



201 South Main, Suite 2300  
Salt Lake City, Utah 84111

February 1, 2012

***VIA OVERNIGHT DELIVERY***

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

Re: Case No. PAC-E-12-03  
In the Matter of the Application of Rocky Mountain Power for Authority to Increase Rates by \$2.6 Million to Recover Deferred Net Power Costs Through the Energy Cost Adjustment Mechanism

Dear Ms. Jewell:

Please find enclosed an original and nine copies of Rocky Mountain Power's Application in the above referenced matter, along with Rocky Mountain Power's direct testimony and exhibits. Also enclosed is a CD containing the Application, direct testimony, exhibits and confidential work papers.

All formal correspondence and questions regarding this Application should be addressed to:

Ted Weston  
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Communications regarding discovery matters, including data requests issued to Rocky Mountain Power, should be addressed to the following:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

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

Idaho Public Utilities Company  
February 1, 2012  
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Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

A handwritten signature in black ink that reads "Jeffrey K. Larsen" followed by a stylized flourish or initial.

Jeffrey K. Larsen  
Vice President, Regulation

Enclosures

Mark C. Moench  
Yvonne R. Hogle (pro hac vice application pending)  
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*Attorneys for Rocky Mountain Power*

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION ) CASE NO. PAC-E-12-03**  
**OF ROCKY MOUNTAIN POWER FOR )**  
**AUTHORITY TO INCREASE RATES BY ) APPLICATION OF ROCKY**  
**\$2.6 MILLION TO RECOVER DEFERRED ) MOUNTAIN POWER**  
**NET POWER COSTS THROUGH THE )**  
**ENERGY COST ADJUSTMENT )**  
**MECHANISM )**

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 its approved energy cost adjustment mechanism (“ECAM”), requesting approval to adjust Schedule 94, Energy Cost Adjustment, and establish the ECAM rate for all customer classes including Monsanto Company (“Monsanto”) and Agrium, Inc. (“Agrium”) based on the deferral period beginning December 1, 2010 through November 30, 2011 (“Deferral Period”). The Company is requesting approval to add \$18.1 million into the ECAM balancing account

for the Deferral Period. This addition would bring the total balance of the account to \$24.1 million as of November 30, 2011. The Company is also proposing to adjust Schedule 94 to collect approximately \$13.0 million over the period beginning April 1, 2012 through March 31, 2013, representing an increase of \$2.6 million over Schedule 94 rates currently in effect as approved in Order No. 32216 of Case No. PAC-E-11-07. Rocky Mountain Power respectfully requests that this increase in Idaho rates become effective on April 1, 2012, pursuant to Schedule 94. 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. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho providing retail electric service to approximately 73,000 customers in the state.

2. Communications regarding this filing should be addressed to:

Ted Weston  
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3. In addition, Rocky Mountain Power requests that all data requests regarding this Application should be sent in Microsoft Word or plain text format to the following:

By email (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

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

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

#### **Brief Overview of the ECAM**

4. On October 23, 2008, Rocky Mountain Power filed an application with the Commission, Case No. PAC-E-08-08, seeking approval of an ECAM. After meeting with staff and other parties over a period of approximately four months, the Company and the parties entered into a stipulation agreeing to the type of ECAM that would be acceptable to all the parties. On June 29, 2009, the parties filed said ECAM Stipulation with the Commission.

5. On September 29, 2009, by Order No. 30904 issued in Case No. PAC-E-08-08, the Commission approved the implementation of an annual ECAM.

6. By agreement, the costs that are to be included in the ECAM are net power costs ("NPC") that are defined in the Company's general rate cases and modeled by the Company's production dispatch model GRID. Specifically, base and actual 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).

7. The ECAM allows the Company to collect or credit the differences between the actual NPC incurred to serve customers in Idaho and the NPC collected from Idaho customers through rates set in general rate cases.

8. On a monthly basis, the Company compares the actual system net power costs (“Actual NPC”) to the net power costs embedded in rates (“Base NPC”) from the effective general rate case during the Deferral Period (i.e., for this Deferral Period, the Company used Base NPC established in Case No. PAC-E-08-07 from December 1 – December 27, 2010 and Base NPC established in Case No. PAC-E-10-07 from December 28, 2010 – November 30, 2011), and defers the differences into the ECAM balancing account. This comparison is on a system-wide basis and on a dollar per megawatt-hour basis.

9. In addition to the comparison of Actual NPC to Base NPC, the ECAM includes five additional components: the Load Growth Adjustment Rate (“LGAR”) or Load Change Adjustment Rate (“LCAR”)<sup>1</sup>, a credit for SO<sub>2</sub> allowance sales, an adjustment for the treatment of coal stripping costs, a renewable resource adder for

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<sup>1</sup> The LGAR was changed to the “LCAR”, pursuant to the Commission’s Order No. 32206.

renewable resources that are not yet in rate base and a true-up of Renewable Energy Credit (“REC”) revenues, as authorized by the Commission in Order No. 32196. These components are described in more detail below.

10. Finally, the ECAM includes a symmetrical sharing band of 90 percent (customers) / 10 percent (Company) that shares the NPC differential between Actual NPC and Base NPC, LCAR, SO<sub>2</sub> sales, and the coal stripping costs adjustment between the customers and the Company. The sharing band is also described in more detail below.

**Proposed Deferred ECAM Rate Increase**

11. In support of this Application, Rocky Mountain Power has filed the testimony and exhibits of Company witnesses Gregory N. Duvall and William R. Griffith. Mr. Duvall’s testimony and exhibit describes the Actual NPC incurred by the Company to serve retail load for the historical twelve-month period ended November 30, 2011 and explains the main increases between Actual NPC and Base NPC. Mr. Griffith’s testimony supports the new ECAM tariff surcharge rates to be effective April 1, 2012 through March 31, 2013 for Monsanto and Agrium.

12. Effective January 1, 2011, Monsanto’s and Agrium’s loads are included in the calculation of the ECAM balances in this ECAM filing. As of December 31, 2010, Monsanto’s and Agrium’s tariff contracts expired and, pursuant to a stipulation entered into and approved in Order No. 30904, Case No. PAC-E-08-08, the two customers’ loads were to be included as part of the ECAM calculation in this case, along with all other retail customers’ loads. In addition, as indicated in the stipulation approved by the Commission in Order No. 32432 in Case No. PAC-E-11-12, the Company will amortize and collect Monsanto’s and Agrium’s share of the Commission-approved 2011 ECAM balances over three years.

13. In this Application, confidential **Exhibit 1** (“Exhibit 1”) to Mr. Duvall’s testimony illustrates the detailed calculation of the deferred NPC adjustment. Starting with the base NPC in the amount of approximately \$1.02 billion, previously approved by the Commission in its Order 32196, the Company takes the monthly NPC from that amount and divides it by the monthly normalized load used to determine NPC to express the costs on a dollar per megawatt-hour basis [line 1 of **Exhibit 1**]<sup>2</sup>. The actual NPC rate on a dollar per megawatt-hour basis is then calculated by taking the monthly actual NPC and dividing it by the actual monthly system load [line 4 of **Exhibit 1**].

14. Next, the deferral amount is calculated on a monthly basis by subtracting the monthly base NPC rate from the actual NPC rate. This results in a monthly NPC rate differential [line 5 of **Exhibit 1**] which is then multiplied by three groups of actual Idaho retail load at input: tariff customers, Monsanto and Agrium [lines 6 through 8, **Exhibit 1**,] to calculate the NPC differential for deferral for each group [lines 10-13, **Exhibit 1**]. For the 12-month period ended November 30, 2011, the NPC differential for deferral was approximately \$18.6 million before the 90/10 sharing [line 13 of **Exhibit 1**].

15. As described in Mr. Duvall’s testimony, the LCAR is a symmetrical adjustment to offset over or under collection of the Company’s production energy related revenue requirement, excluding NPC, due to variances in Idaho load. Pursuant to Commission Order No. 30904, the initial Commission-approved symmetrical LGAR was \$17.48 per megawatt-hour. This was updated by Commission approval to \$21.89 per megawatt-hour beginning December 28, 2010, and further updated by Commission approval beginning in April 2011, to \$5.47 per megawatt-hour. Lines 23 through 26 of

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<sup>2</sup> Base NPC Rate and Load from Case No. PAC-E-08-07 in the amount of \$987 million were used through 12/27/10. Base NPC Rate and Load from Case No. PAC-E-10-07 in the amount of \$1.02 billion were used since 12/28/11.

**Exhibit 1** in Mr. Duvall's testimony illustrate the total LCAR adjustment used in this case.

16. Under this Application, credits for SO<sub>2</sub> allowance sales revenues received by the Company from December 1, 2010 to November 30, 2011 are included as an offset to the NPC deferral. Mr. Duvall's testimony describes how the SO<sub>2</sub> sales revenues were offset against deferred NPC in this docket. Line 29 of **Exhibit 1** in Mr. Duvall's testimony contains the SO<sub>2</sub> sales revenues that are credited against the NPC differential for deferral.

17. Line 30 of **Exhibit 1** reflects Idaho's allocated differences between excluding coal stripping costs incurred by the Company and 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. The EITF 04-6 deferral adjustment on line 30 of **Exhibit 1** is added to the NPC differential for deferral.

18. Lines 39 through 41 of **Exhibit 1** show the total NPC deferral adjusted for LCAR revenue, SO<sub>2</sub> revenue, and EITF 04-6 deferral for tariff customers, Monsanto and Agrium.

19. A sharing band between customers and the Company is included such that customers pay/receive the increase/decrease in Actual NPC when compared to Base NPC, and the Company incurs/retains the remaining 10 percent. The sharing bands also apply to the SO<sub>2</sub>, the LCAR and the coal stripping costs. Lines 44 through Line 47 of **Exhibit 1** in Mr. Duvall's testimony summarize by customer groups the customers' (tariff customers', Monsanto's and Agrium's) share of these components

20. As approved in Case No. PAC-E-08-08, the ECAM includes a renewable resource adder which has been used in prior ECAM filings but which ended on the

effective date of rates set in the 2010 rate case (Case No. PAC-E-10-07). Thus, the adder was only applicable to the first 27 days in December 2010 prior to the effective date of the rates set in the 2010 rate case. The renewable resource adder recognizes that the Company has made significant investments in renewable generation projects that were not included in rates effective during 27 days of the Deferral Period, even though these projects provide significant benefits to customers. Specifically, the adjustment recognizes that actual NPC were reduced by power generated from these renewable generation projects. Pursuant to Commission Order No. 30904, the Commission approved a renewable resource adjustment of \$55.00 per megawatt-hour multiplied by the prorated actual megawatt-hour output generated in the first 27 days of December 2010 from those renewable resources that were not included in rates during the Deferral Period [line 48, **Exhibit 1**]. Line 50 of **Exhibit 1** reflects this adjustment on a total Company basis. The total Company amount is allocated to Idaho [line 52, **Exhibit 1**] based on the System Generation allocation factor (“SG”), which is further prorated to include only tariff customers’ load [line 54, **Exhibit 1**].

21. 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. In the current filing, the REC revenues are prorated beginning on December 28, 2010, 27 days less than the full twelve-month Deferral Period. Idaho’s actual REC revenues for that same time period are located on line 61, **Exhibit 1**.

22. The deferred ECAM balance of \$24.1 million as of November 30, 2011 [line 85, **Exhibit 1**] is the sum of the components described above: 90% X (deferred NPC

+ LCAR + SO<sub>2</sub> revenues+ coal stripping costs adjustment) + the renewable resource adder + interest charges + REC revenues. Lines 64 through 70 of **Exhibit 1** in Mr. Duvall's testimony illustrate the detailed calculations for standard tariff customers, with an ending balance of \$16.3 million; lines 72 through 77 illustrate the detailed calculations for Monsanto, with an ending balance of \$7.2 million; and lines 79 through 84 illustrate the detailed calculations for Agrium, with an ending balance of \$.5 million. The sum of the three groups' ending balances validates the total ending balance of \$24.1 million. The Company will amortize and collect Monsanto's and Agrium's share of the deferral balance, as approved by the Commission in this case, over three years pursuant to the stipulation approved by the Commission in Order No. 32432.

23. The Company is not requesting a change in the ECAM surcharge rate to recover the full \$24.1 million deferral at this time. The Company estimates that approximately \$3.0 million of the balance will be recovered through Schedule 94 rates from December 1, 2011 to March 31, 2012. Any over or under collection of this amount will be addressed in future ECAM filings. In addition, the Company is not requesting a change to existing Schedule 94 rates for standard tariff customers at this time as it anticipates that an increase in the collection rate this year would be followed by a decrease in the rate next year.

#### **Allocation of Deferred ECAM to Retail Tariffs**

24. As previously stated, Mr. Griffith's testimony describes in greater detail the calculation of the proposed Schedule 94 rates for Monsanto and Agrium. **Exhibit 2** of Mr. Griffith's testimony illustrates the allocation of the initial collection rate for each of the two customers and the billing determinants used. **Exhibit 3** is tariff Schedule 94 containing the proposed rates by electric service schedule.

25. Rocky Mountain Power is notifying its customers of this Application by, among other means, issuing a press release sent to local media organizations and messages in customer bills over the course of a billing cycle. In addition, copies of this Application will be made available for review at the Company's local offices in its Idaho service territory.

26. WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue an order (1) authorizing that this matter be processed by Modified Procedure; (2) approve the ECAM deferred balance; and (3) implement the proposed electric service Schedule 94 as filed in **Exhibit 3**.

DATED this 1<sup>st</sup> day of February 2012.

Respectfully submitted,

ROCKY MOUNTAIN POWER



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*Attorneys for Rocky Mountain Power*



For information, contact:  
Media Hotline 800-775-7950

## **No change for residential customers in Rocky Mountain Power's annual energy cost adjustment request**

BOISE, Friday, Feb. 1, 2012— Rocky Mountain Power's annual energy cost adjustment for 2012 proposes no increase for residential or commercial customers, and a modest increase for large industrial customers.

The energy cost adjustment mechanism is designed to track the difference between the company's actual costs to provide electricity to customers and the amount collected from customers through current prices. If the commission approves, the adjustment would take effect April 1, 2012.

Because of increases in fuel and other costs to produce and purchase the electricity customers need, the proposed adjustment will allow Rocky Mountain Power to continue to provide safe, reliable and adequate electric service to its customers.

The company's proposal requests that the Idaho Public Utilities Commission approve deferral of the 2011 energy related costs of \$18.1 million and adjust the energy cost adjustment rider, Schedule 94, by \$2.6 million to be collected from two large industrial customers on who previously were not covered by Schedule 94. The company is proposing no change to standard tariff customer prices.

The proposed increase would have the following impacts:

- Tariff customers Schedules 1 through 36 – no change to current rates
- Addition of Tariff Contract 400 – \$2.4 million increase or 3.3 percent
- Addition of Tariff Contract 401 – \$0.2 million increase or 3.2 percent

The public will have an opportunity to comment on the proposal during the coming months as the commission studies the company's request. The commission must approve the proposed changes before they can take effect. A copy of the company's application is available for public review at the commission offices in Boise and at the company's offices in Rexburg, Preston, Shelley and Montpelier.

Idaho Public Utilities Commission, [www.puc.idaho.gov/](http://www.puc.idaho.gov/), 472 W. Washington, Boise, ID 83702.

Rocky Mountain Power offices

- Rexburg – 25 East Main
- Preston – 509 S. 2nd East
- Shelley – 852 E. 1400 North

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# Keeping you **informed**

## **Rocky Mountain Power requests recovery of power costs.**

On February 1, 2012, Rocky Mountain Power asked the Idaho Public Utilities Commission to approve the 2011 deferral of \$18.1 million to the energy balancing account and adjust the energy cost adjustment rider by \$2.6 million. The company is proposing no change to tariff customer prices with the exception of tariff contract Schedules 400 and 401.

The energy cost adjustment mechanism is designed to track the difference between the company's actual costs to provide electricity to Idaho customers and the amount collected from customers through current prices. If the commission approves, the rider would take effect April 1, 2012.

**Because of increases in fuel and other costs to produce and purchase the electricity Idaho customers need, the proposed adjustment will allow Rocky Mountain Power to continue to provide safe, reliable electric service to its customers.**

The proposed increase would have the following impacts:

- **Tariff customers Schedules 1 through 36 –**  
no change to current rates
- **Addition of tariff contract Schedule 400 –**  
\$2.4 million increase or 3.3 percent
- **Addition of tariff contract Schedule 401 –**  
\$0.2 million increase or 3.2 percent

*(continued)*

The public will have an opportunity to comment on the proposal during the coming months as the commission studies the company's request. The commission must approve the proposed changes before they can take effect. A copy of the company's application is available for public review at the commission offices in Boise and at the company's offices in Rexburg, Preston, Shelley and Montpelier.

**Idaho Public Utilities Commission**

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