

Decision 09-12-027 December 17, 2009

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PACIFICORP (U901E), an Oregon Company,
for Authority to Update its Rates Pursuant to
its Energy Cost Adjustment Clause Effective
January 1, 2010.

Application 09-07-032
(Filed July 31, 2009)

**DECISION AUTHORIZING PACIFICORP TO MODIFY
ENERGY COST ADJUSTMENT CLAUSE RATES**

Summary

PacifiCorp's 2008 adjusted actual net power costs and adjusted actual and forecast net power costs for 2009 are lower than was forecast. PacifiCorp seeks authorization to modify the Energy Cost Adjustment Clause rates so as to allow for recovery of its 2008 adjusted actual net power costs, adjusted actual and forecast net power costs for 2009, and its forecasted net power costs for 2010. This modification will result in a rate decrease of approximately \$4.6 million, or 5.1% overall, to PacifiCorp's California retail customers. The new market rate will be effective January 1, 2010.

Background

PacifiCorp is a multi-jurisdictional utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington, and Wyoming. PacificCorp serves approximately 46,500 customers in Del Norte, Modoc, Shasta, and Siskiyou counties in Northern California.

On November 29, 2005, PacifiCorp filed a general rate case application (Application (A.) 05-11-022) seeking an overall revenue requirement increase and requesting authority to implement an Energy Cost Adjustment Clause (ECAC) to allow for recovery of its net power costs. PacifiCorp's request was approved in Decision (D.) 06-12-011. PacifiCorp filed revised tariff sheets associated with the ECAC on December 21, 2006; these tariffs became effective January 1, 2007. On August 1, 2007, PacifiCorp sought permission to implement an ECAC to recover an increase in net power costs.¹ In D.07-12-015 the Commission adopted PacifiCorp's ECAC but postponed consideration of a proposed Balancing Rate to a future proceeding. One year later, on August 1, 2008, PacifiCorp filed A.08-08-003 which requested authority to establish new Offset and Balancing Rates to be effective January 1, 2009. The Commission granted PacifiCorp's request and approved the rate increase in D.08-11-058.

PacifiCorp's 2008 adjusted actual net power costs and adjusted actual and forecast net power costs for 2009 were lower than was forecast in A.08-08-003. In this proceeding PacifiCorp seeks authorization to modify the ECAC rates in a manner which will allow for recovery of its 2008 adjusted actual net power costs, adjusted actual and forecast net power costs for 2009, and its forecasted net power costs for 2010. PacifiCorp asserts that if approved, this modification will result in a rate decrease of approximately \$4.6 million, or 5.1% overall, to its California retail customers.

On September 4, 2009, the Division of Ratepayer Advocates (DRA) filed a protest in response to PacifiCorp's application. In its protest DRA noted that it

¹ See A.07-08-008.

would review the assumptions underlying PacifiCorp's proposed offset rate as well as PacifiCorp's proposed cost allocation, rate design, and supporting assumptions.² DRA continued its investigation and came to the conclusion that PacifiCorp's ECAC application was reasonable.³ Accordingly, on October 5, 2009 DRA stated that it does not object to the application and moved to withdraw its protest.⁴ DRA's request to withdraw its protest was granted on October 6, 2009.⁵

Summary of Request

PacifiCorp requests authority to modify its ECAC rates so as to allow recovery of its 2008 adjusted actual net power costs, adjusted actual and forecast net power costs for 2009, and its forecasted net power costs for 2010. This modification will result in a rate decrease of approximately \$4.6 million, or 5.1% overall, to PacifiCorp's California retail customers with an effective date of January 1, 2010. Specifically, PacifiCorp asserts that its 2008 adjusted actual net power costs and adjusted actual and forecast net power costs for 2009 are lower than was forecast in A.08-08-003, resulting in an estimated \$3.1 million balance owed to customers. Net power costs are generally defined as the sum of fuel expenses, wholesale purchase power expenses and wheeling expenses, less wholesale sales revenue. PacifiCorp asserts that its forecast net power costs for

² On September 14, 2009, PacifiCorp filed a document entitled "Reply of PacifiCorp to Protest of the Division of Ratepayer Advocates."

³ See Motion of the Division of Ratepayer Advocates to Withdraw Protest dated October 5, 2009.

⁴ *Id.*

⁵ The Administrative Law Judge's ruling allowing DRA to withdraw its protest also cancelled a Prehearing Conference that was scheduled for Thursday, October 8, 2009.

2010 are lower than the net power costs adopted in D.08-11-058 as a result of lower system retail sales and declining market prices for electricity and natural gas costs. PacifiCorp's proposed decrease would result in the following price changes by customer class:

Customer Class	Proposed Base Price Change
Residential	-4.8%
Commercial/Industrial	-5.5%
Irrigation	-5.1%
Lighting	-3.3%
Overall	-5.1%

Rates for net power costs are unbundled from other rates and are collected through the ECAC Tariff Rate Rider, Schedule ECAC-94. Energy costs and revenues subject to the ECAC are accounted for in a balancing account. The balancing account is intended to be recovered annually through the ECAC filing. Thus, the ECAC provides PacifiCorp the opportunity to recover net power costs in a timely manner.

The ECAC separates the rate component into two parts: the Balancing Rate and the Offset Rate. The Balancing Rate is the rate that either returns to or recovers from customers the Total California Balancing Account. The rate is calculated by dividing the sum of the changes in the 2008 adjusted actual net power costs since the 2009 ECAC Filing and the 2009 adjusted actual/forecast Total California Balancing Account by the California retail sales that were included in the Company's most recent general rate case (A.05-11-022), then grossing up that amount for the Franchise Fees & Uncollectible Accounts Expense Factor. If the Balancing Rate exceeds the current rate by 5%, the rate is updated for the upcoming forecast period.

The second component of the ECAC, the Offset Rate, allows PacifiCorp to reset rates to reflect the forecast of net power costs for the upcoming year. To determine updated net power costs, PacifiCorp incorporates updates to: (1) forward price curve; (2) forecast loads; (3) normalized hydro generation; (4) forecast fuel prices; (5) contract updates; (6) heat rates, planned outages, and de-rates; (7) wheeling expenses; and (8) new resource acquisitions. PacifiCorp calculated the current Offset Rate by dividing the 2010 California-allocated net power costs by California retail sales and then grossing up that amount by the Franchise Fees & Uncollectible Accounts Expense Factor.⁶ As with the Balancing Rate, where the new Offset Rate exceeds the current rate by 5%, the rate must be updated for the upcoming forecast period.

PacifiCorp proposes a Balancing Rate effective January 1, 2010, of \$-3.67 per megawatt-hour (MWh); a Balancing Rate of \$0.54 is currently in effect.⁷ PacifiCorp also proposes an Offset Rate of \$22.14 per MWh. This Offset Rate differs from the current rate of \$23.29 per MWh by 4.9 percent. The impact of the Offset Rate is a reduction of about \$1 million to PacifiCorp's California customers. Overall, the result of the proposed changes is a rate decrease of approximately \$4.6 million, or 5.1% overall, to California retail customers.

⁶ See Exhibit PPL/100 at 5.

⁷ See Exhibit PPL/100 at 4.

DRA Review

The use of the ECAC to recover the difference between estimated and actual variable power costs was approved in PacifiCorp's prior general rate case.⁸ Thus the only issues in this proceeding involve the application of the ECAC to the actual variable power costs incurred by PacifiCorp and confirmation of those costs. In its September 4, 2009, protest, DRA stated that it would review the assumptions underlying PacifiCorp's proposed offset rate as well as PacifiCorp's proposed cost allocation, rate design, and supporting assumptions.⁹ Over the course of its investigation, DRA satisfied itself that PacifiCorp accurately tracked variable power costs and properly accounted for them. DRA therefore concluded that PacifiCorp's ECAC application was reasonable.

Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

Assignment of Proceeding

Dian Grueneich is the assigned Commissioner and Darwin E. Farrar is the assigned Administrative Law Judge in this proceeding.

⁸ DRA did not propose to audit PacifiCorp's accounts, but has the right to audit them in a subsequent ECAC filing or as part of PacifiCorp's next general rate case.

⁹ On September 14, 2009, PacifiCorp responded to DRA's protest by submitting two documents. The first document was entitled "Reply of PacifiCorp to Protest of the Division of Ratepayer Advocates"; the second was entitled "Response of PacifiCorp to Protest of the Division of Ratepayer Advocates." But for their titles these documents appear to be identical.

Findings of Fact

1. PacifiCorp's use of the ECAC to determine its 2010 revenue requirement increase was approved in D.06-12-011.
2. PacifiCorp's actual 2009 Offset Rate is \$23.29 per MWh.
3. PacifiCorp's proposed 2010 Offset Rate is \$22.14 per MWh.
4. PacifiCorp's actual 2009 Balancing Rate is \$0.54 per MWh.
5. PacifiCorp's proposed 2010 Balancing Rate is \$-3.67 per MWh.
6. PacifiCorp's rate decrease of approximately \$4.6 million, or 5.1%, is reasonable.

Conclusions of Law

1. PacifiCorp's proposed 2010 Offset Rate and proposed 2010 Balancing Rate are reasonable.
2. This order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. The application of PacifiCorp to implement its Energy Cost Adjustment Clause is approved.
2. Within 10 days of today's date, PacifiCorp shall file an advice letter with tariffs to implement the new rates and tariff changes approved by this Order. These tariffs shall become effective on the first day of the month following the date the advice letter is filed subject to Energy Division determining that the tariffs are in compliance with this Order.
3. The Division of Ratepayer Advocates is authorized to audit PacifiCorp's Energy Cost Adjustment Clause accounts as part of a subsequent Energy Cost Adjustment Clause filing or as part of PacifiCorp's next general rate case.
4. Application 09-07-032 is closed.

This order is effective today.

Dated December 17, 2009, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners