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December 31, 2014

***VIA ELECTRONIC FILING
AND HAND DELIVERY***

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

Attention: Gary Widerburg
Commission Secretary

Re: Advice No. 14-12
Schedule 193 Rate Adjustment

Enclosed for filing are an original and five (5) copies of proposed tariff sheets associated with Tariff P.S.C.U No. 50 of PacifiCorp, d.b.a. Rocky Mountain Power, applicable to electric service in the State of Utah. Pursuant to the requirement of Rule R746-405D, Rocky Mountain Power (the "Company") states that the proposed tariff sheets do not constitute a violation of state law or Commission rule. The Company will also provide an electronic version of this filing to psc@utah.gov. The Company respectfully requests an effective date of February 1, 2015 for these changes.

First Revision of Sheet No. 193.2 Schedule 193 Demand Side Management
(DSM) Cost Adjustment

The purpose of this filing is to propose a two-step increase to the Schedule 193 (the "DSM Surcharge") collection rate. At current rates, it is anticipated that the DSM Surcharge will collect approximately \$61.6 million during the twelve month period ending December 2015.¹ The Company proposes through this filing to set Schedule 193 rates at a level that will collect approximately \$65.9 million annually. With a February 1, 2015, effective date, the revised Schedule 193 rates will collect \$64.5 million during calendar year 2015; an increase of \$2.9 million, or 4.7 percent in 2015. The current DSM Surcharge collection rate represents approximately 3.3 percent of customer bills; the Company's proposal would increase the collection rate to approximately 3.51 percent of customer bills effective February 1, 2015. Based on the Company's current program expense projections, a second step increase will be required to bring the DSM deferred account into balance by the end of 2016. The Company's preliminary estimate is that the second step will be a collection rate of 3.73 percent in 2016 for the DSM Surcharge. The second step of this increase will be filed with the Commission under a separate request in November 2015 and will have a proposed effective date of January 2016.

¹ This projection is based on customer loads, billing determinants and retail rates established in Docket No. 13-035-184 utilizing the June 2015 test period.

On November 3, 2014, in Docket No. 14-035-142, the Company submitted projected savings and expenditures for its DSM programs for 2015 and a DSM Surcharge balancing account analysis projecting activity in the deferred account through December 2015. The DSM balancing account analysis reflected an under collection of \$13.3 million in the deferred account as of September 30, 2014, and projected the balance to be under collected by \$14.0 million at December 31, 2014. The DSM balancing account analysis has been updated through October 31, 2014 to show an under collection of \$13.0 million and a projected under collection of \$13.7 million at December 31, 2014 in the deferred account. Considering the projected balance in the deferred account, the Company indicated its intention to submit an application with the Commission to increase the DSM Surcharge collection rate in time for the new collection rate to become effective in early 2015.

In support of the Company's proposal to adjust the DSM Surcharge, Exhibit A provides projected expenditures the Company expects to incur for its Utah DSM programs and Schedule 193 revenue for the balance of 2014 and the entirety of calendar year 2015. Exhibit B is a balancing account analysis reflecting current program expenditure projections and DSM Surcharge revenue at the current collection rate. This analysis indicates that absent an increase to Schedule 193, the balance in the deferred account will be approximately \$13.6 million as of December 31, 2015. Exhibit C revises the balancing account analysis provided in Exhibit B to reflect the level of Schedule 193 revenue proposed in this application. Assuming the proposed level of Schedule 193 revenue with an approved effective date of February 1, 2015, the balance in the deferred account is projected to be under collected by approximately \$10.6m million as of December 2015. To address the under collection balance, the Company believes it is prudent and in the public interest to adjust Schedule 193 rates to collect \$65.9 million on an annual basis with a February 1, 2015, effective date. The Company plans to file in November 2015 for a second step increase to be effective January 2016, provided the Company's forecasts are realized. The Company's preliminary estimate is that this will increase the DSM Surcharge collection rate to 3.73 percent.

The intent of this adjustment and a proposed second adjustment effective in January 2016 is to return the balancing account to a neutral position as of December 2016, and then allow the DSM Surcharge collection rate to be adjusted to a level consistent with projected 2017 expenditures. The need to adjust the DSM Surcharge was discussed with the Utah Demand-side Management Steering Committee (the "Steering Committee") on October 14, 2014. In consideration of the rate impact to customers, the recommendation was made to collect the under collected amount over two years with a graduated increase in rates. This minimizes the near-term rate impact and budgetary considerations to customers while still collecting the balance over a reasonable time period consistent with past DSM Surcharge adjustments of this size.

As stated in the Company's Annual Demand Side Management Nov. 1st Deferred Account and Forecast Reporting – Docket No. 14-035-142, expenditures in 2014 were higher than forecast primarily due to (1) more residential lighting participation than forecast for Schedule 111, the Home Energy Savings program; (2) increased outreach and new programs for small to mid-sized business customers for Schedule 140, *wattsmart* Business; (3) 2014 Cool Keeper equipment purchases delayed from 2013 for Schedule 114, Air Conditioner Load Control; and (4) expansion of the Home Energy Reports program.

In November 2015, the Company will file for a second rate change in order to align projected expenditures and DSM Surcharge revenues by December 2016. It is also important to note that the projected DSM expenditures for 2015 only reflect programs that have been approved by the Commission. Expenditures for programs or program enhancements that may be launched or made in 2015 are not reflected in the expenditure forecast.

The average residential customer using approximately 8,376 kWh a year would see a \$3.53 annual increase effective February 1, 2015, or 0.4 percent on their monthly bill.

Exhibit D illustrates the revenue impact of the Company's proposal by customer rate schedule. Exhibits E details the development of the proposed rates by customer rate schedule.

The Company circulated a draft of this filing to the Steering Committee on November 25, 2014. Based on feedback received from the Division of Public Utilities, Exhibit F provides an alternative Schedule 193 rate that collects the \$13.3 million under collection evenly over the 2-year period starting in February 2015. This alternative increases Schedule 193 rates at a level that will collect approximately \$67.9 million annually. With a February 1, 2015, effective date, the revised Schedule 193 rates will collect \$67.4 million during calendar year 2015; an increase of \$5.8 million, or 9.4 percent in 2015. The current DSM Surcharge collection rate represents approximately 3.3 percent of customer bills; this alternative proposal would increase the collection rate to approximately 3.62 percent of customer bills. Based on the Company's current program expense projections, no further rate increase would be needed in 2016. If Company forecasts are realized, and contingent on new programs or program enhancements approved by the Commission over this two year period, the 3.62 percent rate should bring the DSM deferred account into balance by December 2016.

An updated draft of this filing was circulated to the Steering Committee on December 24, 2014. At this time, there are no major concerns or opposition. However, there are differences of opinion within the Steering Committee on whether a two-step increase to collect the balance or a one-time increase is the preferred option.

The Company recommends the proposed two-step approach with an increase to 3.51 percent effective February 1, 2015. This minimizes the 2015 impact on customer rates and gives customers advance notice to plan for a second increase in January 2016.

Communications regarding this filing should be addressed to:

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In addition, the Company respectfully requests that all data requests regarding this filing be addressed to:

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Informal inquiries may be directed to Michael Snow, DSM Regulatory Projects Manager, at (801) 220-4214.

Sincerely,



Kathryn Hymas
Vice President, Demand Side Management

cc: Division of Public Utilities
Office of Consumer Services

Enclosures