

Idaho Public Utilities Commission

Case No. PAC-E-14-01, Order No. 33008

April 4, 2014

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Rocky Mountain Power ECAM is a 2.6% decrease

Rates for Rocky Mountain Power's eastern Idaho customers decreased by an average 2.6 percent on April 1 as part of the utility's annual Energy Cost Adjustment Mechanism (ECAM).

The Energy Cost Adjustment appears as a separate line-item on customer bills. The ECAM adjusts actual power supply expense from forecasted power supply expense. The ECAM must be adjusted annually because some of the cost Rocky Mountain Power incurs to provide energy to its customers vary from year to year. These include expenses for fuel and for power purchased from the wholesale market. Also, the revenue the utility earns from its power sales changes annually. Rocky Mountain forecasts what those amounts may be and includes that forecast in base rates. Because the forecast is never precisely correct, there is an annual true-up of forecasted power supply expense to actual power expense. When the actual expense is greater than that included in base rates, customers get a one-year surcharge. When actual power supply expense is less than anticipated, customers get a one-year credit.

This year, the Idaho Public Utilities Commission approved an ECAM deferral balance of \$7 million that represents a surcharge for all tariff customers. However, the surcharge is less than last year's surcharge meaning customers will be assessed about 2.6 percent less than the amount previously collected. Also approved are deferrals for large-contract customer Monsanto of \$4.9 million and for Agrium of \$400,000. They will receive 1.6 percent and 2 percent ECAM increases respectively. None of the money collected in the ECAM can be used to increase Rocky Mountain Power's earnings. The ECAM is kept in a deferred account audited by the commission and used only to pay power supply expense not already included in base rates.

The total deferral balance approved by the commission of \$12.23 million is less than the company's originally proposed \$13.2 million, resulting in rates lower than those proposed by the company. This is the third consecutive year the ECAM is either no change or a decrease for tariff customers.

The largest factor driving power supply costs down was reduced natural gas expense of 18 percent. That fuel price decrease moderated increases in other power supply expense categories including:

- A 41 percent decrease in revenue from wholesale power sales, largely due to the fact that wholesale market prices were 12 percent lower. Ninety-percent of the revenue from wholesale power market sales is shared with customers, while the company

retains 10 percent. The utility can sell into the wholesale market only when the company is generating surplus power after having met customer demand;

- A 9 percent increase in purchased power expense;
- An 11 percent increase in fuel expense related to servicing the utility's coal plants;
- A significant decline in revenue from the utility's sales of Renewable Energy Certificates (RECs). The company fell far short of its forecasted REC sales of \$6.5 million, realizing only \$1.3 million due to REC market prices being significantly lower.

The commission also directed Rocky Mountain Power, commission staff and Monsanto to participate in workshops to resolve an issue over how the "wholesale line loss adjustment" is calculated. As power is transported over the utility's transmission lines, there is always some line loss. The adjustment determines how much of the associated cost should be allocated to the utility's Idaho customers. The parties differ over their interpretation of past commission orders as to how the wholesale line adjustment is applied.

The commission's order and other documents related to the case are available on the commission's Website at www.puc.idaho.gov. Click on "Open Cases," under the "Electric" heading and scroll down to Case No. PAC-E-14-01.

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Energy Cost Adjustment Mechanism 2010-14 for Tariff Customers

<u>Year</u>	<u>Approved Power Supply Expense</u>	<u>ECAM charge</u>	<u>Net change</u>
2010	\$2 million	0.10 cents per kWh	
2011	\$10.4 million	0.57 cents per kWh	5.8% increase
2012	\$13 million*	0.57 cents per kWh	No change
2013	\$15.8 million*	0.57 cents per kWh	No change
2014	\$12.2 million	0.32 cents per kWh	2.6% decrease

**While overall power supply expense increased in both 2012 and 2013, the increased costs were allocated to Rocky Mountain Power's contract customers, Monsanto and Agrium, and not to tariff customers.*