

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PACIFICORP DBA)	
ROCKY MOUNTAIN POWER'S)	CASE NO. PAC-E-16-05
APPLICATION FOR APPROVAL OF ITS)	
\$16.7 MILLION DEFERRAL OF NET)	
POWER COSTS, AND AUTHORITY TO)	ORDER NO. 33492
DECREASE RATES BY \$9.0 MILLION)	

On February 1, 2016, PacifiCorp dba Rocky Mountain Power applied to the Commission for an Order authorizing the Company to adjust its rates under the Energy Cost Adjustment Mechanism (ECAM). The ECAM allows the Company to adjust its rates each year to capture the difference between the Company's actual power supply expenses and the power expenses embedded 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 ECAM does not affect the Company's earnings. The Company's present ECAM Application, if approved, would *decrease* rates in all customer classes, with an average residential customer's bill decreasing by about 58¢ per month. The Company asks that the new rates take effect on April 1, 2016.

After the Company filed its Application, the Commission issued a Notice of Modified Procedure and invited interested persons to comment on the case. *See* Order No. 33467. A customer, Monsanto Company, also intervened as a party to the case. Monsanto and the Commission Staff subsequently filed comments and the Company filed a reply.

Having reviewed the record, including the Application, comments, and reply, we enter this Order approving: (1) the Company's proposed ECAM rates and tariffs as filed, with the new rates to take effect on April 1, 2016; and (2) an adjusted total deferral amount of \$16,577,736 (without interest) for the period of December 1, 2014 through November 30, 2015. Our decision is further discussed below.

THE APPLICATION

In its Application, the Company explains that the Commission first approved an annual ECAM in 2009, and that the mechanism has been modified several times since then. *See* Order Nos. 30904, 32432, 32910, 33008, and 33440. In summary, the ECAM allows the Company to increase or decrease rates each year to reflect changes in the Company's power

supply costs over the year. These costs vary with changes in the Company's fuel (gas and coal) costs, surplus power sales, power purchases, and the market price of power. Each month, the Company tracks the difference between the actual Net Power Costs (NPC) it incurred to serve customers, and the embedded (or base) NPC it collected from customers through base rates. The Company defers the difference between actual NPC and base NPC into a balancing account for later disposition at the end of the yearly deferral period. At that time, the ECAM allows the Company to credit or collect the difference between actual NPC and base NPC through a decrease or increase in customer rates. With this Application, the Company states that for the 12-month period ending November 30, 2015, the deferred NPC difference was about \$9.3 million.

The Company's Application notes that besides the NPC difference, this year's ECAM includes: (1) a Load Change Adjustment Rate (LCAR); (2) a credit for SO₂ allowance sales; (3) an adjustment for load control (DSM); (4) an adjustment for the treatment of coal stripping costs; (5) a true-up of 100% of the incremental renewable energy credit (REC) revenues; (6) Deer Creek amortization expense; (7) Lake Side 2 generation resource adder; (8) a back cast adjustment that accounts for any over/under-collection of NPC, LCAR, DSM costs, Deer Creek amortization expense, and REC revenues; and (9) a "90/10 sharing band" in which customers pay/receive 90% of the increase/decrease in the difference between actual NPC and base NPC, LCAR, SO₂ sales, DSM costs, and the coal stripping costs, and the Company incurs/retains the remaining 10%.

With this ECAM Application, the Company ultimately seeks an Order approving the Company's: (1) deferral, for later recovery through rates, of \$16.7 million in power supply costs from December 1, 2014 through November 31, 2015; and (2) revised Electric Service Schedule 94, Energy Cost Adjustment, which would reflect the ECAM adjustment and decrease the Company's Schedule 94 revenues by \$9 million. The Company's proposal, if approved, would *decrease* prices for customer classes as follows:

- Residential Customers – 0.6%
- Residential Schedule 35, Optional Time-of-Day Service – 0.7 %
- General Service Schedule 5 – 0.9%
- General Service Schedule 9 – 1.0%
- Irrigation Customers – 0.8%
- Commercial or Industrial Heating Schedule 19 – 0.8%
- General Service Schedule 23 – 0.7%

- General Service Schedule 35 – 1.0%
- Public Street Lighting – 0.3%
- Industrial Customer, Schedule 400 – 7.1%
- Industrial Customer, Schedule 401 – 7.3%

Source: Application, Exhibit No. 2 to Direct Testimony of Joelle R. Steward; *See also*, News Release and Customer Notice filed with Application.

THE COMMENTS

Commission Staff and Monsanto filed the only comments in the case, and the Company filed a reply. All parties support the Company's proposed rate decrease. Staff does, however, propose two adjustments related to the Company's calculation of the back cast adjustment to the deferral balance. The Company concurs with Staff's first adjustment, related to how the Company calculated the deferral amount without interest. The Company opposes Staff's second adjustment, related to how the back cast applies to the interest calculation. While Monsanto does not propose a specific monetary adjustment related to interest, it supports Staff's underlying concerns and would support a corrective adjustment, if made. The parties' comments and the Company's reply are collectively summarized below.

A. Rates

Both Commission Staff and Monsanto support the Company's proposed decrease in ECAM rates, as represented in Exhibit 2 to the Company's Application (also reproduced as Attachment A to Staff's comments). Staff states that the Company's proposed rate design complies with the Commission's prior Orders and that the Company's calculations are accurate and reasonable. As noted below, Staff does propose two adjustments to the Company's proposed total ECAM deferral balance. But given that Staff's proposed adjustments are relatively small, if they are approved the Commission should not change the Company's proposed rates. Rather, Staff recommended the Company carry the adjustments forward, with any remaining balances to be collected in next year's ECAM.

While Staff recommended the Commission approve the Company's proposed rates, Staff nevertheless recommended the Company file conforming tariffs to reflect Commission-approved rates. The Company observes that, due to the minimal impact that Staff's proposed adjustments would have on rates, the Commission should simply approve Electric Service Schedule No. 94 as filed in Exhibit 3 to the Company's Application, effective April 1, 2016.

Commission Findings: Based on our review of the record, we find that the Company's proposed \$9.0 million ECAM rate decrease will enable the Company to recover its deferred net power costs in accordance with the Commission's prior Orders. Further, while we are approving one of Staff's proposed adjustments to the deferral balance, that adjustment will only minimally impact rates. Accordingly, we find it fair, just and reasonable to approve the Company's proposed Schedule 94 as filed, with the new rates effective on April 1, 2016.

B. Adjustments to ECAM Deferral Balance

Staff believes the Company's balancing accounts are, for the most part, accurately tracking ECAM revenues, deferral amounts, and interest. However, Staff proposes two relatively small adjustments that, if adopted, would decrease the Company's proposed \$23,863,325 total ECAM deferral balance by about \$59,000, to \$23,804,075. Both of Staff's adjustments relate to the back cast adjustment the Commission adopted in the 2014 ECAM case. *See* Order No. 33008, Case No. PAC-E-14-01 (directing the Company to use a back cast adjustment to ensure the costs the Company recovers through base rates and the ECAM are no more and no less than actual NPC).¹ As noted above, Staff recommended these relatively small adjustments, if approved, not change the currently proposed ECAM rates but instead carry forward with any remaining balances to be collected in next year's ECAM. The two adjustments are discussed below.

1. Adjustment to ECAM Deferral (Before Interest). Staff recommended the Commission decrease the Company's proposed \$16,629,079 total deferral (i.e., the proposed ECAM deferral without interest) by \$51,343 to correct errors in how the Company calculated its proposed back cast adjustment relating to the separation of the Deer Creek mine depreciation/amortization expense from base NPC beginning January 1, 2015. In light of this adjustment, which the Company states it does not oppose, Staff and the Company recommend that the Commission approve a total deferral amount of \$16,577,736 (without interest) for the period of December 1, 2014 through November 30, 2015 for recovery from ratepayers.

Commission Findings: Based on our review of the record, we find that the Company incorrectly calculated the back cast for the separation of the Deer Creek mine depreciation/amortization expense from base NPC, and thus overstated the total deferral amount

¹ Staff notes that next year's ECAM will not include a back cast adjustment because the Company will change its deferral calculation method to directly calculate the difference between actual cost and the NPC recovered through base rates. *See* Order No. 33440.

(before interest) by \$51,343. We thus find it fair, just, and reasonable to decrease the Company's proposed total deferral amount (before interest) to be recovered from ratepayers to \$16,577,736 for the period of December 1, 2014 through November 30, 2015. Further, we find it reasonable for the Company not to change its proposed ECAM rates in light of this relatively minor adjustment, and for any remaining balance to be carried forward for collection through next year's ECAM filing.

2. Adjustment to Interest. Staff also recommended the Commission decrease the Company's proposed \$283,958 in interest (i.e., \$97,008 interest on deferral + \$186,950 interest on balancing accounts) by about \$7,907, to \$276,051, because the Company inaccurately reflected the back cast adjustment in the deferral by putting the total negative adjustment amount in the last month (i.e., as a single annual event occurring in November 2015), which overstates the amount of interest the Company should earn. According to Staff, the back cast adjustment's base rate revenue stream and actual costs are incurred across the 12-month deferral period. Staff thus believes it is more accurate to calculate the interest against the back cast adjustment amount across the entire 12 months.

Monsanto shares Staff's view. Like Staff, Monsanto noted that since revenues and expenses are incurred throughout the year, the Company's back cast adjustments should also be handled on a monthly basis and not as a single event. Monsanto believes calculating the back cast adjustment on a monthly basis would help alleviate the interest paid by ratepayers for the deferred balance. And while Monsanto does not propose a specific monetary correction that would reflect monthly back cast adjustments, it would support such a correction if ordered.

The Company, on the other hand, opposes the \$7,907 interest-related adjustment and suggestion that the back cast adjustment be accounted for on a monthly basis. The Company argues a monthly approach is inconsistent with the annual back cast adjustment recommended by Staff and approved by the Commission in the 2014 ECAM. Additionally, the Company notes that base rates are set in a general rate case using annual NPC and annual billing determinants. The Company states that Idaho's base billing determinants were 3,328,058 megawatt hours and the Company's billing determinants and collections did not exceed the base NPC and megawatt hours until November 2015. The Company argues that monthly calculations of NPC over-collection are impossible given that actual megawatt hours did not exceed base level NPC until November 2015; thus, the proposed monthly back cast adjustment is inappropriate.

Commission Findings: We decline to require the Company to account for its back cast adjustment on a monthly basis, or to adjust the interest in the balancing accounts by \$7,907. In the Company's last ECAM case, we approved a back cast adjustment to the annual deferral amount. We find that the Company's back cast adjustment in this case is consistent with that approach. In addition, while spreading the back cast adjustment across the year might improve its accuracy, the resulting interest-related adjustment in this case would be relatively small. Further, as the Company's future ECAM cases will not use a back cast adjustment (*see* fn. 1, above), there is no need to change the back cast going forward.

FINDINGS AND DISCUSSION

We have reviewed the record, including the Company's Application, the comments, and the reply. We find that the Company is an electrical corporation and public utility, and that we have jurisdiction over the Company and the issues in this case under *Idaho Code* §§ 61-119, 61-129, 61-501, and 61-502. Based on our review of the record, we find that the Company's current ECAM rates are unreasonable and would enable the Company to over-collect its deferred power costs. Accordingly, we find it fair, just, and reasonable to approve: (1) the Company's proposed ECAM rate decrease and Schedule 94 as filed in Exhibit 3 to the Company's Application, with the new rates to take effect on April 1, 2016; and (2) a total deferral amount of \$16,577,736 (without interest) for the period of December 1, 2014 through November 30, 2015 for recovery from ratepayers.

ORDER

IT IS HEREBY ORDERED that Electric Service Schedule 94, Energy Cost Adjustment, is approved as filed. The new rates shall take effect on April 1, 2016.

IT IS FURTHER ORDERED that a total deferral amount of \$16,577,736 (without interest) is approved for the period of December 1, 2014 through November 30, 2015.

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 2016.



PAUL KJELLANDER, PRESIDENT

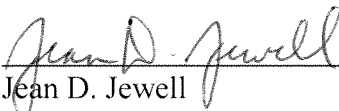


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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