

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. PAC-E-19-04
OF PACIFICORP DBA ROCKY MOUNTAIN)	
POWER FOR APPROVAL OF A \$15.1)	
MILLION DEFERRAL OF NET POWER)	ORDER NO. 34352
COSTS, AND AUTHORITY TO INCREASE)	
BY 0.4 PERCENT ELECTRIC SERVICE)	
SCHEDULE NO. 94 (ENERGY COST)	
ADJUSTMENT))	

On March 29, 2019, 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) and defer, for later recovery through rates, about \$15.1 million in power supply costs. The Company's present ECAM Application, if approved, would increase rates in all customer classes. However, these increases would be offset by a number of savings during the same period—most significantly federal tax cuts passed onto Idaho customers under Schedule 197. Therefore, Idaho customers would experience a net rate *decrease* even if the Company's present ECAM Application is approved. The Company asks that the new rates take effect on June 1, 2019.

On April 17, 2019, the Commission issued a Notice of Modified Procedure and invited interested persons to comment on the case. *See* Order No. 34313. Monsanto Company and PacifiCorp Idaho Industrial Customers (PIIC) intervened as parties, and PIIC and Commission Staff filed the only comments. The Company filed a timely reply.

Having reviewed the record, the Commission issues this Order approving the Company's Application as discussed below.

OVERVIEW OF THE ECAM

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 associated transmission. 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. Neither the Company nor its shareholders receive any financial return as a result of this filing.

Besides the NPC difference, this year's ECAM includes: (1) an adjustment for coal-stripping costs; (2) a Load Change Adjustment (LCA); (3) a true-up of 100% of the incremental Renewable Energy Credit revenues; (4) Production Tax Credits; (5) Deer Creek amortization expenses; and (6) the Lake Side 2 generation resource adder. The ECAM includes a "90/10 sharing band" in which customers pay/receive 90% of the increase/decrease in the difference between actual NPC and base NPC, LCA, and the coal-stripping costs; and the Company incurs/retains the remaining 10%.

The Commission first approved an annual ECAM in 2009, and the mechanism has been modified several times since then. *See* Order Nos. 30904, 32432, 32910, 33008, 33440, 33492, 33776. ECAM rates are reflected in Electric Service Schedule No. 94.

THE APPLICATION

In its present Application, the Company asked the Commission to approve the Company's: (1) deferral, for later recovery through rates, of \$15.1 million in power supply costs during the deferral period; and (2) revised Electric Service Schedule 94, Energy Cost Adjustment, which would reflect the ECAM adjustment and increase the Company's Schedule 94 revenues by approximately \$4.6 million. The Company stated that if its proposal is approved, prices for customer classes would increase as follows:

- Residential Customers – 0.3%
- Residential Schedule 36, Optional Time-of-Day Service – 0.4%
- General Service Schedule 6 – 0.5%
- General Service Schedule 9 – 0.5%
- Irrigation Customers – 0.4%
- Commercial or Industrial Heating Schedule 19 – 0.5%
- General Service Schedule 23 – 0.4%
- General Service Schedule 35 – 0.6%
- Public Street Lighting – 0.2%
- Industrial Customer, Schedule 400 – 0.5%
- Industrial Customer, Schedule 401 – 0.5%

Source: Application, Exhibit No. 2 to Direct Testimony of Robert M. Meredith; *See also*, News Release and Customer Notice filed with Application.

The Company stated that these increases will be offset by a number of savings during the same period. Most significantly, the Company received federal tax cuts because of the Tax Cuts and

Jobs Act, and will pass on the savings to customers as a \$0.957 per megawatt-hour credit. As a result, the Company stated that Idaho customers will receive a net rate *decrease* of approximately \$131,000.

THE COMMENTS

Staff and PIIC filed the only comments in this case. Staff supported the Company's Application and the proposed rate increase as filed, and did not object to the Company's calculations or analysis. PIIC objected to pension withdrawal liability costs being included in the fuel expense costs of two coal-fired power stations, and ultimately recommended the Commission decrease the Company's proposed deferral by approximately \$0.2 million. Additionally, PIIC recommended that the Commission make the ECAM filing requirements similar to what is required by the Public Service Commission of Utah for an equivalent case.

A. *Commission Staff*

Staff reviewed the Company's Application focusing on three issues: 1) whether the Company's proposed deferral methodology complies with previous Commission orders; 2) whether the Company minimized, within the bounds of prudence, the actual NPC to customers; and 3) whether the Company's proposed rate-spread methodology results in fair, just, and reasonable rates for all customer classes. Staff Comments at 3. Staff concluded that the Company's methodology complies with previous Commission orders. *Id.* at 4. Further, after an extensive audit, Staff believed that the Company used accurate actual loads, prudently incurred actual costs and revenues, and applied the proper loads, costs, and revenues embedded in base rates. *Id.* Finally, Staff believed that the Company's customers were provided adequate notice of the proposed ECAM rate adjustment, and that customers were given reasonable opportunity to file comments by the May 14, 2019 comment deadline. Staff recommended that the Commission approve the Company's Application as filed, with rates effective June 1, 2019.

B. *PIIC*

PIIC disputed the Company's fuel supply cost calculations for the Hunter and Huntington coal-fired power plants. Additionally, PIIC expressed concern about the source data used by the Company for calculating the ECAM, and recommended that the Commission adopt filing requirements similar to those required by the Public Service Commission of Utah for equivalent cases. PIIC's concerns are summarized below.

1. Fuel supply cost calculations for Hunter and Huntington coal-fired plants

PIIC noted that the Company's fuel expense calculation for the Hunter and Huntington coal-fired plants includes costs associated with the Company's settlement of the United Mine Workers Association (UMWA) 1974 Pension Trust. PIIC Comments at 3-4. PIIC argued these costs were supposed to be deferred for consideration in the Company's next general rate case, pursuant to Commission Order No. 33304. *Id.* at 4. PIIC calculated the impact of 1974 Pension Trust withdrawal costs on the Company's proposed deferral to be approximately \$0.2 million. *Id.* PIIC requested the Commission exclude all amounts associated with the 1974 Pension Trust, and reduce the Company's deferral balance in this case accordingly. *Id.*

If the Commission nevertheless finds inclusion of the pension withdrawal liability to be reasonable, PIIC asked that the cost be mitigated by including "beneficial aspects of the Deer Creek Mine closure" in the ECAM. *Id.* Specifically, PIIC noted that "settlement of the UMWA Retiree Medical Plan was expected to produce material ongoing savings..." *Id.* at 4-5. PIIC argued that the Company is already returning \$9.7 million in annual FAS 106 savings in annual power cost mechanism filings in Wyoming and Utah; but in Idaho, these savings are being deferred for consideration in the Company's next general rate case. *Id.* at 5. PIIC argued that if the 1974 Pension Trust withdrawal costs are included in fuel expense, the Company's annual FAS 106 savings should also be included. *Id.*

2. Adoption of filing requirements similar to those required by the Public Service Commission of Utah

PIIC recommended the Commission require Staff and the Company to develop filing requirements for the ECAM "that are substantially similar to those submitted along with the Utah EBA [Energy Balancing Account]." PIIC Comments at 2. PIIC stated that, in prior years, "the net power cost information used to establish the ECAM deferral was extracted [by the Company] from a database model that was directly tied to [the Company's] financial accounting system. In this filing, [the Company] is now relying on its energy trading system as the records source for calculating net power costs." *Id.* While PIIC stated it does not necessarily oppose using the energy trading system as the source for calculating net power costs, it noted it does not have enough information to determine whether the energy trading system aligns with the Company's financial accounting system. *Id.*

PIIC stated that, as part of the filing requirements for its EBA case before the Public Service Commission of Utah, the Company was required to reconcile trade data in the energy trading system with the Company's financial accounting system. *Id.* PIIC sought the complete EBA filing from the Company in PIIC Data Request 08, but the Company objected. *Id.* at 3. Thus, PIIC stated it was unable to verify the accuracy of the energy trading system as the records source for calculating net power costs. *Id.*

C. *The Company's Reply Comments*

The Company filed reply comments on May 21, 2019. In the reply comments, the Company opposed both of PIIC's proposals.

The Company argued that the pension contribution costs included in fuel costs are part of the base NPC set in PAC-E-16-12, and that the actual NPC must therefore include the pension contribution costs. PacifiCorp Reply Comments at 4. Citing to Case No. PAC-E-14-10, the Company noted that the Company's subsidiary, Energy West, had the option to either make a lump-sum payment to satisfy its 1972 Pension Trust withdrawal obligation or make annual installment payments. *Id.* The Company chose to continue making the estimated \$3 million annual payment already reflected in rates. *Id.* at 5. In Order No. 33304, the Commission ordered that the withdrawal liability be deferred until the next general rate case; however, the estimated \$3 million in annual costs has continued to flow through fuel costs. *Id.* The Company concluded that "removing these costs from the ECAM now would result in an intergenerational inequality by refunding these costs to customers today and asking future customers to pay them." *Id.*

Concerning PIIC's filing requirement proposal, the Company stated that additional filing requirements are unnecessary because any party may acquire the information PIIC sought through a production request. *Id.* at 3. The only reason the Company objected to PIIC's production request was that the PIIC sought "all confidential and non-confidential Energy Balancing Account (EBA) Filing Requirements and Additional Filing Requirements submitted in Utah PSC Docket 19-035-01," which are records the Company claimed are protected under Utah Administrative Code R746-1-602 and R746-1-603. *Id.*; see PIIC Production Request 8. Had PIIC requested the information it was seeking rather than the filing requirements of the Utah PSC docket, the Company stated it "would have willingly provided the requested information..." PacifiCorp Reply Comments at 3.

Additionally, the Company explained why it changed its source for computing NPC. The Company previously used a database called TORIS as a source for NPC, but TORIS's role was to provide a condensed, high-level summary of the Company's energy trading system (Endur), and to act as an interface between Endur and SAP, the Company's accounting system. *Id.* at 6. The Company upgraded Endur so that TORIS is no longer needed. *Id.* The Company explained that Endur has replaced TORIS as a source of financial statement preparation. *Id.*

FINDINGS AND DISCUSSION

The Commission has jurisdiction over this matter under *Idaho Code* §§ 61-502 and 61-503. The Commission is empowered to investigate rates, charges, rules, regulations, practices, and contracts of public utilities and to determine whether they are just, reasonable, preferential, discriminatory, or in violation of any provision of law, and to fix the same by order. *Idaho Code* §§ 61-502 and 61-503. The Commission has thoroughly reviewed the Company's Application, including attached testimony and exhibits, in Case No. PAC-E-19-04 and the written comments by PIIC and Staff. Based on that review, the Commission finds it fair, just, and reasonable to approve the Company's Application and Schedule 94 as filed, effective June 1, 2019.

Specifically, the Commission finds that the Company's Application complies with the Commission's prior orders and directives concerning the recovery of deferred net power costs incurred by the Company during the deferral period.

The Commission also finds that the main drivers of the ECAM deferral balance are changes in wholesale market prices. As the Commission noted in the establishment of the ECAM process, "power supply costs represent a large portion of a utility's revenue requirement and are notoriously volatile..." Order No. 32206 at 6. The ECAM process exists in order to "track and defer deviations between normal and actual power supply costs." *Id.* "The deferred costs that accumulate over a one-year period are then passed on to customers as a rate surcharge or credit." *Id.*

Accordingly, the Commission approves a total ECAM deferral balance of \$15,100,714 for recovery from Schedule 94 rates during the deferral period. The Commission is pleased that, despite this necessary 0.4% rate increase, Idaho customers will experience an overall rate *decrease* thanks to savings from federal tax cuts passed on to customers by the Company.

The Commission acknowledges and appreciates PIIC's comments. However, the Commission finds that the Company properly included costs associated with the Company's

withdrawal from the 1974 Pension Trust. Consistent with our decisions in Order Nos. 33304 and 33668, base NPC includes an estimated \$3 million annual payment, which represents the interest accrued on the Company's withdrawal liability. While PIIC correctly states that the 1974 Pension Trust withdrawal cost will be included in the Company's next rate case, the base NPC is designed to collect the interest on this liability.

ORDER

IT IS HEREBY ORDERED that the Commission approves the Company's Application. The proposed Schedule 94 is approved as filed, effective June 1, 2019.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one days of the service date of this Order. Within seven 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 May 2019.



PAUL KUELLANDER, PRESIDENT



KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Diane M. Hanian
Commission Secretary

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