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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism	Docket No. 09-035-15
In the Matter of the Application of the Utah Association of Energy Users for a Deferred Accounting Order Directing Rocky Mountain Power to Defer Incremental REC Revenue for Later Ratemaking Treatment	Docket No. 10-035-14
In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations	Docket No. 10-035-124

**MOTION OF ROCKY MOUNTAIN POWER
FOR DETERMINATION OF
RATEMAKING TREATMENT OF DEFERRED ACCOUNTS**

Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), hereby respectfully requests that the Commission determine the ratemaking

treatment for the Company's deferred accounts for incremental net power costs ("NPC") and incremental renewable energy credit ("REC") revenue so that the Company may begin amortization of both accounts as of the date the rates set in Docket No. 10-035-124 go into effect.

In support of this Motion, the Company states:

1. On March 16, 2009, the Company filed an application for approval of an Energy Cost Adjustment Mechanism ("ECAM") that would allow the Company to recover or refund differences between the NPC included in setting rates and actual NPC incurred during the rate-effective period. The Company requested that the ECAM go into effect at the conclusion of its next general rate case.

2. On June 23, 2009, the Company filed an application for an increase in its rates and charges in Docket No. 09-035-23 ("2009 general rate case").

3. On February 9, 2010, the Company filed a Motion for Deferred Accounting Order in Docket No. 09-035-15 ("ECAM Docket") seeking an accounting order authorizing it to record in FERC Account 182 the difference between NPC included in the 2009 general rate case and actual NPC incurred on a monthly basis commencing February 18, 2010, the date rates from the 2009 general rate case were scheduled to go into effect.

4. On February 18, 2010, the Commission issued its Report and Order on Revenue Requirement, Cost of Service and Spread of Rates in the 2009 general rate case.

5. On February 22, 2010, the Utah Association of Energy Users ("UAE") filed an Application for Deferred Accounting Order for Incremental REC Revenue in Docket No. 10-035-14 ("REC Docket") seeking an accounting order requiring the Company to defer for later

ratemaking treatment all REC revenue recovered by the Company in excess of the REC revenue in Utah rates commencing on February 22, 2010.

6. On July 14, 2010, the Commission issued its Report and Order on Deferred Accounting Stipulation (“Deferred Accounting Order”) in the ECAM and REC Dockets, granting the Company’s motion for deferred accounting of incremental NPC effective February 18, 2010, and UAE’s application for deferred accounting of incremental REC revenue effective February 22, 2010. The Deferred Accounting Order approved the stipulation of the parties that provided that:

a. The deferral is pending the Commission’s final determination of the ratemaking treatment of the deferred balance.

b. The deferred accounting orders do not create any presumption regarding future ratemaking treatment of the deferred amounts.

c. By agreeing to issuance of the deferred accounting orders, the stipulating parties are not stipulating or agreeing to any facts or legal arguments offered in support of or in opposition to either the Company’s motion or UAE’s application.

7. Pursuant to the Deferred Accounting Order, the Company has deferred incremental NPC in a deferred NPC account (“Deferred NPC Account”) from February 18, 2010 and incremental REC revenue in a deferred REC account (“Deferred REC Account”) from February 22, 2010.

8. On August 4, 2010, the Company filed its testimony on ECAM design issues in the ECAM Docket, recommending that REC revenue be included in the ECAM effective February 18, 2010.

9. On December 21, 2010, the Commission issued its Order Approving Settlement Stipulation in the REC Docket and Docket Nos. 10-035-13 and 10-035-89 (“MPA Dockets”). In connection with approving rate increases associated with the MPA Dockets, this order approved a stipulation that a \$3.0 million monthly customer sur-credit as reflected in Schedule 98, should begin January 1, 2011, representing incremental REC revenue not currently reflected in Utah rates. The stipulation further provided that:

- a. The actual amount of sur-credit realized by customers will be booked against the Deferred REC Account approved in the REC Docket.
- b. Final disposition and ratemaking treatment of any balance in the Deferred REC Account should be resolved in another appropriate docket.
- c. If, prior to the effective date of rates in the next general rate case, the Commission determines all, or any portion, of the Deferred REC Account should not be credited to customers, the Deferred REC Account shall be adjusted to reflect the Commission’s decision, subject to certain conditions identified in the stipulation.

10. On January 24, 2011, the Company filed an application for an increase in its rates and charges in Docket No. 10-035-124 (“2011 general rate case”). The Company did not request that the Commission determine the ratemaking treatment of the Deferred NPC Account or the Deferred REC Account in the application because the Commission had not yet issued its order in the ECAM Docket.

11. On March 3, 2011, the Commission issued its Corrected Report and Order in the ECAM Docket (“EBA Order”). In the EBA Order, the Commission approved an Energy Balancing Account (“EBA”) for the Company, but determined that the EBA would commence on the first day of the month following the date rates set in the 2011 general rate case go into

effect. As a result of that decision, the Commission determined that the NPC in the Deferred NPC Account and the REC revenue in the Deferred REC Account would not be included in the EBA. The Commission also concluded that REC revenues would not be included in the EBA going forward.¹ With regard to ratemaking treatment of the deferred balances, the Commission concluded:

a. “We will treat the deferred REC revenues accruing pursuant to any future decision in Docket No. 10-035-14 in a separate proceeding.”

b. “We will address the ratemaking issues associated with the stipulation on deferred net power cost separately from this order. We will also consider the balancing account treatment for the one percent premium above Utah’s rolled in share of total system costs approved in the last general rate case in the course of the pending general rate case or other appropriate proceeding on the deferred net power cost balance. As to any deferred net power cost balance prior to the conclusion of the next general rate case, we will require use of the rolled-in allocation factors and appropriate treatment of the MSP stipulation mechanisms, unless the Company can demonstrate continued use of the MSP stipulation mechanisms is in the public interest.”

12. In testimony filed on May 26, 2011, in the 2011 general rate case, the Office of Consumer Services (“OCS”) and Utah Association of Energy Users (“UAE”) requested that the Commission determine the ratemaking treatment of the balance in the Deferred REC Account as part of the 2011 general rate case. The OCS requested that the balance (reported by the Company as of the final date of hearings in the case) be amortized over a period of three years

¹ In its Order on Petition for Clarification and Reconsideration or Rehearing and Notice of Scheduling Conference issued May 9, 2011 in the ECAM Docket, the Commission clarified that the EBA Order does not preclude future consideration of balancing account treatment for REC revenue.

starting on September 21, 2011, with the amount amortized trued up to actual, through September 20, 2011, through a deferred account for REC revenue that the OCS recommended be in place thereafter.² UAE requested that the balance that had accrued in the Deferred REC Account through December 31, 2010, which UAE claimed was \$42 million with carrying charges, be amortized over a period of one year starting September 21, 2011 and that the balance accruing between January 1, 2011 and September 20, 2011, be amortized over a period of one year starting September 21, 2012.³ However, the OCS and UAE also made statements in their testimony possibly suggesting that deferred balances be an adjustment to the revenue requirement in the 2011 general rate case or in a subsequent general rate case.⁴

13. The Division of Public Utilities did not make a recommendation on ratemaking treatment of the balance in the Deferred REC Account in its testimony filed May 26, 2011 in the 2011 general rate case, but did recommend establishment of a tracker for REC revenue with filings and rate adjustments to parallel those made under the EBA so that REC revenue could be trued up along with NPC.⁵

14. If the Commission determines the ratemaking treatment of the balance in the Deferred REC Account as part of the 2011 general rate case, it should also determine the ratemaking treatment of the balance in the Deferred NPC Account as part of the 2011 general rate case. As of the end of 2010, the balance in the Deferred REC Account was approximately \$39 million, and the balance in the Deferred NPC Account was approximately \$54 million.

² Direct Revenue Requirement Testimony of Donna Ramas, Docket No. 10-035-124 (May 26, 2011) (“Ramas”) ll. 785-790, 802-807, 832-839.

³ Direct Testimony of Kevin C. Higgins, Docket No. 10-035-124 (May 26, 2011) (“Higgins”) ll. 924-925, 933-935. Mr. Higgins’ number includes the carrying charge through September 20, 2011.

⁴ Ramas ll. 799-800; Higgins, ll. 79-80.

⁵ Direct Testimony of Brenda Salter, Docket No. 10-035-124 (May 26, 2011) ll. 233-240.

15. The Company estimates that through September 21, 2011, the date rates set in the 2011 general rate case will go into effect, the balance in the Deferred REC Account will *decline* by approximately \$3 million because actual incremental REC revenue being received during 2011 is less than the \$3 million monthly sur-credit. At the same time, the Company estimates that the balance in the Deferred NPC Account will *increase* by approximately \$103 million from January 1, 2011 through September 20, 2011. Thus, to provide customers with a potential rate sur-credit based on the Deferred REC Account balance while holding the potential rate surcharge associated with the Deferred NPC Account balance that accumulated over the same time period for later treatment would not be appropriate and would simply delay the recovery of the deferred NPC to a later period when there may not be an offsetting credit. To the extent possible, it would be in the customers' best interest to net the sur-credit associated with deferred REC revenue against the surcharge associated with the deferred NPC to minimize the impact on customers.

16. The amortizations of the deferred accounts should be of finite amounts amortized over specified periods. Since the time period between cases is not known, including these deferrals in base rates would lead to an over- or under-recovery of the deferred balances. Therefore, the balances in the deferred accounts should not be included in base rates as possibly suggested by the OCS and UAE.

17. As recognized by the Commission in the EBA Order, NPC have been extremely volatile and difficult to forecast for several years. In addition, variances in NPC are substantial and largely outside the control of management. Therefore, the Commission concluded that an EBA is justified to recover differences between actual NPC and NPC included in rates.

18. Forecasted Utah-allocated NPC and REC revenue included in rates were set in the 2009 general rate case. For the deferral period, prior to carrying charges, actual NPC is projected to exceed the amount included in rates set in the 2009 general rate case by over \$152 million and actual REC revenue is projected to exceed the amount included in rates in the same docket by \$60 million. Both variances were unforeseen and extraordinary, and the NPC variance is over two and one-half times larger than the projected variance in REC revenue from the amount included in rates during the same period.

19. The Company filed its request for an ECAM more than three months prior to the filing of its 2009 general rate case with the intent that the ECAM would be instituted at conclusion of the 2009 general rate case as contemplated by Commitment U 23 in Docket No. 05-035-54 and Utah Code Ann. § 54-7-13.5(2)(b)(ii). When it became apparent that the proceedings in the ECAM docket would not be concluded by February 18, 2010, the Company filed a motion requesting that a deferred account for incremental NPC be established effective February 18, 2010, the date rates set in the 2009 general rate case went into effect. As discussed above, the motion was granted by the Commission as part of its order granting the application of UAE for a deferred account for incremental REC revenue.

20. Given the foregoing circumstances, it is just, reasonable and fair for the Commission to order amortization of the balance in the Deferred NPC Account contemporaneously with the balance in the Deferred REC Account. The Company has always maintained that it had no objection to deferral and recovery of incremental REC revenue as long as it was also allowed deferral and recovery of incremental NPC. On the other hand, it would be inappropriate and unfair for the Commission to order amortization of the balance in the Deferred REC Account but to deny recovery of the balance in the Deferred NPC Account. The difficulty

of forecasting both amounts during a general rate case is similar in nature, and the balance in the Deferred REC Account is substantially less than the balance in the Deferred NPC Account

REQUEST FOR RELIEF

Based upon the foregoing, the Company respectfully requests that:

1. The Commission determine the ratemaking treatment of the Deferred REC Account and the Deferred NPC Account in the 2011 general rate case by ordering amortization of the estimated balances in both accounts as of September 20, 2011 over a 24-month period with a true up to actuals and the establishment of a REC balancing account or tracker. The Company's Supplemental Direct Testimony of Steven R. McDougal – Deferred Accounts, recommending treatment of the Deferred NPC Account and the Deferred REC Account in the 2011 general rate case, is filed with this Motion.

2. Alternatively, if the Commission decides not to determine the ratemaking treatment of the Deferred NPC Account in the 2011 general rate case, the Commission remove the issue of the ratemaking treatment of the Deferred REC Account from the 2011 general rate case and determine the ratemaking treatment of the Deferred NPC and Deferred REC Account in consolidated proceedings in the ECAM and REC Dockets.

3. The amortizations of the deferred accounts not be included in base rates as possibly suggested by the OCS and UAE.

DATED: June 2, 2011.

RESPECTFULLY SUBMITTED,

ROCKY MOUNTAIN POWER

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CERTIFICATE OF SERVICE

I hereby certify that on June 2, 2011, a true copy of the foregoing **MOTION OF ROCKY MOUNTAIN POWER FOR DETERMINATION OF RATEMAKING TREATMENT OF DEFERRED ACCOUNTS** was served by email on the following:

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