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IDAHO PUBLIC
UTILITIES COMMISSION

February 1, 2016

VIA OVERNIGHT DELIVERY

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

**Re: CASE NO. PAC-E-16-05
IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER
REQUESTING APPROVAL OF THE \$16.7 MILLION NET POWER COST
DEFERRAL AND AUTHORITY TO DECREASE RATES BY \$9.0 MILLION**

Dear Ms. Jewell:

Please find enclosed an original and nine (9) copies of Rocky Mountain Power's Application in the above referenced matter, along with the direct testimony and exhibits of Ms. Steward and Mr. Wilding. Copies of the press release and customer bill insert are also included. Enclosed is a CD containing the Application, direct testimony, exhibits and confidential work papers. Also provided on the CD is a clean copy of Schedule 94 for commission approval.

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

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation

Enclosures

CC: Steven D. Spinner
James R. Smith
Randall C. Budge
Katie Iverson

Yvonne R. Hogle (ISB# 8930)
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Attorney for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-16-05
OF ROCKY MOUNTAIN POWER)
REQUESTING APPROVAL OF THE \$16.7) APPLICATION OF
MILLION NET POWER COST DEFERRAL) ROCKY MOUNTAIN POWER
AND AUTHORITY TO DECREASE RATES)
BY \$9.0 MILLION)**

Rocky Mountain Power, a division of PacifiCorp (“Company” or “Rocky Mountain Power”), in accordance with Idaho Code §61-502, §61-503, and RP 052, hereby respectfully submits this application (“Application”) to the Idaho Public Utilities Commission (“Commission”) pursuant to the Company’s approved energy cost adjustment mechanism (“ECAM”). The Company is requesting approval of approximately \$16.7 million deferred costs from the deferral period beginning December 1, 2014 through November 31, 2015 (“Deferral Period”) and proposed revisions to Electric Service Schedule No. 94, Energy Cost Adjustment (“Schedule 94”), to recover approximately \$16.9 million in total deferred costs authorized for recovery in the ECAM, plus interest, for the collection period beginning April 1, 2016 through May 31, 2017. The collection period in this case is longer than the typical collection period for the Company’s ECAM pursuant to Order No. 33440 in Case No. PAC-E-15-09. In that case, the Commission approved, among other things, the Company’s proposal to change the

ECAM deferral period to align it to a calendar year rather than the December through November deferral period currently used, as more fully explained below.¹ In support of its Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation, which provides electric service to retail customers through its Rocky Mountain Power division in the states of Idaho, Wyoming, and Utah. Rocky Mountain Power is a public utility in the state of Idaho and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Idaho pursuant to Idaho Code § 61-129. Rocky Mountain Power is authorized to do business in the state of Idaho providing retail electric service to approximately 73,600 customers in the state.

COMMUNICATIONS

2. Communications regarding this filing should be addressed to:

Ted Weston
Idaho Regulatory Affairs Manager
Rocky Mountain Power
1407 West North Temple, Suite 330
Salt Lake City, Utah 84116
Telephone: (801) 220-2963
Email: ted.weston@pacificorp.com

Yvonne R. Hogle,
Assistant General Counsel
Rocky Mountain Power
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Email: yvonne.hogle@pacificorp.com

¹ See In the Matter of PacifiCorp DBA Rocky Mountain Power's Application to Modify the Energy Cost Adjustment Mechanism and Increase Rates, Order No. 33440 (December 23 2015). ("Order 33440")

3. In addition, Rocky Mountain Power requests that all data requests regarding this Application be sent in Microsoft Word to the following:

By email (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 Multnomah St., Suite 2000
Portland, Oregon 97232

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

ECAM OVERVIEW

4. The ECAM became effective July 1, 2009, pursuant to an agreement among parties in Case No. PAC-E-08-08, as approved by the Commission September 29, 2009, in Order No. 30904. The ECAM allows the Company to collect or credit the difference between the actual net power costs (“NPC”) incurred to serve customers in Idaho and the NPC collected from Idaho customers through rates set in general rate cases.

5. The costs that are included in the ECAM are NPC as defined in the Company’s general rate cases and modeled by the Company’s production dispatch model GRID. Specifically, 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).

6. On a monthly basis, the Company compares the actual system net power costs (“Actual NPC”) to the net power costs embedded in then effective rates (“Base NPC”) from the general rate case during the Deferral Period and defers the difference into the ECAM balancing account. This comparison is on a system-wide, dollar per megawatt-hour basis.

7. In addition to the difference between Actual NPC and Base NPC, the ECAM includes eight additional components: the Load Change Adjustment Revenues (“LCAR”), a credit for SO₂ allowance sales, an adjustment for load control (“DSM”) costs, an adjustment for the treatment of coal stripping costs, i.e., Emerging Issues Task Force (“EITF”) 04-6, a true-up of 100 percent of the incremental Renewable Energy Credit (“REC”) revenues, Deer Creek amortization expense², the Lake Side 2 generation resource adder, and a back cast adjustment that accounts for any over- or under-collection of NPC, LCAR, DSM costs, Deer Creek amortization expense, and REC revenues. These components are described in more detail below.

8. The ECAM includes a symmetrical sharing band of 90 percent (customers) / 10 percent (Company) that shares the differential between Actual NPC and Base NPC, LCAR, SO₂ sales, DSM costs, and the coal stripping costs adjustment

² Order No. 33440, page 5, paragraph 6.

between the customers and the Company. The sharing band is also described in more detail below.

9. Finally, in compliance to Commission Order No. 33008 in Case No. PAC-E-14-01, the Company has performed a back cast calculation, as described in detail in Mr. Michael Wilding's Direct Testimony.

CHANGES TO THE ECAM CALCULATION

10. Pursuant to Order No. 33440 and consistent with the Commission's approval of full amortization of unrecovered Deer Creek Mine capital costs in Case No. PAC-E-14-10,³ 100 percent of approximately \$1.3 million annual Deer Creek Mine amortization expense will be tracked and recovered through the ECAM until the costs are fully amortized, through 2020.

11. Pursuant to the stipulation in Case No. PAC-E-13-04 and approved by the Commission in Order No. 32910, the ECAM deferral also includes a resource adder for the Lake Side 2 generation facility that is not subject to the sharing band. This resource adder is to be recovered through the ECAM for the period that the investment in the facility is not reflected in rates as a component of rate base. Inclusion of the Lake Side 2 resource adder in the ECAM began January 1, 2015, and is calculated by multiplying the actual megawatt-hours of generation from the Lake Side 2 generation facility by \$1.99 per megawatt-hour and is capped at \$5.4 million dollars or 2,729,500 megawatt-hours for the calendar year.

³ See In the Matter of the Application of Rocky Mountain Power for Approval of the Transaction to Close the Deer Creek Mine and for a Deferred Accounting Order, Case No. PAC-E-14-10, Order No. 33304 (May 27, 2015).

PROPOSED ECAM RATE

12. In support of this Application, Rocky Mountain Power has filed the testimony and exhibits of Company witnesses Mr. Michael Wilding and Ms. Joelle R. Steward. Mr. Wilding's testimony and exhibit describe the Actual NPC incurred by the Company to serve retail load for the historical twelve-month period ended November 30, 2015, and explains the main differences between Actual NPC and Base NPC. Ms. Steward's testimony supports the rate change to Schedule 94 with proposed rates effective April 1, 2016 through May 31, 2017.

13. This Application is supported by Mr. Wilding's testimony and Exhibit No. 1 ("Exhibit 1") which illustrates the detailed calculation of the ECAM deferral. During the Deferral Period, Base NPC were \$1.376 billion pursuant to Order No. 33440 from Case No. PAC-E-15-09.

14. The NPC deferral is calculated on a monthly basis by subtracting the monthly Base NPC rate from the Actual NPC rate. The NPC rate is calculated by dividing monthly NPC by the corresponding monthly load to express the costs on a dollar per megawatt-hour basis. The Base NPC average was \$23.56 per megawatt-hour, and the Actual NPC averaged \$25.92 per megawatt-hour, \$2.36 per megawatt-hour higher. The monthly incremental difference was multiplied by Idaho's actual load during the Deferral Period. For the twelve-month period ended November 30, 2015, the NPC differential for deferral was approximately \$9.3 million before the 90/10 percent sharing band.

15. The LCAR is a symmetrical adjustment to offset over- or under-collection of the Company's energy-related production revenue requirement, excluding NPC, due to

variances in Idaho load. The LCAR decreased the deferral balance by \$389,057 before sharing due to higher usage during the Deferral Period.

16. Revenues from SO₂ emission allowance sales received by the Company from December 1, 2014 to November 30, 2015 are also included as an offset to the NPC deferral. This adjustment reduces the deferral by \$20 before sharing.

17. A fourth component of the ECAM tracks Idaho's share of incremental DSM costs. Commission Order No. 32432 specified that the DSM costs would be tracked in the ECAM. This adjustment decreases the deferral by approximately \$0.5 million before sharing.

18. The fifth component of the ECAM is the difference between including 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. This adjustment decreases the deferral by \$82,470 before sharing.

19. The total NPC deferral adjusted for LCAR, SO₂ revenue, load control, and EITF 04-6 is \$8.3 million which is subject to the sharing band between customers and the Company such that customers pay/receive 90 percent of the increase/decrease in Actual NPC when compared to Base NPC, and the Company incurs/retains the remaining 10 percent. After accounting for the sharing band the NPC deferral is \$7.4 million.

20. In addition to the ECAM calculation components discussed above, the deferral balance reflects the difference between actual REC revenues during the Deferral Period and the amount of REC revenues included in base rates. The REC revenue true-up included in the ECAM is symmetrical but no sharing band is applied. During the Deferral

Period actual REC revenue was approximately \$6.2 million lower than the amount in base rates on an Idaho-allocated basis.

21. Beginning January 1, 2015, the ECAM includes the Lake Side 2 resource adder which is calculated by multiplying the actual megawatt-hours of generation from the Lake Side 2 generation facility by \$1.99 per megawatt-hour. During the Deferral Period the Lake Side 2 resource adder increased the ECAM deferral approximately \$4.1 million on an Idaho-allocated basis.

22. Finally, as a separate line item, the ECAM calculation includes the difference between the Deer Creek Mine depreciation expense included in base rates of \$653,282 and approximately \$1.3 million actual amortization expense associated with the unrecovered Deer Creek mine investment on an Idaho basis, without application of the sharing band.

23. Pursuant to Order No. 33008 in Case No. PAC-E-14-01, the Company implemented a back cast calculation to perform a check for over/under-collection of NPC, load control costs, RECs, and Deer Creek. This adjustment reduced the deferral approximately \$1.7 million making the net deferral \$16.6 million before interest. Approximately \$0.1 million of interest was accrued on this balance during the deferral period making the total deferral \$16.7 million.

24. The deferred ECAM balance of \$23.9 million as of November 30, 2015, is the sum of \$7.0 million of uncollected deferrals from prior ECAM filings plus the components described above. Interest is accrued on the uncollected balance at the Commission-approved interest rate on customer deposits, currently one percent annually.

During the deferral period interest of \$0.2 million was added to the uncollected balances. Exhibit 1 summarizes the prior year uncollected deferred balances for customers.

RETAIL RATE DESIGN

25. Ms. Steward's testimony describes the calculation of the proposed Schedule 94 rates. Exhibit 2 of Ms. Steward's testimony illustrates this calculation based on metered loads, the line loss adjusted loads, the allocation of the ECAM price change, and the percentage change by rate schedule based on the present revenues ordered in Case No. PAC-E-15-09. Exhibit 3 is clean and legislative copies of Schedule No. 94 containing the proposed rates by electric service schedule based on the customer's delivery voltage of electric service.

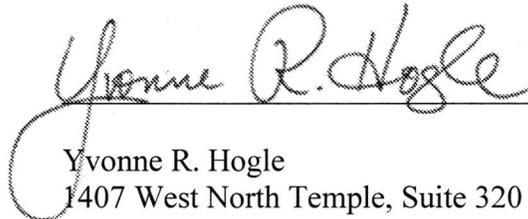
26. Rocky Mountain Power is notifying its customers of this Application by means of a press release sent to local media organizations and messages in customers' bills over the course of a billing cycle. The customer bill inserts will begin on February 5, 2016, and continue through the twenty-one day billing cycle. Copies of the press release and bill insert are provided with the Application. In addition, copies of the Application will be made available for review at the Company's local offices in its Idaho service territory.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission (1) issue an order authorizing that this matter be processed by Modified Procedure; (2) approve the \$16.7 million ECAM deferral for the Deferral Period; and (3) approve Electric Service Schedule No. 94, Energy Cost Adjustment, as filed in Exhibit 3, with an April 1, 2016 rate effective date.

DATED this 1st day of February 2016.

Respectfully submitted,

ROCKY MOUNTAIN POWER

A handwritten signature in cursive script that reads "Yvonne R. Hogle". The signature is written in black ink and is positioned above a horizontal line.

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