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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER TO INCREASE RATES BY \$29.3 MILLION OR 1.7 PERCENT THROUGH THE ENERGY BALANCING ACCOUNT</p>	<p>DOCKET 12-035-67</p> <p>Rocky Mountain Power Comments on Division of Public Utilities Initial Comments and Recommendations</p>
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Pursuant to the Scheduling Order in this Docket issued by the Public Service Commission of Utah (“Commission”) March 30, 2012, Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or the “Company”), hereby respectfully provides comments on the Division of Public Utilities Initial Comments and Recommendations filed April 27, 2012 (“Division Comments”).

Comments

1. Division’s Recommendation to Approve \$20.0 million on Interim Basis

Rocky Mountain Power’s application in this Docket (“Application”) requests the recovery of deferred net power costs or energy balancing account costs (“EBA Costs”) consisting of (1) \$9.3 million (including interest) representing the difference between base net power costs, established in Docket No. 10-035-124 (“2011 Utah GRC”), and actual EBA Costs

for the period October 1, 2011 through December 31, 2011; and (2) the first of three \$20.0 million installments of deferred net power costs (“NPC”) approved by the Commission in the 2011 Utah GRC, pursuant to the Settlement Agreement (defined below) reached by multiple parties in that Docket.

Rocky Mountain Power disagrees with the Division’s recommendation that the recovery of the \$20.0 million in deferred NPC be approved on an interim basis. Unlike the original \$9.3 million requested in the Application, the \$60.0 million of deferred NPC is from earlier periods, and is not subject to further audit and potential adjustment. The Commission-approved agreement for the recovery of the \$60.0 million amount was *final* and was reached after thorough and painstaking negotiations among many parties as part of a global settlement that was approved by the Commission, in five separate dockets, including the 2011 Utah GRC (“Settlement Agreement”). (Emphasis added) In its Order, the Commission found, in part:

A revenue increase of \$60.0 million for deferred net power costs is approved. This amount will be recovered from customers through an annual \$20.0 million surcharge, without carrying costs, over three years beginning June 1, 2012.¹

The Order approving the Settlement Agreement, including the \$60.0 million in deferred NPC, is final. Therefore, the \$60.0 million should not be treated like the \$9.3 million.

As support for its recommendation for interim approval of the \$20.0 million, the Division states that a true-up may be required at the end of the three year collection period that the Commission approved in the 2011 Utah GRC. While indeed a true-up may be required to ensure that the Company neither under- or over-collects the \$60.0 million, this true-up is necessary only because the collection period for the rates is uncertain, not because the amount to

¹ *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, et. al., Docket Nos. 10-035-124, et. al., Report and Order, p. 53, September 13, 2011.*

be collected from rates is uncertain. In fact, the provision for a true-up was addressed in Paragraph 60 of the Settlement Agreement, which states:

60. The surcharge will terminate when the \$60.0 million deferred balance has been collected from customers and a final true-up to the \$60.0 million amount shall occur in the EBA.

This approach is consistent with the Commission-approved collection of revenues in Docket Nos. 10-035-13 and 10-035-89 involving single major plant additions (“MPA Dockets”), through Schedules 40 and 97, respectively. Although revenue collections through both of the foregoing schedules were subject to a final reconciliation and true-up, neither the total cost amounts nor the rates were approved on an interim basis because the amounts to be collected were certain. Hence, no reason exists for the \$60.0 million to be approved on an interim basis since the Commission can deal with the final reconciliation and final true-up of the \$60.0 million as it did for the amounts approved in the MPA Dockets.

Accordingly, the Company recommends that the Commission deny the Division’s recommendation to approve the \$20.0 million on an interim basis and, instead, follow the precedent set in Docket Nos. 10-035-13 and 10-035-89 of approving the collection approach of a set and final amount, in this case \$20.0 million, even if the amount is subject to final reconciliation and true-up in order to avoid over- or under-collection.

2. Updated Rate Spread

In the Division Comments, the Division notes two reasons why, rather than following the exact rate spread approved in the 2011 UT GRC, the Company used an “Adjusted GRC Spread”.

First, the Division notes that Contract Customer 4 is not eligible for an EBA sur-charge or sur-credit. In the Settlement Agreement and for purposes of general rate spread determination for all the classes, 0.6563% was applied as the rate spread percentage for Contract Customer 4.

The Division stated that actual rates charged to Contract Customer 4 are governed by the terms and conditions of its specific contract. For EBA purposes, the actual terms of the contract do not allow the Company to collect or refund an EBA balance from Contract Customer 4. Therefore, if an EBA rate spread percentage was assumed for Contract Customer 4, the Company would not be able to recover a portion of the \$29.0 million.

Second, the Division notes that the University of Utah has been moved from Schedule 9 to Schedule 31. As a result, it would seem reasonable that Schedule 31 would be responsible for a greater share of the \$29.0 million than what would have otherwise been assumed from the Settlement Agreement.

The Company agrees with the foregoing explanation, with the following clarifications: First, in addition to the reasons cited by the Division for the need to adjust the rate spread percentages from the rate spread percentages approved by the Commission in the 2011 Utah GRC, the Company would add that the rate spread percentages are slightly different because of changes in the test periods used in the 2011 UT GRC and the test period utilized in the Application in this Docket. The Adjusted GRC Spread used by the Company in this Docket utilizes the 12-months ending May 2013 forecast test period loads in order to more closely match the EBA surcharge rates with the rate effective period, while the test period used in the 2011 UT GRC utilized the 12-months ending June 2012 in forecast loads for each rate schedule. Changes in loads by rate schedule will produce small differences in the two cases.

Second, on page 15 of the Division Comments, the Division notes that Contract Customer 4 is not eligible for an EBA sur-charge or sur-credit based on the terms of the contract. However, as of January 1, 2012, Contract Customer 4 has been included in the loads of Contract Customer 3, which is subject to a sur-credit or sur-charge for the EBA deferral based on

the terms of Contract 3. This change has been reflected in the Adjusted GRC Spread used in this Docket.

3. Revisions to March 15, 2012 EBA Filing

The Company has made two revisions to its March 15, 2012, EBA filing. First, as discussed in the Division's Comments, on April 24, 2012, the Company provided the Division with corrections to the Short Term Firm Purchases included in the Company's filing. Dollars associated with buy-through curtailments were not properly removed from the Adjusted Actual NPC in the Company's initial filing. Removal of these buy-through dollars reduces the EBA recovery request by \$257,175.

Second, in the Order issued by the Commission May 1, 2012 in Docket No. 11-035-T10, the Commission directed the Company to allocate wheeling revenues based on a static factor rather than allocating wheeling revenues based on a dynamic factor as the Company did in its Application. The Company has updated the allocation of wheeling revenues in accordance with the Commission's Order. The change in the allocation of wheeling revenue reduces the EBA recovery request by \$136,723. The two adjustments mentioned in this Paragraph 3 reduce the request from \$29.3 million to approximately \$28.9 million.

Table 1 below provides a detailed breakdown of the revised total requested EBA recovery.

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Table 1
Summary of EBA Deferral Account Balance

<u>Incremental EBA Deferral</u>	
Actual EBA Rate (\$/MWh)	23.41
Base EBA Rate (\$/MWh)	21.39
\$/MWh Differential	\$ 2.02
Utah Load (MWh)	6,103,728
Total Deferrable	\$ 12,317,535
EBA Deferral at 70% Sharing	<u>\$ 8,622,274</u>
<u>EBA Deferral Account Balance</u>	
Beginning EBA Deferral Balance: Oct 1, 2011	-
Incremental EBA Deferral	8,622,274
Interest	50,827
EBA Revenues	-
Ending EBA Deferral Balance: Dec. 31, 2011	<u>\$ 8,673,101</u>
Accrued Interest through June 1, 2012	219,007
Stipulated Deferred Net Power Costs Amortization	20,000,000
Requested EBA Recovery	<u>\$ 28,892,108</u>

Attached are the following attachments which (a) reflect and incorporate the revisions discussed above and (b) revise exhibits to the Application, as noted: (1) Attachment 1 - Revised Exhibit RMP ____ (BSD-1), revising Exhibit RMP ____ (BSD-1) to the Direct Testimony of Mr. Brian Dickman; (2) Attachment 2 - Revised Exhibit RMP ____ (BSD-2), revising Exhibit RMP ____ (BSD-2) to the Direct Testimony of Mr. Brian Dickman; (3) Attachment 3 - Revised Exhibit RMP ____ (WRG-1), revising Exhibit RMP ____ (WRG-1) to the Direct Testimony of Mr. William R. Griffith; (4) Attachment 4 - Revised Exhibit RMP ____ (WRG-2), revising Exhibit RMP ____ (WRG-2) to the Direct Testimony of Mr. William R. Griffith; and (5) Attachment 5 - Revised Exhibit RMP ____ (WRG-3), revising Exhibit RMP ____ (WRG-3) to the Direct

Testimony of Mr. William R. Griffith. The workpapers supporting the foregoing Attachments are provided in a confidential CD.

In conclusion, the Company recommends that the Commission approve the Company's request for recovery of (1) approximately \$8.9 million (\$9.3 million, less the adjustment related to the removal of buy through curtailments, and less the adjustment related to the updated allocation of wheeling revenues) on an interim basis, and (2) \$20.0 million on a final basis, subject to the true-up and reconciliation as set forth herein.

DATED: May 10, 2012.

Respectfully submitted,

ROCKY MOUNTAIN POWER

Mark C. Moench
Yvonne R. Hogle
Rocky Mountain Power

CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **ROCKY MOUNTAIN POWER COMMENTS ON THE DIVISION OF PUBLIC UTILITIES' COMMENTS AND RECOMMENDATIONS** to be served upon the following by electronic mail to the addresses shown below on May 10, 2012:

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