage transmission customers taking three phase service supplied at 44,000 volts or 69,000 volts or greater, with demand up to 15,000 kW.

Staff believes it is reasonable that Schedule 31 be modeled to accommodate high voltage customers because they are most likely to self generate. The Company's Schedule 135 – Net Metering accommodates eligible self-generation up to 25kW for smaller customers, or 100kW for all other customers. There is no minimum contract demand under Schedule 31, but the proposed voltage requirement precludes small customers from taking service, creating a situation where customers may not be eligible for either schedule. Staff believes the Company's net metering tariff will accommodate the needs of most small customers with on-site generation, but customers self-generating at over 100kW and under 44,000 volts will not be eligible for either Schedule 135 or Schedule 31. Staff encourages the Company to consider how this potential group of customers could be accommodated in the future.

Schedule 17 has never allowed for partial requirements service, meaning the tariff prohibited customers from generating power or obtaining power from other sources when the Company was providing power. Schedule 31 allows customers to take service from the Company in parallel with their own generation or while obtaining power from other sources, which means customers may have more flexibility when designing their self-generation system to meet load. Overall, Staff believes the Company's proposal is an improvement from Schedule 17 because it makes standby service available to high voltage customers and provides an option for partial requirements service.

Proposed Tariff Design

The tariff is comprised of several billing components, most of which assure consistency between Schedule 31 and the corresponding full requirement rates under Schedule 9. This is primarily because Schedule 9 has similar eligibility requirements and is the tariff under which customers would otherwise take service. Each billing component is shown in the table below with a brief description of how the rate was developed.

Billing Component	Description
Customer Service Charge	Schedule 9 Customer Service Charge
Supplementary Power Rate	Schedule 9 Seasonal Power Rate
Back-up Facilities Rate	Demand Related Costs (transmission + 13% generation)
Back-up Power Rate	Difference between Supplementary Power Rate and Back-up Facilities Rate
Excess Power Rate	2 Times the Supplementary Power Rate
Supplementary & Back-up Energy Rate	Schedule 9 Energy Rate
Maintenance Service Rate	One-half of Back-up Power Rate

The Company has designed its Schedule 31 rates so that if a standby service customer does not self generate but has a load profile similar to the average Schedule 9 customer, the customer's bill would be the same as if they were on Schedule 9. In other words, for a customer with a load profile similar to the average Schedule 9 customer, the combination of the Back-up Facilities Rate and the Back-up Power Rate add up to what would have been paid under the Schedule 9 Power Rate. Staff supports the Company's proposal to keep consistency between the two rate schedules when customers do not self generate. This allows the Company to recover the fixed costs of providing service but does not unnecessarily penalize customers for not self generating.

For purposes of these Comments, Staff will primarily focus on the billing determinants not taken directly from Schedule 9, which include the: (1) Back-up Facilities Rate; (2) Back-up Power Rate; (3) Maintenance Service Rate; and (4) Excess Power Rate.

Back-up Facilities Rate

Under the proposed tariff, customers specify a predetermined amount of contract demand from the Company which can be used during unexpected outages or prescheduled plant maintenance. The Back-up Facilities Rate is a charge per kW of contract demand the Company makes available, whereas the Back-up Power Rate is a charge per kW of contract demand *actually used* by the customer during the billing month. The proposed Back-up Facilities Rate is calculated based on the Schedule 9 allocations from the last cost-of-service study (i.e. - Case No. PAC-E-11-12). Specifically, the rate includes the demand-related transmission costs on a per unit basis, plus 13% of the demand-related generation costs on a per unit basis. The Company believes that the 13% planning reserve margin used in the 2011 Integrated Resource Plan (IRP)

and applied to the demand-related generation costs reasonably approximates the costs incurred to back-up the customer's generation. The planning reserve margin is intended to account for operating reserves, load forecast errors, and other long term resource adequacy planning uncertainties. Since standby service is designed to meet unplanned outages at the customer's generation facility and is not reflected in the Company's load obligation for resource planning, the Company believes its methodology is appropriate.

The Company's approach to calculating the demand related costs necessary to provide standby service is subjective. Staff believes that the 13% planning reserve margin applied to the demand-related generation costs on a per unit basis is a somewhat arbitrary proxy for estimating the costs of providing future customers standby service. The demand-related generation costs necessary to serve standby customers is heavily dependent on each standby customer's load profile, outage probability, and the Company's load/resource balance position at the time back-up power is requested. Consider, for example, a customer who has on-site generation but rarely utilizes its contract demand other than for prescheduled maintenance. In this situation, it may never be necessary for the Company to make use of the planning reserve margin to provide standby service, particularly if the customer's contract demand were utilized during the shoulder season and off-peak periods when the Company already has available capacity. On the other hand, if a customer generator regularly utilizes its contract demand, it might be necessary for the Company to make use of the planning reserve margin to provide standby service, particularly if the contract demand were utilized during the system's peak period.

In the Company's Wyoming standby service tariff, the back-up demand charge only applies to the on-peak periods, which is also consistent with the on-peak period specified in its high voltage schedule. Staff believes the Company's proposed standby service rates might be more accurate by incorporating time-of-use (TOU) pricing, but recognizes that implementing TOU pricing would require the Company depart from the current Schedule 9 rate structure. Staff supports the Company's Back-up Facilities Rate, given that the rate structure incorporates the seasonal price differentials set forth in Schedule 9, which reflect higher prices during months when the utility normally pays more to provide service. If in the future the Company evaluates the load profiles of standby service customers and determines the demand-related generation costs necessary to serve them deviates from what was anticipated, the Company can revisit the rate design.

Back-up Power Rate

Back-up power is determined for each day of the billing period and is measured based on a customer's greatest daily kW usage during a fifteen minute period. The rate is calculated as a per day rate and is developed to capture the difference between the Supplemental Power Rate and the Back-up Facilities Rate. The proposed Back-up Facilities Rate is approximately 60% of the Supplementary Power Rate, whereas the Back-up Power Rate on a monthly basis is approximately 40% of the Supplementary Power Rate.¹

In order to align the proposed Back-up Power Rate with Schedule 9, the Company had to compare the demand of Schedule 9 customers on a daily basis to their demand on a monthly basis. This is because the Power Rate for Schedule 9 is determined for each billing period based on the customer's greatest *monthly* kW usage during a fifteen minute period, not the greatest *daily* kW usage like the Back-up Power Rate. The Company evaluated the loads of its Schedule 9 customers and discovered total demand on a daily basis averaged approximately 80% of total demand on a monthly basis. The Company used these results to develop a daily Back-up Power Rate that is estimated to recover the full monthly difference between the Supplemental Power Rate and the Back-up Facilities Rate.

Staff believes that the Company's approach for determining the Back-up Power Rate is reasonable. Even though the high voltage customers used to develop rates might not have the same load profile as a potential standby service customer, Staff believes the Company's approach offers a reasonable estimate given there are currently no Idaho customers taking standby service. If in the future the Company evaluates the load profiles of standby service customers and determines Schedule 31 is not aligned with Schedule 9, the Company can revisit the rate design.

Maintenance Service Rate

Maintenance service provides customer generators electric service when generation equipment needs to be taken down for scheduled maintenance or servicing. The customer's proposed maintenance schedule for each month must be submitted to the Company in writing by

¹ The Back-up Power Rate as a percent of the Supplemental Power Rate is calculated based on the load profile of an average Schedule 9 customer on a monthly basis. The Company used the average load profile of Schedule 9 customers to develop the Back-up Power Rate calculated on a per kW day basis. The rate per kW day is estimated to capture the monthly difference between the Back-up Facilities Rate and Supplemental Power Rate.

September 1st of each subsequent year for each month of an 18-month period beginning January 1st of the following year. Customers are allowed to receive maintenance service for 30 days as one continuous period or two 15 day periods. The Company may cancel a scheduled maintenance outage anytime with seven days notice prior to the beginning of a scheduled maintenance outage. The Company's proposed rate for Scheduled Maintenance Power is half the Back-up Power Rate.

Staff supports the Company's proposal to provide customers a discount for scheduled back-up maintenance power because the Company's costs of providing service would generally be less when planned for in advance. Staff believes the Company's proposal to have the Scheduled Maintenance Power Rate be half the Back-up Power Rate is reasonable. This is consistent with the Company's other jurisdictions and can be reevaluated in the future once customers take service under this schedule. Staff believes the prescheduled maintenance provisions are reasonable, and according to the Company, have not been problematic in its other jurisdictions. If the proposed maintenance provisions become problematic to customers and the Company anticipates having capacity available when prescheduled maintenance has been requested, Staff encourages the Company to consider reevaluating the maintenance provisions to allow for more flexibility.

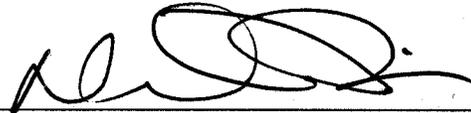
Excess Power Rate

Excess service is the power supplied by the Company in excess of the total contract power for supplementary service and back-up or maintenance service. The proposed rate is calculated at twice the Supplementary Power Rate, similar to the Company's other jurisdictions. According to the Company, the rate is designed to encourage customers to establish accurate and appropriate contract levels to protect other customers and the Company from higher potential costs as a result of serving load in excess of the contract demand. Staff believes the Excess Power Rate is reasonable, but encourages the Company to monitor the rate's impact on customers' behavior once they begin taking service under Schedule 31. It is important to protect other customers from higher costs as a result of the Company meeting excess loads it has not planned for, particularly when it is capacity constrained.

STAFF RECOMMENDATION

After a careful examination, Staff recommends that the Commission accept the Company's Application for authority to cancel Schedule No. 17 Standby Service, and implement Schedule No. 31 Partial Requirements Service – High Voltage.

Respectfully submitted this 14th day of November 2012.



Neil Price
Deputy Attorney General

Technical Staff: Matt Elam

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 14TH DAY OF NOVEMBER 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-12-12, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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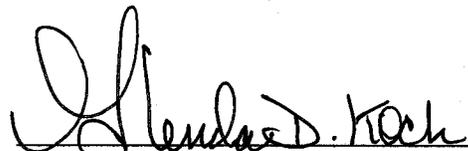
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