Office of the Secretary
Service Date
April 1, 2015

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR AUTHORITY TO INCREASE RATES BY $10.7 MILLION TO RECOVER DEFERRED NET POWER COSTS THROUGH THE ENERGY COST ADJUSTMENT MECHANISM (ECAM)	)))))))	**CASE NO. PAC-E-15-01** **ORDER NO. 33265**

On February 2, 2015, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") submitted its annual Energy Cost Adjustment Mechanism ("ECAM") Application. The ECAM allows Rocky Mountain to make an annual adjustment every April to capture the difference between actual power supply expense and those power expenses included in base rates. The adjustment is a separate line-item on customer bills that increases if power supply costs are higher than the amount already included in base rates, or decreases if power supply costs are lower. The Company's earnings are not impacted by the ECAM.

Rocky Mountain is requesting that ECAM rates be increased by an average of 1.8% for the annual adjustment, including a larger increase for its two large industrial customers.

The Company requested an effective date of April 1, 2015, and that the Application be processed through Modified Procedure. The Application included the direct testimony of Company witnesses Michael Wilding and Joelle Steward. *Id.* Mr. Wilding's testimony details the Company's back-cast calculation. Ms. Steward's testimony describes the calculation of the proposed Schedule 94 ECAM rates.

On February 12, 2015, the Commission issued a Notice of Application and Intervention Deadline. Order No. 33228. On February 25, 2015, the Commission issued a Notice of Modified Procedure. Order No. 33235. The Commission granted Petitions to Intervene by Monsanto Company ("Monsanto") and PacifiCorp Idaho Industrial Customers ("PIIC"). Comments were due no later than March 13, 2015, with reply comments due no later than March 20, 2015.

THE ECAM APPLICATION

A. Background

The Commission established an annual ECAM in Order No. 30904 issued in 2009. *Id.* at 3. The costs included in the ECAM are net power costs ("NPC"), as defined in the Company's general rate cases and modeled by the Company's GRID model. *Id.* Base and actual NPC are booked into specific FERC accounts outlined in the Application. *Id.* The ECAM process allows the Company to credit or collect the difference between the actual NPC incurred to serve its Idaho customers and the NPC collected through rates. *Id.* Rocky Mountain defers the difference into an ECAM balancing account for later disposition. *Id.* at 4.

The ECAM includes five additional components: (1) the Load Growth Adjustment Rate ("LGAR") or Load Change Adjustment Rate ("LCAR"); (2) a credit for SO2 allowance sales; (3) an adjustment for the treatment of coal stripping costs; (4) a renewable resource adder for the renewable resources that are not yet in rate base; and (5) a true-up of renewable energy credit ("REC") revenues, as authorized by the Commission in Order No. 32196. *Id.* The ECAM includes a "90/10 sharing band" wherein customers pay/receive 90% of the increase/decrease in actual NPC compared to base NPC and Rocky Mountain incurs/retains the remaining 10%. *Id.*

B. The Present Application

Rocky Mountain is requesting a Commission Order approving the recovery of total deferred net power costs of $16.6 million for the period beginning December 1, 2013 through November 30, 2014 ("Deferral Period"). *Application* at 1. Rocky Mountain also seeks to revise its tariff Schedule 94 (Energy Cost Adjustment) to recover approximately $23.3 million in total deferred net power costs over the collection period beginning April 1, 2015 through March 31, 2016. *Id.* The proposed $23.3 million recovery represents an annual increase of approximately $10.7 million from current Schedule 94 rates, as approved in Order No. 33008. *Id.* (Case No. PAC-E-14-01). The Company states further that the $23.3 million recovery amount includes an amortization of Monsanto's and Agrium Inc.'s ("Agrium") share of 2012-2014 deferrals. *Id.*

The combined amortization of the amounts for the three ECAM deferral periods results in tariff surcharge rates in this case of approximately $12.7 million and $1.0 million for Monsanto and Agrium, respectively, as their share in the Deferral Period. *Id.* at 5. The other components are discussed below.

1. NPC. The Company notes that the base NPC originated from the 2011 Stipulation approved by the Commission. *Id.* at 5. The base NPC was $1.385 billion for the Deferral Period. *Id.* at 6. The NPC deferral amount is calculated on a monthly basis by subtracting the monthly base NPC rate from the actual NPC rate. *Id.* The NPC rate is calculated by dividing monthly NPC by the corresponding monthly load to express the costs on a dollar-per-megawatt-hour (MWh) basis. *Id.* According to the Company, the average base NPC was $23.73 per MWh and the actual NPC averaged $27.05 per MWh, a difference of $3.32 MWh. *Id.* The monthly incremental difference is then multiplied by Idaho's actual load during the Deferral Period. *Id.* For the 12-month period ending November 30, 2014, the NPC differential for deferral was approximately $12.7 million before application of the 90/10 sharing band. *Id.* The LCAR decreased the deferral balance by $619,086, before sharing, due to higher usage during the Deferral Period. *Id.*

2. SO2 Credits. Credits for SO2 allowance sales revenues received by the Company were also included as an offset to the NPC deferral ($71 before sharing). *Id.*

3. Load Control Costs. Idaho's share of incremental load control costs, pursuant to Commission Order No. 32432, is tracked in the ECAM and resulted in an adjustment increasing the deferral by approximately $1.0 million before sharing. *Id.*

4. Coal Costs. The next component of the ECAM, the difference between including coal stripping costs incurred by the Company and recorded on the Company's books pursuant to accounting pronouncement EITF 04-6, and the amortization of the coal stripping costs when the coal was excavated, decreased the deferral by $66,928 before sharing. *Id.* at 7.

The total NPC deferral adjusted for the aforementioned LCAR, SO2 revenue, load control, and EITF 04-6 is $13.0 million before the 90/10 sharing band and $11.7 million after its application. *Id.*

5. RECs. The deferral balance also reflects the difference between actual REC revenues during the Deferral Period and the amount of REC revenues included in base rates. *Id.* The REC revenue true-up included in the ECAM is symmetrical but no sharing band is applied. *Id.* During the Deferral Period actual REC revenue was approximately $6.0 million lower than the amount in base rates on an Idaho-allocated basis. *Id.* Pursuant to Order No. 33008, the Company implemented a back-cast calculation to perform a check for over/under-collection of NPC, load control costs, and RECs reducing the deferral approximately $1.2 million making the

net deferral $16.5 million before interest. *Id.* Approximately $0.1 million of interest was accrued on this balance for a final deferral of $16.6 million. *Id.* Rocky Mountain explained that the deferred ECAM balance of $27.0 million as of November 30, 2014, is derived from $10.4 million in uncollected deferrals from prior ECAM filings plus the components described above. *Id.* at 8. Interest of 1% annually and totaling $0.3 million was added to the uncollected balances *Id.* Exhibit 1 of the Application illustrates the detailed calculations for tariff customers, with an ending balance of $1.8 million; Monsanto, with an ending balance of $8.0 million; and Agrium, with an ending balance of $0.6 million. *Id.*

STAFF COMMENTS

Staff audited the Company's books and reviewed internal audit workpapers, control processes, as well as journal entries, invoices, and contracts. The audit also included a review of the adjustments made to actual costs the Company incurred. Staff reconciled the general ledger amounts to the net power costs as provided for in the Company's Exhibit No. 1. In all material aspects, Staff believes that the NPC provided in Exhibit No. 1 are accurate and comply with established ECAM policies.

A. Summary

Based upon its review, Staff recommended approval of a total deferral amount of $16,287,703 ($16,393,738 with interest included) for the Deferral Period for recovery from ratepayers.

Staff made the following recommendations:

1. Modify the Company's ECAM deferral calculation methodology so that it is consistent with Staff's "base rate over-collection adjustment" method as demonstrated in Attachment C to Staff Comments;

2. Separate balancing accounts for Monsanto, Agrium, and tariff customers for amortized amounts from 2012 through 2014 ECAM deferrals until the amounts are fully collected;

3. Approve tariff Schedule 94 ECAM rates, *see* Staff Attachment D, with an effective date of April 1, 2015; and

4. The Company should file tariffs reflecting Commission-approved rates.

If the Commission accepts Staff's adjustments for the over-collection of LCAR-related expenses and Staff's method for calculating rates, customers will see a 1.8% overall increase in rates rather than the 1.9% overall increase proposed by the Company. In turn, the Company will accrue approximately $230,000 less in revenues over the collection period beginning April l, 2015 through March 31, 2016. Staff's rate design including the adjustment for the over-collection of LCAR-related expenses is shown in Staff Attachment D.

Staff's recommended adjustments are based upon two primary observations[1]:

First, the Company adjusted for $1.25 million in over-recovery using Staff's "back-cast method" per Commission Order No. 33008, but failed to adjust for the over-recovery of LCAR-related costs resulting in a proposed adjustment that would further reduce the Company's deferral by $240,725. Second, the Company's method did not properly allocate costs and revenues between Monsanto, Agrium, and remaining tariff customers when designing ECAM rates resulting in less than a 0.1% change in revenue impact to any one customer class.

Next, Staff provided additional details of the Company's proposed deferral, balancing accounts tracking ECAM deferrals, collections, interest, and proposed ECAM rates.

B. Analysis of Cost/Revenue Differences

The two largest components of the Company's ECAM deferral are adjustments due to variances between the amounts of NPC and REC revenue included in base rates versus actual amounts incurred during the Deferral Period ($10 million and $6.4 million, respectively).

Regarding NPC differences, Staff performed an analysis of the costs contained in the Company's filing as reflected in the table below. Staff remarked that although the NPC figures do not precisely match those included in the settlement in Case No. PAC-E-11-12, they do provide a rough comparison of individual cost categories.

Staff stated that the largest contributing factors to the difference between base and actual NPC continues to be decreased revenue from wholesale sales and coal fuel expense. There was a 33% difference in the amount of energy the Company was able to sell compared to the amount used to determine base rates, even though unit prices averaged 2% higher. The ability to sell is dependent on prices the Company can obtain on the open market as compared to the cost to produce electricity. In addition, as indicated by the Company, several long-term contracts previously included in base NPC have since expired.

The next largest factor is the 16% increase in total coal fuel expense, over what was included in base rates, which appeared to be driven by higher coal mining costs and coal

[1] Staff also included several Confidential Attachments illustrating its findings.

purchase prices as indicated by a 15% overall increase in the unit cost. Total purchased power expense also increased 7% and the total amount purchased decreased 42% from amounts included in base rates. Staff believes this is reasonable given higher unit prices than those assumed in base rates. Lower natural gas prices, which have driven significantly higher levels of natural gas generation, continue to moderate higher costs in other categories. Overall, Staff believes the NPC reflected in the Company's filing were reasonably incurred.

Net Power Cost Analysis	**% in NPC Base-to-Actual**		
	NPC($)	**Energy (MWh)**	**Unit Cost ($/MWh)**
Wholesale Sales Revenue	-32%	-33%	2%
Purchased Power Expense	7%	-42%	85%
Coal Fuel Expense	16%	1%	15%
Natural Gas Expense	2%	77%	43%
Wheeling, Hydro and Other Expense	5%	-6%	12%
Net Total	25%	13%	11%

Regarding the $6.4 million adjustment for REC revenue, $6.5 million was assumed in base rates and less than $0.5 million in RECs were actually sold. Staff believes this is reasonable given the collapse in open market REC purchase prices since base rates were established.

C. Deferral Calculation Methodology

The Company's proposed $16.5 million (minus interest) deferral amount includes $1.25 million in adjustments from a "back-cast" verification step ordered by the Commission (Order No. 33008) in Case No. PAC-E-14-01. Staff stated that this step is performed as a check to ensure that the amount of revenue the Company recovers through base rates and the ECAM is no more or no less than actual NPC.

Staff asserts that the Company failed to include an adjustment for the over-recovery of LCAR related costs (Energy-Classified Production Cost minus NPC) that was included in the adjustments ordered by the Commission in last year's ECAM. *See* Order No. 33008 at 14-15. Staff proposes an adjustment to the Company's filing that reduces the deferral amount by an additional $240,725 for LCAR-related costs. This would reduce the overall deferral amount to $16,287,703 (minus interest).

Staff believes the Company's calculation method demonstrates inherent flaws as demonstrated by the apparent inaccuracy of approximately $1.5 million ($1.25 million "back-cast" adjustment included in the Company's filing plus Staff's $240,725 adjustment) in this year's ECAM and the approximate $600,000 inaccuracy reflected as the "base rate over-collection adjustment" in last year's ECAM. Analyzing the difference between the two methods, Staff believes that the inaccuracy is attributable to three causes, two of which are inherent in the Company's methodology and outlined below:

1. The Company's method of using loads at generation instead of using loads at the point of sale creates an error caused by base-to-actual line loss differences. The source of this error was fully detailed in Staff's comments in Case No. PAC-E-14-01.

2. The recovery of costs embedded in base rates employed in Staff's adjustments are calculated using embedded rates that are the same for each month unless base rates change during the Deferral Period. This realistically reflects revenue the Company receives through base rates for recovery of NPC. The Company's method calculates the deferral using the difference between actual unit costs and base unit costs which vary each month. The Company's method and Staff's method are not mathematically equivalent. Furthermore, Staff believes the Company's method does not accurately represent how revenue through base rates is actually realized since base rates do not change from month to month unless there is a general rate case.

The source of the third error can be found in the inclusion of loads that are not consistent with loads used to determine base rates. In the stipulation approved by the Commission in the Company's general rate case PAC-E-11-12, the Company was ordered to "use 2011 actual loads reported in the Annual Results of Operations Report for the 2013 ECAM deferral calculation" as base loads for the purpose of calculating the deferral for the Load Change Adjustment without changing the LCAR. Order No. 32432 at 4. Staff believes that because the LCAR is used to calculate over/under recovery of costs embedded in base rates, use of loads other than those used to calculate base rates are inherently inaccurate.

Staff noted that the Commission has the option to either continue using the Company's method and employ Staff's "base rate over-collection adjustment" method to verify and correct inaccuracies in future ECAM filings or change the Company's ECAM calculation method to reflect Staff's adjustment methodology so that adjustments for this type of error are no longer required.

Staff believes that continuing to use the Company's current method with the correction adjustment is inefficient and adds a layer of complexity that makes it difficult for intervening parties to follow. Staff recommended the Company change its method to calculate the deferral in next year's ECAM consistent with Staff's adjustment methodology. Confidential Attachment C shows Staff's proposed deferral calculation without the use of adjustments.

D. Analysis of Balancing Accounts and Proposed Rate Design

Staff reported that beginning with this past Deferral Period, Agrium and Monsanto's deferral amounts were combined with remaining customer classes per Commission Order No. 32910. Staff believes that monthly deferral amounts plus interest were accurately tracked for allocation and collection through the rate design. Staff also believes the Company properly and accurately maintained separate amortized balances for Monsanto, Agrium, and tariff customers.

Staff also reviewed the Company's proposed rate design and believes that past balances of amortization amounts for Agrium, Monsanto, and tariff customers were not properly separated from current deferral amounts when designing rates. Staff believes that a separate rate should have been calculated for the three groups of customers for past amortization amounts (plus interest) plus estimated collections occurring from December 1, 2014 through March 31, 2015, based on current ECAM rates. These rates should have been added to another set of rates calculated for deferral amounts (plus interest) during the Deferral Period for every customer class allocated on a line loss differentiated equal cents-per-kilowatt-hour basis in accordance with Commission Order No. 32910.

E. Customer Relations

Finally, Staff reviewed the Company's press release and customer notice and found several deficiencies. The press release and customer notice did not include information required by the Commission's Rules of Procedure (IDAPA 31.01.01). In particular, Rocky Mountain's notice and press release did not inform customers that they may subscribe to the Commission's RSS feed to receive periodic updates via e-mail about the case, as required by Rule 125.01.d. The customer notice and press release also did not indicate that the filing could be viewed on the Commission's web site, as required by Rule 125.01.c. The customer notice also did not inform customers of the overall percentage change from current rates as required by Rule 125.01.a. Staff recommended the Company review the updated Rules of Procedure and include all required information in its customer notices and press releases in the future.

MONSANTO COMMENTS

Monsanto requests the Commission and Company consider an alternative structure for the payment of Monsanto's prior deferral balance. The Company proposes to recover this amount as a 0.441 cents/kWh charge over the next 12 months. The Company further proposes that Monsanto pay the 2014 deferral rate of 0.467 cents/kWh, for a combined total rate of 0.908 cents/kWh. Monsanto states that it has two primary concerns: (1) ensuring that it neither overpays nor underpays its actual prior deferral balance, and (2) ensuring that it does not pay the portion of the 2014 deferral related to the under-collection from the standard tariff customers.

A. Paying Its Prior Deferral Balance

Monsanto noted that Rocky Mountain estimated Monsanto's prior deferral balance, $6,175,247, based on forecasted information for the months of January, February and March 2015. Monsanto recommended using updated billing information that has become available since the Company filed its Application. Monsanto claims that when using actual ECAM revenues for January, February and March 2015, its deferral balance is actually $6,106,392. *See* Monsanto Comments, Atch. A.

Monsanto also expressed concern that the utility neither over-collects or under-collects the prior deferral balance. Monsanto believes that recovering its prior deferral balance on a cents/kWh basis as Rocky Mountain proposes may either over-collect or under-collect depending on Monsanto's loads and depending on the proportionate tracking of the collections.

Monsanto stated that the Company's proposal to track the recovery of the prior deferral balance by proportioning Monsanto's monthly collections as 46.0% applied against the balance for the 2014 Deferral, and 54.0% applied against the prior deferral balance, could result in an over-collection by as much as $678,000 above the $6,175,247 estimated balance.[2] Monsanto questions whether the 54.0% allocator is the proper percentage to apply. As explained in the testimony of Rocky Mountain's witness, the 54.0% is premised on the assumption that 10.5%, or $1.7 million, of the 2014 Deferral is related to the outstanding balance from standard tariff customers. A closer inspection of the workpapers, however, reveals that of the $16,703,740 to be recovered for the 2014 Deferral, the outstanding balance from standard tariff customers appears to be $69,178 after the forecasted Schedule 94 collections for December 2014 through March 2015 are included.[3] Hence, Monsanto asserts the 54.0% allocator may over-recover its prior deferral balance, and simultaneously under-recover the 2014 Deferral shared by all customers.

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[2] Assuming Monsanto's loads are the same as last year's loads.

[3] See the Excel file entitled "ID 2015 ECAM Rate Design Workpaper," sheet "NPC - Exhibit 1," cell U74.

Monsanto suggests that it should instead make equal monthly payments in order to pay down its $6,106,392 balance to $0, as well as pay the monthly interest. A monthly payment of $511,413.50 will pay back the prior deferral balance at the annual interest rate of 1%. Monsanto Comments, Atch. B.

B. Not Paying for the Standard Tariff Under-Collection

Monsanto remarked that Rocky Mountain proposes to correspondingly reduce the percentage of collections allocated to the 2014 Deferral for Tariff Contract 400 and 401 and increase the percentage of collections allocated to the prior deferral balance. Monsanto believes that the Company has not provided any explanation of how that percentage reduction will result in any lower cost to tariff contract customers since the proposed rate of 0.467 cents/kWh includes recovery of the standard tariff under-collection.

Monsanto suggests two possible resolutions in order to place the cost of the standard tariff under-collection back onto the appropriate class of customers. The utility could be ordered to design the ECAM rate for tariff contract customers without the standard tariff under-collection, and likewise design the ECAM rate for standard tariff customers with the standard tariff under-collection.

Monsanto's alternative proposal would require that Monsanto pay the 0.468 cents/kWh Schedule 94 ECAM rate, and provide a monthly credit to Monsanto for its share of the $69,178 standard tariff customers' under-collections. Attachment B of Monsanto's comments displays a calculation of Monsanto's proposed monthly credit for its share of the under-collection from the standard tariff customers, $3,500 ($42,000 year), for a net fixed monthly amount of $507,913 to pay off its prior deferral balance, while paying the same ECAM rate as all transmission customers, 0.468 cents/kWh, over the next 12 months.

PUBLIC COMMENTS

The Commission received three public comments from Rocky Mountain customers. One customer questioned why Rocky Mountain would "want a rate increase" while asking its customers to conserve energy while the Company is requesting "more money to help pay for something else." Another customer commented that they had incurred a considerable expense in purchasing more efficient appliances, windows and doors and that their "power usage over the last two years has gone down" only to see their power bill remain roughly the same. This customer queried whether the Company should "start conserving, instead of consuming." The customer asked whether the Commission had audited the Company.

Lastly, a customer commented regarding the apparent incongruity of warmer winter weather and Rocky Mountain's request for an increase "to make up for residents having lower heating bills." This customer also objected to the amount of time customers received in order to comment on the Company's proposal for a rate increase. The customer claimed that the Company's "notice that came in the last bill was not received until the end of Feb which only gives at most 2 weeks comment time on their rate increase."

The customer noted that "fuel prices have come down, should they be asking for another rate increase for increased fuel costs?" The customer also believes "they give away too much money in grants." The customer wondered "why should we have to get a rate increase when money from Rocky Mountain goes to pay for color brochures every month and give aways for different grants?"

ROCKY MOUNTAIN REPLY COMMENTS

Rocky Mountain filed reply comments in response to Staff and Monsanto's concerns. Rocky Mountain agreed to adopt the equal monthly payment approach presented by Monsanto. Alternatively, Rocky Mountain does not object to Staff's rate design approach.

However, Rocky Mountain believes that the LCAR decreases the ECAM deferral balance by $619,086, before sharing, due to higher loads during the Deferral Period but argues that Staff's proposed LCAR adjustment is overstated. The Company argues that Staff's proposed LCAR back-cast adjustment was incorrect because it included the load from the base established in Case No. PAC-E-11-12, Rocky Mountain's last general rate case.

In support of its view, Rocky Mountain cites the Commission's Final Order in PAC-E-11-12 wherein the 2011 actual load as reported in the Annual Results of Operations Report was recognized as the base for the LCAR calculation beginning in 2013. *See* Order No. 32432 at 4. The stipulation approved by the Commission in PAC-E-11-12 states that "the LCAR unit value would be frozen over the rate plan period at the current rate of $5.47 per MWh." *Id.* According to Rocky Mountain, utilizing the LCAR base load approved by the Commission in Order No. 32432 would yield an LCAR under-collection of $108,358 rather than the purported $240,725 over-collection proposed by Staff.

Rocky Mountain opposes any changes to the structure of the ECAM in this case. The Company believes that several other changes to the ECAM are warranted and is considering a separate application in the future to address modifications to the ECAM.

COMMISSION FINDINGS AND DECISION

The Commission has conducted a thorough review of Rocky Mountain's Application, the exhibits, and the comments filed in this case. Pursuant to our authority under *Idaho Code* § 61-502 to determine "just, reasonable, or sufficient rates," the Commission finds that Rocky Mountain's ECAM Application for the recovery of deferred net power costs incurred by the Company during the Deferral Period shall be granted as adjusted below. The Commission finds that the increase in Schedule 94 rates is primarily caused by a decrease in wholesale market revenues (significantly lower than the assumed revenue amounts utilized by the Commission to determine the Company's base rates), and increased coal expenses. We further find that these factors are compelling and persuasive in light of current market conditions.

Nevertheless, the Commission finds that a slight adjustment to the Company's proposed deferral balance during the Deferral Period, as more fully detailed below, is warranted. The Commission approves a total deferral balance, after application of the 90/10 sharing band, of $16,287,703, plus interest, for recovery from Idaho customers during the Deferral Period through the implementation of the Electric Schedule 94 rates as filed by the Company. The Commission accepts the Company's proposal to record the aforementioned adjustment in its ECAM balancing account and include the residual balance in its next annual ECAM filing rate design.

The approved adjustment will result in a 1.8% overall increase as opposed to the 1.9% overall increase proposed by the Company during the next collection period: April 1, 2015 through March 31, 2016. New Schedule 94 ECAM surcharge rates and ECAM deferral balances shall be effective April 1, 2015.

The Commission acknowledges the active participation of multiple interested parties in this proceeding through the submission of pertinent and insightful comments. Such participation is absolutely critical to a robust analysis of Rocky Mountain's filing and undoubtedly provides the Company with "an incentive to actively control its net power costs." Order No. 30904 at 13. The following is a discussion of the three main issues/proposed adjustments to the Company's ECAM Application.

1. ECAM Rate Design. Monsanto proposes, and Rocky Mountain agreed to adopt, an equal monthly payment approach until their ECAM balance is retired. *See Rocky Mountain Reply Comments* at 2. Alternatively, if the Commission does not approve Monsanto's equal payment approach, Rocky Mountain remarks that it will accept the rate design approach presented in Staff's comments. *Id.* at 3.

Staff believes that the Company's proposed rate design did not properly separate the various deferral balances accrued by Agrium, Monsanto and tariff customers prior to December 1, 2013, when the ECAM would then be calculated on a "total Idaho basis" and "not deferred separately" as per Commission Order No. 32190. *See* Staff Comments at 9.

Commission Findings: The Commission finds that Monsanto's request for an equal payment approach is fair, just and reasonable. Accordingly, Tariff Contract 400 (Monsanto) shall make monthly payments of $518,361 through March 2016 in order to pay its prior period balance, including interest. *Id.* Similarly, Tariff Contract 401(Agrium) shall pay $38,510 per month through March 2016 in order to pay its prior period balance, including interest. *Id.* Additionally, Rocky Mountain shall continue to maintain separate balancing accounts for Monsanto, Agrium and tariff customers for the amortized amounts accrued during the 2012 through 2014 ECAM Deferral Periods and until those amounts are fully satisfied.

2. Staff's LCAR Adjustment. Staff agrees that the LCAR decreases the ECAM deferral balance by $619,086, before sharing, due to higher loads during the Deferral Period. However, Staff must then verify the Company's calculation of $1.25 million in back-cast over-recovery using the methodology approved by the Commission in the Company's last ECAM Application (PAC-E-14-01). Order No. 33008 at 15. Upon verification, Staff asserts that the Company's calculation does not include an adjustment for over-recovery of LCAR related costs which would further decrease the ECAM deferral balance by $240,725.

Staff referenced the Commission-approved stipulation in Case PAC-E-11-12 (Rocky Mountain's last general rate case) in which the Company agreed to "use 2011 actual loads reported in the Annual Results of Operations Report for the 2013 ECAM deferral calculation" as base loads for the purpose of calculating the deferral for the Load Change Adjustment without changing the LCAR rate. Order No. 32432 at 4. Staff believes that because the LCAR is used to calculate over/under recovery of costs embedded in base rates, use of loads in the back-cast other than those used to calculate base rates are inherently inaccurate. An illustration of Staff's LCAR back-cast calculation is shown in Confidential Attachment B of Staff's comments.

According to Rocky Mountain, Staff's proposed adjustment overstates the LCAR amount in this case. Rocky Mountain believes that the LCAR decreases the ECAM deferral balance by $619,086 before sharing due to higher loads during the Deferral Period. The Company avers that its LCAR calculation does include loads from its 2013 Annual Results of Operations Report. The Company argues in its reply comments that Staff's proposed LCAR back-cast adjustment was incorrect because it included the load from the base established in Case No. PAC-E-11-12, Rocky Mountain's last general rate case.

In support of its view, Rocky Mountain cites the Commission's Final Order in PAC-E-11-12 wherein the 2011 actual load, as reported in the Annual Results of Operations Report, was recognized as the base for the LCAR calculation beginning in 2013. *See* Order No. 32432 at 4. The stipulation approved by the Commission in PAC-E-11-12 states that "the LCAR unit value would be frozen over the rate plan period at the current rate of $5.47 per MWh." *Id.* According to Rocky Mountain, utilizing the LCAR base load approved by the Commission in Order No. 32432 would yield an LCAR under-collection of $108,358 rather than the purported $240,725 over-collection proposed by Staff. Rocky Mountain's Reply Comments at 5, Table 1.

Commission Findings: The Commission notes that both the Company and Staff agree on an LCAR amount reducing the total ECAM deferral balance by $619,086 due to higher loads. The parties also agree that the Company used the 2011 actual load reported in the Annual Results of Operations Report in its calculation of the balance. Accordingly, the issue for the Commission to resolve is whether the 2011 actual load reported in the Annual Results of Operations Report should be used in the LCAR back-cast calculation. Based upon our review of the record, we do not believe that the 2011 actual load should be used in the LCAR back-cast calculation.

Rocky Mountain acknowledged that the Commission mandated the utilization of an LCAR rate of $5.47 per MWh in the LCAR calculation over the rate plan period. Rocky Mountain Reply Comments at 4. This LCAR rate was endorsed by the parties and approved by the Commission in PAC-E-11-12, and is based upon an authorized level of fixed generation costs and Idaho normalized base loads. *See* Order No. 32432 at 4, 21. This cost component is embedded in rates and the LCAR back-cast is designed to determine if Commission-authorized costs are recovered through actual sales. The recovery of any amount greater than that previously authorized by the Commission shall be deemed an over-recovery.

The Commission reiterates its finding in the Company's last ECAM filing, PAC-E-14-01, that Staff's LCAR back-cast calculation is fair, just and reasonable and merely "a routine verification of the balances proposed in the Company's annual ECAM filing." *See* Order No. 33008 at 15. Staff's proposed LCAR adjustment in this case tracks with the historic and Commission-approved Energy Classified Production Cost (ECPC) minus the NPC calculation, and is consistent with the methodology approved by the Commission in last year's ECAM (PAC-E-14-01). *Id.* Therefore, the Commission approves Staff's proposed $240,725 LCAR back-cast adjustment to the ECAM deferral balance.

3. Changes to ECAM Calculation Methodology. Staff recommended the Commission direct Rocky Mountain to "change its ECAM deferral calculation methodology so that it is consistent with Staff's 'base rate over-collection adjustment method,'" as more fully detailed in Staff's comments above. *Staff Comments* at 10. Staff suggests that the Commission may choose to allow the Company to continue to use its current methodology with Staff employing its "base rate over-collection adjustment" to correct any inaccuracies in Rocky Mountain's future ECAM Applications. *Id.* at 8.

Rocky Mountain "opposes making changes to the structure of the ECAM in this case." *Rocky Mountain Reply Comments* at 6. The Company believes that several other changes to the ECAM are warranted and is considering a "separate future application to address modifications to the ECAM." *Id.*

Commission Findings: We decline Staff's recommendation and find that a substantive change in the ECAM calculation methodology is not prudent at this time. Rocky Mountain is permitted to continue its current methodology, with the understanding that its ECAM filing will continue to be subject to Staff's verification approach. Inasmuch as Staff can present a credible basis for proposed adjustments, future ECAM filings will be modified accordingly.

Concerning the Company's stated intent to submit a separate filing to modify its ECAM, the Commission will address the merits of a formal request to implement substantive changes to the ECAM when it is presented.

ORDER

IT IS HEREBY ORDERED that the Commission hereby approves, effective April 1, 2015, Rocky Mountain Power's Energy Cost Adjustment Mechanism (ECAM) Application subject to the adjustments set forth above.

IT IS FURTHER ORDERED that Rocky Mountain shall submit new tariffs in compliance with the Schedule 94 rates approved by the Commission in this Order within seven days of the date of this Order.

IT IS FURTHER ORDERED that Rocky Mountain shall review the updated Rules of Procedure and include all required information in future customer notices and press releases.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. 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 2015.

PAUL KJELLANDER, PRESIDENT

MACK A. REDFORD, COMMISSIONER

KRISTINE RAPER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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