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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-18-02  
OF ROCKY MOUNTAIN POWER )  
REQUESTING APPROVAL OF \$7.8 ) APPLICATION OF  
MILLION NET POWER COST DEFERRAL ) ROCKY MOUNTAIN POWER  
WITH NO CHANGE TO RATES )**

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 \$7.8 million of deferred costs, plus interest, from the deferral period beginning January 1, 2017 through December 31, 2017 (“Deferral Period”) with no revision to Electric Service Schedule No. 94, Energy Cost Adjustment (“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 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 75,400 customers in the state.

### **BACKGROUND**

2. 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.

3. Included in the ECAM are NPC as defined in the Company’s general rate cases and modeled by the Company’s Generation and Regulation Initiative Decision (“GRID”) production dispatch model. 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).

4. 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 most recently concluded 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.

5. In addition to the difference between Actual NPC and Base NPC, the ECAM includes six additional components: the Load Change Adjustment Revenues (“LCAR”), an adjustment for the treatment of coal stripping costs under Emerging Issues Task Force (“EITF”) 04-6, a true-up of 100 percent of the incremental Renewable Energy Credit (“REC”) revenues, Production Tax Credits (“PTC”), Deer Creek amortization expense<sup>1</sup>, and the Lake Side 2 generation resource adder. These components are described in more detail below.

6. 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, and the coal stripping costs adjustment between the customers and the Company. The sharing band is described in more detail below.

7. The Commission’s Order 33440<sup>2</sup> authorized 100 percent recovery of approximately \$1.3 million annual Deer Creek Mine amortization expense through the ECAM until the costs are fully amortized by the end of 2018.

8. Under the stipulation in Case No. PAC-E-13-04 and approved by the Commission in Order 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

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<sup>1</sup> As approved in Order No. 33440, page 5, paragraph 6.

<sup>2</sup> 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).

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.

9. Through Commission Order No 33440<sup>3</sup> PTC were authorized to be tracked in the ECAM without applying the sharing band. Under the Internal Revenue Code (“IRC”), a wind facility generates a PTC equal to an inflation-adjusted 1.5 cents per kilowatt-hour of electricity produced and sold to a third-party for a period of 10 years beginning on the date the facility is placed in-service for income tax purposes.<sup>4</sup> In 2017, the inflation-adjusted PTC rate for electricity generated from qualifying wind facilities was 2.4 cents per kilowatt hour.<sup>5</sup> PTC are reflected as a reduction to current income tax expense on the financial statements and for rate making purposes. A forecasted level of PTC are included in base rates benefiting customers; however, the quantity of PTC received is dependent on the amount of generation at eligible facilities. The generation is highly dependent on weather, varying from year to year as weather patterns fluctuate. To the extent the actual generation from these plants varies from the level in base rates, the value of the energy is updated in NPC and a corresponding adjustment is made to the amount of the PTC that customers receive.

### **PROPOSED ECAM RATE**

10. In support of this Application, Rocky Mountain Power has filed the testimony and exhibits of Company witness Mr. Michael G. Wilding. Mr. Wilding’s testimony describes the Actual NPC incurred by the Company to serve retail load for the Deferral Period, and explains the main differences between Actual NPC and Base NPC.

11. Exhibit No. 1 to Mr. Wilding’s testimony (“Exhibit 1”) illustrates the detailed

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<sup>3</sup> Case No. PAC-E-15-09.

<sup>4</sup> IRC section 45(a).

<sup>5</sup> IRS Notice 2017-33.

calculation of the ECAM deferral. The deferral is calculated on a monthly basis by comparing Idaho-allocated Actual NPC to the NPC collected in rates. For the twelve-month period ended December 31, 2017, the NPC differential included in the deferral balance was approximately \$2.1 million before the 90/10 percent sharing band.

12. 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 approximately \$1.5 million before applying the sharing band due to higher usage during the Deferral Period.

13. The difference between including coal stripping costs recorded on the Company's books under the guidance of the accounting pronouncement EITF 04-6, and the amortization of the coal stripping costs when the coal was excavated decreased the deferral by \$93,048 before applying the sharing band.

14. The total NPC deferral adjusted for LCAR and EITF 04-6 was \$477,358 for which customers are responsible 90 percent, and the Company is responsible for the remaining 10 percent. After accounting for the sharing band, the NPC deferral is a \$429,622.

15. In addition to the ECAM calculation components discussed above, the ECAM includes a 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 without application of the sharing band. During the Deferral Period, the Lake Side 2 resource adder increased the ECAM deferral approximately \$4.1 million on an Idaho-allocated basis.

16. Under Commission Order No. 33440, effective January 1, 2016, the ECAM began tracking the difference between the PTC customers receive through base rates and actual PTC,

without application of the sharing band. During the Deferral Period PTC increased the deferral approximately \$1.8 million.

17. The ECAM calculation also includes the Deer Creek mine depreciation expense for the Deferral Period of approximately \$1.3 million associated with the unrecovered Deer Creek mine investment on an Idaho basis, without application of the sharing band.

18. The ECAM also tracks the difference between actual REC revenues during the Deferral Period and the amount of REC revenues credited to customers 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 \$0.72 million lower than the amount credited to customers in base rates on an Idaho-allocated basis.

19. Finally, 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 \$0.1 million was added to the uncollected balances.

20. The deferred ECAM balance of \$10.1 million as of December 31, 2017, is the sum of \$2.3 million of uncollected deferrals from prior ECAM filing, plus the components described above.

### **COMMUNICATIONS**

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  
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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](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.

### **REQUEST FOR RELIEF**

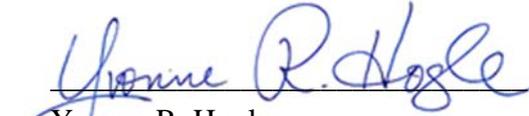
The ECAM allows the Company to collect or credit the difference between the actual NPC incurred to serve customers in Idaho customers and the NPC collected through base rates assuring customers pay the actual NPC.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission issue an order: (1) authorizing that this matter be processed by Modified Procedure; (2) approving the \$7.8 million ECAM deferral for the Deferral Period; and (3) approving no change to Schedule 94.

DATED this 30th day of March, 2018.

Respectfully submitted,

ROCKY MOUNTAIN POWER



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