



October 31, 2002

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City UT 84114

Attention: Julie P. Orchard
Commission Secretary

RE: Advice Filing 02-12
Schedule 191 - Demand Side Management (DSM) Cost Adjustment

Enclosed for filing are an original and ten copies of a petition of PacifiCorp for approval of Demand Side Management Cost Recovery tariff schedule and for establishment of procedures to implement Demand Side Management cost recovery. Also included are proposed tariff pages associated with Tariff P.S.C.U. No. 44 of Utah Power & Light Company applicable to electric service in the State of Utah. An electronic version of this filing will be provided by email to jfstevens@utah.gov.

Third Revision of Sheet No. B.1A		Tariff Index Sheet
Original Sheet No. 191.1	Schedule 191	Demand Side Management (DSM) Cost Adjustment
Original Sheet No. 191.2	Schedule 191	Demand Side Management (DSM) Cost Adjustment
Original Sheet No. 191.3	Schedule 191	Demand Side Management (DSM) Cost Adjustment

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It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to

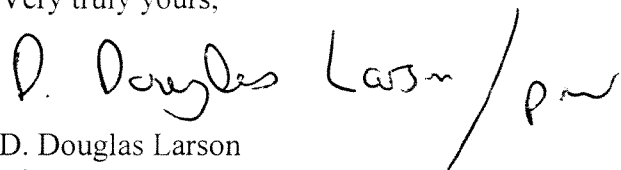
By e-mail (preferred) to : datarequest@pacificorp.com

By regular mail to : Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 800
Portland, Oregon, 97232

By fax to : (503) 813-6060

Informal inquiries may be directed to D. Douglas Larson (801) 220-2190.

Very truly yours,


D. Douglas Larson
Vice President, Regulation

Enclosures

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Demand Side	:	Docket No. 02-035-____
Management Cost Recovery by	:	
PACIFICORP dba UTAH POWER &	:	PETITION OF PACIFICORP FOR
LIGHT COMPANY	:	APPROVAL OF DEMAND SIDE
	:	MANAGEMENT COST RECOVERY
	:	TARIFF SCHEDULE AND FOR
	:	ESTABLISHMENT OF PROCEDURES TO
	:	IMPLEMENT DEMAND SIDE
	:	MANAGEMENT COST RECOVERY

PacifiCorp dba Utah Power & Light Company ("PacifiCorp" or the "Company"), pursuant to Utah Code Ann. § 54-7-12.8, hereby seeks approval of Electric Service Schedule No. 191 ("Schedule"), attached hereto as Exhibit A. PacifiCorp also requests, pursuant to Utah Code Ann. §§ 54-7-12.8 and 63-46a-4 that the Commission establish, through orders or through the adoption of rules, the policies and procedures that govern the recovery of the costs incurred in Utah by PacifiCorp relating to demand side management ("DSM") activities and investments. To the extent rules are needed to implement DSM recovery through this schedule, PacifiCorp hereby requests that the Commission utilize this docket as the means of establishing them. Finally, PacifiCorp requests that the Commission move ahead expeditiously on the issues raised herein in order to assure that DSM recovery under this schedule commences on January 1, 2004.

BACKGROUND

1. On May 24, 2000, the Commission approved a stipulation in Docket No. 99-035-10 establishing the Energy Efficiency Advisory Group (“Advisory Group”) to address issues related to energy efficiency, including issues related to DSM programs. The Advisory Group consisted of representatives of PacifiCorp, the Utah Office of Energy and Resource Planning, the Division of Public Utilities (“Division”), the Committee of Consumer Services (“Committee”), representatives of various energy users and user groups, and other interested parties.

2. On September 28, 2001, the Commission entered its Order in Docket No. 01-035-21. In that Order, the Commission authorized PacifiCorp, subject to several conditions, to “account for current and future Commission-approved DSR [Demand Side Resource] programs” through deferred accounting for future amortization and recovery consideration.

3. Since August 2001, PacifiCorp has been accounting for its DSR program costs consistent with the Order in Docket No. 01-035-21.

4. On March 26, 2002, the parties to Docket Nos. 01-035-23, 01-035-29, and 01-035-36 entered into a Stipulation (“Stipulation”) resolving those combined dockets. One of the provisions of the Stipulation was an agreement that no party would file an application or “take any other action designed to or that may result in an increase or surcharge on PacifiCorp’s rates to Utah retail customers that would become effective prior to January 1, 2004” (Stipulation at page 5). The Commission entered its Order regarding the Stipulation in the combined dockets on May 1, 2002 in which it approved the Stipulation with some amendments, none of which affected the foregoing language. Thus, no increase in or surcharge on the Company’s rates to Utah retail customers can take effect prior to January 1, 2004.

5. In the 2002 General Session of the Utah Legislature, the Legislature enacted SB 152, which is codified as Utah Code Ann. § 54-7-12.8. That section authorizes the

Commission to “approve a tariff under which an electrical corporation includes a line item charge on its customers’ bills to recover costs incurred by the electrical corporation for demand side management.” *Id.* § 54-7-12.8(2).

6. Consistent with other provisions of section 54-7-12.8 and prior to the filing of this Petition and Schedule, PacifiCorp conducted a series of meetings (May 13, 2002, August 14, 2002 and September 25, 2002) seeking and receiving input from the Division of Public Utilities, the Committee of Consumer Services, Utah Energy Office, Land and Water Fund of the Rockies, UAE Intervention Group, Southwest Energy Efficiency Program, and other members of the Company-established DSM Advisory Group (“DSM Advisory Group”).

SCHEDULE 191

7. The Schedule provides a recovery mechanism to allow the Company to recover its costs associated with the Company’s DSM expenditures through a separate line item charge on customer billings.

8. Consistent with the Stipulation and pursuant to an agreement with the Utah Energy Office and Land and Water Fund of the Rockies, the Company seeks approval of the form of the Schedule at this time, without identification of the actual percentage price increases that would eventually appear on the monthly bills of the Company’s customers. The filing for Commission review of the price change associated with the Schedule would be made no later than September 2003 so that the line item charge can take effect on January 1, 2004.

RECOMMENDED RECOVERY PRINCIPLES

9. Consistent with the positions it presented to the DSM Advisory Group during recent meetings, PacifiCorp recommends that when setting the initial costs to be collected through the Schedule, the Commission set the initial surcharge at the level that will allow recovery, over a twelve-month period, of one-third of the balance in the Company’s DSM

balancing account as of December 31, 2003 (which will consist of the expenditures from August 2001, when approved company DSM expenditures began to be incurred under Docket No. 01-035-21, through December 31, 2003) plus the DSM expenditures the Company projects to incur during calendar year 2004. The Company believes that a surcharge set at that level will likely be able to remain in effect for up to three years (2004-2006) without having to be adjusted. The Company recognizes that procedures will need to be in place that will allow the Company or other parties to propose an earlier adjustment of the surcharge in the event the initial surcharge is resulting in substantial levels of over or under recovery. The purpose of this part-historic, part-forward-looking recovery method is to establish an initial set-up methodology that will provide greater rate stability than might otherwise be afforded by a purely historical methodology. It also establishes a method to amortize DSM costs from August 1, 2001 that have been, and are presently accumulating during the current rate freeze period while acknowledging ongoing investments.

10. In the alternative, the Company would suggest a simple historical recovery methodology, as long as recovery of the entire December 31, 2003 balance in the DSM account is over a reasonable period of time, such as twelve months, and as long as adjustments to the Schedule are made at frequent intervals and are not tied to general rate cases.¹ Such an approach, however, will entail more frequent (likely annual) adjustments and thus may result in less rate stability.

OTHER ISSUES

11. The Company also requests that the following related issues be addressed by the Commission in its decision approving the Schedule or through further proceedings in this docket:

¹ The Gas Balancing Account Adjustment Provision in the Questar Utah Natural Gas Tariff allows for Questar to file an application for the establishment of a surcharge rate no less frequently than annually.

a. Cost recovery allocation and rate design: The Company recommends that the tariff collect the DSM costs through a uniform percentage surcharge applied to each of the rate schedule classes listed in the proposed tariff. For each rate schedule, the surcharge percentage will be applied to the Power Charge, the Facilities Charge, the Energy Charge, the Voltage Discount and the Per Lamp Charge of the customer's applicable schedule after application of the Schedule 95 Surcharge Adjustment. The surcharge would not be applied to customer charges.

b. Self-direction Rules: The self-direction provision included within the Schedule provides qualifying customers with the opportunity to self-invest in energy efficiency projects, in exchange for up to a 75% credit against the charges imposed by the Schedule. However, before qualifying customers can exercise this option, rules to govern a self-direction program must be established. The Company requests that the Commission utilize this docket to develop self-direction criteria and procedures that will become effective before the date the tariff charges become effective on January 1, 2004. Included in the development of these criteria and procedures should be the identification of the person or entity who will administer the self-direction provision, as well as how the administration of the provision will be funded. The Company supports self-direction and will take an active role in a team effort to develop rules for Commission review and approval; however, PacifiCorp believes it would be most appropriate to have a third-party involved in administration of the self-direction provision.

c. Tariff Adjustment Procedures: As noted above, PacifiCorp recommends that the initial surcharge be set to recover one-third of the accrued balance in the DSM account as of December 31, 2003, plus the projected level of 2004 DSM expenditures.

PacifiCorp believes that this surcharge amount should be able to remain in effect for three years, but recognizes that changed circumstances could cause over or under recovery of costs. Thus, PacifiCorp recommends that on an annual basis it provide the Division and the Committee with a balancing account analysis (revenues collected, costs incurred, interest earned, interest expense) as well as a forecast of program expenditures for the coming year. If, on the basis of that information, it is clear that the current surcharges will result in significant over or under recovery, the procedures should allow, but not require, the Company, the Division or the Committee to request a surcharge adjustment to bring the account into balance over the following 12 months. Surcharge adjustments should occur no more often than annually.

d. Interest Expense: In Docket No. 01-035-21, the Commission tied the carrying charge on deferred DSM costs to the current Allowance for Funds Used During Construction (“AFUDC”) rate. To assure parity, the Company recommends that the Commission likewise use the AFUDC rate for any credits owed by the Company due to collections that result in over-recovery.

e. Prudency Review: The collection of approved DSM program costs through the Schedule does not negate the Company’s requirement to provide documentation and evaluations of the cost-effectiveness of DSM expenditures. It also does not effect the Commission’s authority to disallow any or all program expenditures deemed not cost-effective or prudent. Any such disallowances would result in corrective adjustments to the DSM account.

f. Continuation of DSM Advisory Group: The Company intends to continue its use of the DSM Advisory Group as a tool to solicit and develop ideas and to review

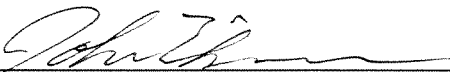
new program offerings. The Company believes the interests of customer groups, the Company, and the public interest will best be protected through the continued use of the DSM Advisory Group.

CONCLUSION

Therefore, the Company respectfully requests that the Commission:

- A. Approve the form of Electric Service Schedule No. 191 ("Schedule"), attached hereto as Exhibit A.
- B. Establish, through orders or through the adoption of rules, the criteria and procedures that will govern the recovery of the DSM costs incurred in Utah by PacifiCorp, and that the Commission issue such orders or adopt the necessary rules in order to assure that DSM cost recovery may commence on January 1, 2004.

DATED: October 30, 2002.



John M. Eriksson
Ted D. Smith
STOEL RIVES, LLP


Attorneys for PacifiCorp

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **PETITION** was served upon the following by United States mail, first class postage prepaid on October 31, 2002:

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160 East 300 South
Salt Lake City, UT 84111

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500 Heber M. Wells Bldg.
160 East 300 South
Salt Lake City, UT 84111



BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Demand Side)
Management Cost Recovery by)
PACIFICORP dba UTAH POWER &)
LIGHT COMPANY)
)
)

Docket No. 02-035- _____

ATTACHMENT A

ELECTRIC SERVICE SCHEDULE NO. 191



P.S.C.U. No. 44

Third Revised Sheet No. B.1A
Canceling Second Revised Sheet No. B.1A

**ELECTRIC SERVICE SCHEDULES
STATE OF UTAH**

Schedule No.		Sheet No.	
91	Surcharge To Fund Low Income Residential Lifeline Program	91	
95	Surcharge Rate Adjustment	95.1 & 95.2	
112	Residential Energy Efficiency Compact Fluorescent Light Bulb Program	112	
115	Commercial & Industrial Energy Efficiency Retrofit Incentives 20,000 Square Feet or Less – Optional for Qualifying Customers	115.1 - 115.8	
116	Commercial & Industrial Energy Efficiency Retrofit Incentives	116.1 - 116.8	
125	Commercial & Industrial Energy Services – Optional for Qualifying Customers	125.1 - 125.8	
135	Net Metering Service	135.1 - 135.2	
191	Demand Side Management (DSM) Cost Adjustment	191.1 - 191.3	
300	Regulation Charges	300.1 - 300.4	(N)

Schedule Numbers not listed are not currently used.

*These Schedules are not available to new customers or premises.

Issued by authority of Report and Order of the Public Service Commission of Utah. Issued under Advice
no. 02-12

FILED: October 31, 2002

EFFECTIVE:



UTAH POWER & LIGHT COMPANY
ELECTRIC SERVICE SCHEDULE NO. 191

STATE OF UTAH

Demand Side Management (DSM)
Cost Adjustment

PURPOSE: The DSM Cost Adjustment is designed to recover the costs incurred by the Company, since August 1, 2001, associated with Commission-approved demand side management expenditures.

APPLICATION: This Schedule shall be applicable to all Customers taking service under the company's electric service schedules.

TERM: The term of the DSM Cost Adjustment shall be from January 1, 2004 forward. The tariff shall remain in effect until the balance in the DSM deferred accounts have been fully recovered.

(continued)



UTAH POWER & LIGHT COMPANY
ELECTRIC SERVICE SCHEDULE NO. 191
STATE OF UTAH

(N)

Demand Side Management (DSM)
Cost Adjustment

MONTHLY BILL: In addition to the Monthly Charges contained in the Customer's applicable schedule, all monthly bills shall have the following percentage increases applied to the Power Charge, Energy Charge, and Voltage Discount of the Customer's applicable schedule after application of the Schedule 95 Surcharge Adjustment.

Schedule 1	__%
Schedule 2	__%
Schedule 3	__%
Schedule 6	__%
Schedule 6A	__%
Schedule 6B	__%
Schedule 7*	__%
Schedule 9	__%
Schedule 9A	__%
Schedule 9B	__%
Schedule 10	__%
Schedule 11*	__%
Schedule 12 (Street Lighting)*	__%
Schedule 12 (Traffic and Other Signal Systems)	__%
Schedule 12 (Metered Outdoor Nighttime Lighting)	__%
Schedule 13	__%
Schedule 21	__%
Schedule 23	__%
Schedule 23B	__%
Schedule 25	__%
Schedule 31**	__%

* The Adjustment for Schedules 7, 11 and 12 (Street Lighting) shall be applied to the Charge Per Lamp.

** The Adjustment for Schedule 31 customers shall be applied to Facilities Charges, Back-up Power Charges, and Excess Power Charges in addition to the applicable general service schedule charges.

(continued)

(N)



UTAH POWER & LIGHT COMPANY
ELECTRIC SERVICE SCHEDULE NO. 191

STATE OF UTAH

Demand Side Management (DSM)
Cost Adjustment

SELF DIRECTION CREDIT PROVISION:

- (1) A customer on Schedule 6 or 9 whose annual usage in the prior twelve months exceeds 20,000,000 kwh may be eligible to receive a credit against charges under this tariff equal to 75% of the total amount of the DSM cost adjustment billed in accordance with this schedule.
- (2) Customers self-directing any portion of the charges billed under this schedule may not participate in demand side management programs offered through Utah Power and funded through the DSM Cost Adjustment tariff during the time charges are being self-directed.
- (3) The self-direction provision will be subject to and effective only upon the adoption of criteria and procedures by the Public Service Commission regarding end-use customers receiving a credit against the DSM Cost Adjustment.