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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF PACIFICORP'S FINANCIAL REPORTS	))))	Docket No. 15-035-51

ROCKY MOUNTAIN POWER'S COMMENTS

Rocky Mountain Power, a division of PacifiCorp ("Company" or "Rocky Mountain Power"), hereby submits its Comments in accordance with the Notice of Comment and Filing Period issued by the Public Service Commission of Utah ("Commission") on April 25, 2016.

INTRODUCTION

On January 7, 2016 the Commission issued an action request to the Division of Public Utilities (Division) requesting that it review and make recommendations on PacifiCorp's Annual Class Cost of Service Study 2014 filed on June 15, 2015 as supplemented June 26, 2015. In accordance with the Commission's action request, comments were filed March 30, 2016 by Utah Clean Energy and April 13, 2016 by Western Resource Advocates. On April 15, 2016, the Division filed its action request response.

As discussed below, the Company respectfully requests that the Commission retain the current approach for the application of revenue credits rather than the alternative approach proposed by the Division, which recommends allocating revenue credits in the class cost of service study based upon each customer class's earned rate of return rather than assuming the jurisdictional rate of return. The Company further recommends that, if the Commission accepts the recommendation of Utah Clean Energy and Western Resource Advocates for a workshop to provide general instruction regarding the cost of service model, it be done in the context of a more current cost of service filing such as for the 2015 results of operations or a proceeding wherein rate changes are proposed.

BACKGROUND

On June 15, 2015, the Company filed with the Commission an informational Class Cost of Service study based on the Results of Operations for the 12 months ending December 2014. The Commission subsequently issued an Action Request to the Division to investigate the Company's filing and make recommendations. In the Action Request, the Commission identified three specific issues for the Division to investigate:

1. Omission of Adjustment 3.6 (REC and NPC accruals);
2. Comparison of the Company's method of allocating jurisdictional revenue credits with an alternative method; and
3. Impact of the use of the jurisdictional average uncollectable rate as compared to class specific uncollectable rates to determine for each class the change in revenue required to achieve an allowed rate of return.

On March 21, 2016, the Division and the Company discussed a list of questions that the Division wanted to discuss with the Company.

In its Action Request Response of April 15, 2016, the Division described why the Company's filed class cost of service study was calculated appropriately for items #1 and #3,. For item #2, the Division recommended that the Company depart from its current methodology for allocating revenue credits. The Company disagrees with the Division's recommendation for item #2 for the reasons set forth below.

DISCUSSION

First, revenue credits are related to revenues from customers who are not included in the cost of service study, primarily Schedules 21 and 31 and one special contract customer. Currently, revenues from these customers are allocated to the customer classes in the cost of service study based upon each class's revenue requirement prior to revenue credits, assuming the overall average rate of return. These revenue credits are likewise functionalized to the various functions (i.e. generation, transmission, distribution, etc.) based upon the revenue requirement of each function assuming an equal rate of return for all functions. The ultimate goal of the cost of service study is to determine the cost of serving each customer class such that the Company earns the same rate of return for all classes. The Company's longstanding method of functionalizing and allocating revenue credits is consistent with this goal.

The Division, in its Action Request Response, recommends an alternative methodology for functionalizing and allocating the revenue credits associated with revenue from customers not included in the cost of service study. In this alternative methodology, these revenue credits would be allocated to each customer class based upon the revenue requirement of each class assuming the individual class rates of return instead of the overall jurisdictional rate of return. The Company recommends that the Commission reject this alternative methodology and retain the current approach. Fundamentally, costs and revenues should be allocated based upon what a class's cost of service should be for that class as opposed to what that class is currently paying for in its rates.

Further, the Company does not believe that the required annual informational cost of service filing is the appropriate forum for changes to the cost of service methodology to be explored. Instead, a general rate case or other proceeding where rate changes are proposed, or a noticed collaborative, are the proper venues for interested stakeholders to address cost of service methodology in order to provide ample opportunity for parties to provide their input in these contexts.

Second, in response to the Commission's Action Request, both Utah Clean Energy and Western Resource Advocates have requested a workshop to provide general instruction regarding the cost of service model. The Company has provided similar workshops for interested parties to gain a better understanding of the cost of service study, most recently during the informal workshops in the net metering investigation in Docket 14-035-114, but has usually done so in the context of a either a proceeding where rate changes are proposed, or in a collaborative proceeding related to cost of service. The Company proposes that such a workshop be conducted in the context of either a proceeding wherein rate changes are proposed or in a collaborative proceeding focused on cost of service issues. Alternatively, the Company proposes to conduct a workshop for the 2015 informational study after it is filed on June 15, 2016.

CONCLUSION

Based on the foregoing, Rocky Mountain Power respectfully requests that the Commission retain the current application of revenue credits for purposes of the informational cost of service studies filed with the Commission and reject the Division's recommendation to alter the methodology at this time. The Company further recommends that, if the Commission orders a cost of service workshop, it be conducted in the context of either a proceeding wherein rate changes are proposed or in a collaborative proceeding focused on cost of service issues. Alternatively, the Company proposes to conduct a workshop for the 2015 informational study after it is filed on June 15, 2016.

DATED this 17th day of May 2016

Respectfully submitted,

ROCKY MOUNTAIN POWER

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