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Salt Lake City, Utah 84116

November 6, 2015

IDAHO PUBLIC  
UTILITIES COMMISSION

***VIA OVERNIGHT DELIVERY***

Jean D. Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702

**Re: Case No. PAC-E-15-09  
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN  
POWER TO MODIFY THE ENERGY COST ADJUSTMENT MECHANISM  
AND INCREASE RATES BY \$10.2 MILLION, OR APPROXIMATELY 3.9  
PERCENT**

Dear Ms. Jewell:

Please find enclosed for filing seven (7) copies of Rocky Mountain Power's Comments supporting the Stipulation filed with the Commission on October 15, 2015, in the above-referenced matter.

These Comments are provided assuming this case will be processed under Modified Procedure, if the Commission determines that hearings are necessary the Company stands ready to offer testimony in support of the Stipulation.

Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

Jeffrey K. Larsen  
Vice President, Regulation

cc: Service List

Enclosures

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*Attorney for Rocky Mountain Power*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER TO MODIFY THE ENERGY COST ADJUSTMENT MECHANISM AND INCREASE RATES BY \$10.2 MILLION, OR APPROXIMATELY 3.9 PERCENT</b>	<b>CASE NO. PAC-E-15-09  COMMENTS OF ROCKY MOUNTAIN POWER</b>
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PacifiCorp, d.b.a. Rocky Mountain Power (“Rocky Mountain Power” or “Company”), hereby provides Comments which summarize and support the Stipulation filed October 15, 2015, in the above referenced matter entered into by and among Rocky Mountain Power, Staff for the Idaho Public Utilities Commission (“Staff”); the Idaho Irrigation Pumper Association, Inc. (“IIPA”); Monsanto Company (“Monsanto”); and PacifiCorp Idaho Industrial Customers (“PIIC”) collectively referred to as the “Parties”.

**BACKGROUND**

1. On May 27, 2015, the Company filed an Application and the supporting testimony of Company witnesses Ms. Joelle Steward and Mr. Michael G. Wilding requesting Commission authorization to: (1) increase rates by \$10.2 million effective January 1, 2016, and (2) modify the Energy Cost Adjustment Mechanism (“ECAM”).

2. The testimony of witness Michael G. Wilding supported the proposal to increase base rates along with the following modifications to the ECAM: (a) eliminate the ECAM sharing

band, load change adjustment rate (“LCAR”), tracking DSM costs, and sulfur dioxide sales from the ECAM; (b) start tracking production tax credits; (c) calculate based on sales at meter rather than generator; and (d) align the deferral period to the calendar year.

3. Mr. Wilding testified that net power costs (“NPC”) have consistently been under recovered through base rates causing large NPC deferrals to be recovered through the ECAM, noting that since the 2011 general rates case, the average NPC deferral in the annual ECAM filings has been approximately \$12.8 million representing almost 5 percent of total retail revenues.

4. Supporting the proposal to reset base NPC, Mr. Wilding stated that it was more appropriate for ongoing and permanent NPC to be recovered through base rates rather than through the ECAM. Regularly resetting base NPC assures that long-term recovery of NPC occurs through base rates, while annual fluctuations in NPC are handled by the ECAM, consistent with the Commission’s recent order from an Idaho Power case:

“[W]hile the Company currently recovers these ongoing permanent costs through the PCA, we never intended the PCA to allow for the long-term recovery of costs that continue year-to-year. Rather, the PCA was implemented to enable the Company to recover or return the annual fluctuation in power supply costs and thus keep its customers from paying too little or too much of those costs.”<sup>1</sup>

5. Ms. Steward’s testimony explained that the proposed rate spread and rate design for the affected rate schedules was calculated by dividing the \$10.2 million increase by the 2014 normalized kWh sales. She testified that since ECAM costs are energy related, the increase should be allocated across customer classes on equal cents per kWh and customers’ energy rates should increase by an equal cents/kWh for each schedule to collect the corresponding rate increase.

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<sup>1</sup> Case No. IPC-E-13-20, Order No. 33000, p. 8.

6. On June 11, 2015, the Commission issued Order No. 33321 in this case granting Petitions to Intervene filed by Monsanto and PIIC. On July 1, 2015, the Commission issued Order No. 33333 in this case granting the Petition to Intervene filed by the IIPA. On July 15, 2015, the Commission issued a Notice of Modified Procedure, Notice of Schedule and Settlement Conference.<sup>2</sup>

7. On August 11, 2015, a settlement conference with representatives from each of the Parties was held at the Commission offices. Subsequently, the Parties agreed to a settlement in principle. The Parties continued their negotiations which ultimately resulted in a Stipulated Settlement Agreement (“Stipulation”) resolving all of the outstanding issues in this case which, on October 15, 2015, was signed by the Parties and filed with the Commission.

#### **TERMS OF THE STIPULATION**

8. The Parties agreed that Idaho retail revenues should increase by \$10.2 million (3.9 percent) effective January 1, 2016. The Parties further agreed that the increase would be applied on an equal cents/kWh for each schedule as set forth in Exhibits 4 and 6 to the Application. The Parties agreed that the \$10.2 million increase above current base rates using 2014 loads will consist of: (1) a \$3.2 million increase in NPC currently approved in base rates, increasing total Company base NPC from \$1.385 billion (with Deer Creek depreciation) to \$1.529 billion (without Deer Creek depreciation) or \$94.8 million Idaho allocated base NPC with Idaho base energy at meter of 3,483,480 megawatt-hours, or \$27.21 per megawatt-hour; (2) a \$6.5 million increase associated with a reduction of the revenue credit from the sale of renewable energy certificates (“RECs”) decreasing the total Company revenue credit from \$78 million to \$4.4 million establishing Idaho’s allocated RECs base at \$0.3 million; (3) a \$0.2 million change in

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<sup>2</sup> Order No. 33339



Idaho's share of tax affected production tax credits ("PTCs") establishing an Idaho allocated base of \$6.9 million from a total Company credit \$115.7 million; and (4) \$0.3 million incremental increase in exchange for the Company agreeing not to file a general rate case with rates effective prior to January 1, 2018.

9. As part of the Stipulation not to file a general rate case prior to June 1, 2018, Parties agreed to a second base rate change effective January 1, 2017. Retail rates will be updated for base NPC using the incremental change to normalized NPC and loads reported in the 2015 annual results of operations report. The rate spread and rate design will utilize the same equal cents per kWh approach stipulated to in this filing. The Company will file an application for review by interested parties and for approval by the Commission no later than September 1, 2016, with the proposed change to base rates, the NPC from the 2015 annual results of operations report, the associated rate change and spread to customer classes, and updated electric service schedules.

10. The Parties stipulated that with the exception of the application described above, the Company would not file another application to increase base rates prior to June 1, 2017, with rates effective on or after January 1, 2018.

11. The Stipulation specifies that during the stay-out period the Parties will not request the establishment of new regulatory assets or liabilities, which have not previously been approved by the Commission, except under unique or unforeseen circumstances.

12. The Parties agreed that starting January 1, 2015, the amortization expense associated with the unrecovered Deer Creek mine investment will be recovered through the ECAM as a separate line item, without application of the sharing band until fully amortized.

13. In addition, the Parties agreed to the following modifications to the ECAM for deferrals on and after January 1, 2016: (1) the ECAM will be measured on a dollar per megawatt-hour basis using load at the meter rather than the load at the generator; (2) PTCs will be tracked and trued-up in the ECAM, without application of the sharing band; (3) the LCAR will be updated to \$5.68 per megawatt-hour to reflect base loads at meter corresponding to the 2014 period used to set base rates; (4) Sulfur-dioxide (“SO<sub>2</sub>”) revenues and demand side management costs will no longer be tracked in the ECAM; and (5) the 2016 ECAM Deferral Period will include 13 months (December 1, 2015 to December 31, 2016), and that all subsequent ECAM filings will be based on calendar year deferrals. The Company’s ECAM applications will be filed annually on April 1, with a rate effective date of June 1 beginning April 1, 2017.

14. Modifying the ECAM to track variances using load at the meter will simplify the ECAM by eliminating the need to perform a back cast calculation to check for over/under-collection of NPC.

15. Tracking PTC variations in the ECAM is appropriate since they are directly tied to the megawatt-hours of production from qualifying wind facilities and only have a ten-year term of availability. The base level of PTCs will continue to be set in a general rate case but many of these wind facilities are approaching their ten-year production anniversary, starting in 2017, and will no longer qualify for PTCs. By tracking PTCs in the ECAM customers will receive 100 percent of any PTCs generated but won’t continue to receive the credit after it is no longer available to the Company.

16. The base loads in the LCAR and ECAM are updated to the 2014 normalized loads consistent with the base loads at meter used to establish the proposed retail rates. Prior to this

update the base loads in the ECAM were the historical 2010 loads established in Case No. PAC-E-11-12.

17. Revenues from SO<sub>2</sub> sales have declined from approximately \$0.2 million in 2010 to \$71 in 2014. Because the level has declined to a level of immateriality the Parties agreed that SO<sub>2</sub> sales should no longer be tracked in the ECAM.

18. Class 1 demand-side management costs were included in the ECAM beginning in 2012 due to the uncertainty of the programs allocation treatment. Subsequently, Staff discussed treatment of costs with the Multi-State Protocol Standing Committee. Since the uncertainty is no longer an issue, the Parties agreed that there is no longer a need to separately track demand-side management costs in the ECAM.

19. When the Company first filed to implement the ECAM in Idaho it requested that the deferral period be December through November to be consistent with the period used in Wyoming. Since then Wyoming has changed its deferral period to a calendar year. The Parties agree that aligning the deferral period with the calendar year which matches the Company's accounting period will simplify the audit of the ECAM. To provide time to prepare the ECAM the Stipulation proposes that the filing date be moved from February 1 to April 1 with June 1 as the new rate effective date.

20. The Company filed this Application in an effort to mitigate customer rate impact by proposing to reset base NPC and modify the ECAM effective January 1, 2016, followed by a general rate case with rates effective April 1, 2017. This would have aligned the 2017 ECAM update with the rate effective date of the rate case, and was projected to offset the rate case with a reduction to the customer's ECAM rate. In an effort to reach this Stipulation the Company has

agreed to extend its expected rate case filing an additional nine months for rates effective no sooner than January 1, 2018.

21. This Stipulation represents a compromise of the Parties positions, provides significant customer benefits and will result in fair, just, and reasonable rates for Idaho customers. Idaho's average residential customer on Schedule 1 uses approximately 800 kWh per month. If this Stipulation is approved, the average residential customer would see their bill increase by \$2.35 per month in 2016, followed by a decrease in their ECAM surcharge in 2017 due to a higher level of NPC recovery in base rates during 2016.

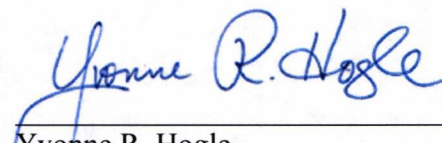
22. The Company and Monsanto agreed to extend the current terms of the existing Electric Service Agreement governing curtailment products and payments through December 31, 2017. An executed copy of the contract is provided separate from the Company's Comments for the Commission's approval.

#### **REQUEST FOR RELIEF**

For the reasons set forth above and in the supporting testimony, Rocky Mountain Power respectfully requests that the Commission approve the Stipulation as filed.

DATED this November 6, 2015.

RESPECTFULLY SUBMITTED,  
ROCKY MOUNTAIN POWER

  
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Yvonne R. Hogle



## CERTIFICATE OF SERVICE

I hereby certify that on this 6<sup>th</sup> of November, 2015, I caused to be served, via e-mail, a true and correct copy of the foregoing document in PAC-E-15-09 to the following:

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