

Decision 10-11-021 November 19, 2010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PacifiCorp
(U901E) for Authority to Update its Rates
Pursuant to its Energy Cost Adjustment Clause
Effective January 1, 2011.

Application 10-08-003
(Filed August 2, 2010)

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

1. Summary

By this decision, we approve PacifiCorp's requested increase in retail customer rates of approximately \$9.3 million, pursuant to its Energy Cost Adjustment Clause (ECAC), based on a new Balancing Rate of \$1.34 per megawatt hour (MWh) and a new Offset Rate of \$28.35 per MWh, both of which will be effective January 1, 2011. This authority results in a modification of PacifiCorp's ECAC rates to allow for recovery of its 2009 adjusted actual net power costs, adjusted actual and forecast net power costs for 2010, and its forecasted net power costs for 2011.

2. 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.

PacifiCorp's general rate case application¹ filed in 2005, sought an overall revenue requirement increase and requested 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.² In D.07-12-015, the Commission adopted PacifiCorp's ECAC but postponed consideration of a proposed Balancing Rate to a future proceeding. Subsequently, PacifiCorp filed A.08-08-003 and A.09-07-032, which requested authority to establish new Balancing and Offset Rates to be effective January 1 of the following year. The Commission granted PacifiCorp's requests and approved the rate increases in D.08-11-058 and D.09-12-027, respectively.

In this proceeding, PacifiCorp seeks authorization to modify the ECAC rates in a manner which will allow for recovery of its 2009 adjusted actual net power costs, adjusted actual and forecast net power costs for 2010, and its forecasted net power costs for 2011. PacifiCorp asserts that if approved, this modification will result in a rate increase of approximately \$9.3 million, or 10.7% overall, to its California retail customers. Notice of A.10-08-003 appeared on the Commission's Daily Calendar on August 10, 2010.

3. Summary of Request

¹ Application (A.) 05-11-022.

² A.07-08-008.

PacifiCorp requests authority to modify its ECAC rates to allow recovery of its 2009 adjusted actual net power costs, adjusted actual and forecast net power costs for 2010, and its forecasted net power costs for 2011. This modification would result in a rate increase of approximately \$9.3 million, or 10.7% overall, to PacifiCorp's California retail customers, with an effective date of January 1, 2011. This overall rate increase consists of two rate components – the Balancing Rate and the Offset Rate.

PacifiCorp requests a Balancing Rate effective January 1, 2011, of \$1.34 per megawatt-hour (MWh); a Balancing Rate of -\$3.67 is currently in effect.³ This results in an increase to the Balancing Rate of approximately \$4.1 million.⁴ PacifiCorp also requests an Offset Rate of \$28.35 per MWh; an Offset Rate of \$22.14 per MWh is currently in effect.⁵ This results in an increase to the Offset Rate of approximately \$5.2 million.⁶ Overall, these two rate increases total approximately \$9.3 million, which results in a rate increase of 10.7% overall to California retail customers.

PacifiCorp asserts that its requested increase is due to a number of factors, including higher expected retail load, changes in PacifiCorp's portfolio of resources, and contract re-openers with third parties. These factors are offset by the addition of new transmission and wind generation resources forecast for 2011. PacifiCorp's requested increase would result in the following price changes by customer class:

³ Exhibit PPL/100 at 4.

⁴ A.10-08-003 at 3.

⁵ Exhibit PPL/100 at 4.

Customer Class	Requested Base Price Percent Change
Residential	10.1%
Commercial/Industrial	11.7%
Irrigation	10.8%
Lighting	6.3%
Overall	10.7%

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 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 2009 adjusted actual net power costs⁷ since the 2010 ECAC Filing and the 2010 adjusted actual/forecast Total California Balancing Account, and the Carrying Charge, by the California retail sales that were authorized in the Company's most recent general rate case (A.09-11-015, D.10-09-010), then grossing up that amount for the Franchise Fees & Uncollectible Accounts Expense Factor.⁸ If the Balancing Rate exceeds the current rate by 5%, the rate is updated for the upcoming forecast period.

⁶ A.10-08-003 at 3.

⁷ Net power costs are generally defined as the sum of fuel expenses, wholesale purchase power expenses and wheeling expenses, less wholesale sales revenue.

⁸ Exhibit PPL/100 at 3.

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 coal costs; (5) wholesale sales and purchases of electricity and natural gas; (6) thermal plant capabilities; (7) wheeling expenses; and (8) new resource acquisitions.⁹ PacifiCorp calculated the current Offset Rate by dividing the 2011 California-allocated net power costs by California retail sales and then grossing up that amount by the Franchise Fees & Uncollectible Accounts Expense Factor.¹⁰ 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.

4. Categorization and Need for Hearings

In Resolution ALJ 176-3259, dated August 12, 2010, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary, therefore the preliminary determination is changed to no hearings necessary.

5. 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,

⁹ A.10-08-003 at 4.

¹⁰ Exhibit PPL/100 at 4.

the otherwise applicable 30-day period for public review and comment is waived.

6. Assignment of Proceeding

Nancy Ryan is the assigned Commissioner and Seaneen M. Wilson is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. Notice of the application appeared on the Commission's Daily Calendar on August 10, 2010.

2. In Resolution ALJ 176-3259, dated August 12, 2010, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. No protests have been received.

3. PacifiCorp's use of the ECAC to determine its 2011 revenue requirement increase was approved in D.06-12-011.

4. PacifiCorp's current 2010 Balancing Rate is -\$3.67 per MWh.

5. PacifiCorp's requested 2011 Balancing Rate is \$1.34 per MWh.

6. PacifiCorp's current 2010 Offset Rate is \$22.14 per MWh.

7. PacifiCorp's requested 2010 Offset Rate is \$28.35 per MWh.

8. PacifiCorp's requested ECAC rate increase would result in an overall rate increase of approximately \$9.3 million, or 10.7%.

Conclusions of Law

1. Since no protests were received, the preliminary determination made in Resolution ALJ-176-3259 of the need for hearings should be changed to no hearings necessary.

2. PacifiCorp's A.10-08-003, in which it requested implementation of a modification to its ECAC rates should be approved.

3. PacifiCorp's requested 2011 Balancing Rate of \$1.34 per MWh for retail customers is reasonable and should be approved.

4. PacifiCorp's requested 2011 Offset Rate of \$28.35 per MWh for retail customers is reasonable and should be approved.

5. This order should be effective immediately.

O R D E R

IT IS ORDERED that:

1. PacifiCorp's Application 10-08-003, in which it requested implementation of a modification to its Energy Cost Adjustment Clause rates is approved.

2. PacifiCorp's requested 2011 Balancing Rate of \$1.34 per megawatt hour for retail customers is approved.

3. PacifiCorp's requested 2011 Offset Rate of \$28.35 per megawatt hour for retail customers is approved.

4. Since no protests were received, the preliminary determination made in Resolution ALJ-176-3259 of the need for hearings should be changed to no hearings necessary.

5. Within 10 days of today's date, PacifiCorp shall file Tier 1 advice letter with tariffs to implement the new rates and tariff changes approved by this Order. These tariffs shall become effective January 1, 2011, subject to Energy Division determining that the tariffs are in compliance with this Order.

6. Application 10-08-003 is closed.

This order is effective today.

Dated November 19, 2010, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners