

Mark C. Moench (2284)
Yvonne R. Hogle (7550)
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone No. (801) 220-4050
Facsimile No. (801) 220-3299
E-mail: yvonne.hogle@pacificorp.com

Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>In the Matter of Rocky Mountain Power for Approval of its Energy Cost Adjustment Mechanism</p>	<p>Docket No. 09-035-15</p> <p>COMMENTS RESPONDING TO REPORT OF THE DIVISION OF PUBLIC UTILITIES EBA PILOT PROGRAM EVALUATION PLAN</p>
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Pursuant to the Public Service Commission of Utah’s (“Commission”) Notice of Schedule for Comments on Report on EBA Pilot Program Evaluation Plan issued March 8, 2012, Rocky Mountain Power (“Rocky Mountain Power” or “Company”) hereby files its comments responding to the Report of the Division of Public Utilities EBA Pilot Program Evaluation Plan filed with the Commission March 1, 2012.

1. On March 3, 2011, the Commission issued its Corrected Report and Order in *In the Matter of the Application of Rocky Mountain Power for Approval of its Energy Cost Adjustment Mechanism*, Docket No. 09-035-15 (“EBA Order”).

2. In the EBA Order, the Commission directed the Division of Public Utilities (“DPU”) to develop and file with the Commission within 120 days of the EBA Order issuance date (1) a list of data and information requirements for the EBA, and (2) an EBA Pilot Program Evaluation Plan.

3. To assist the DPU in developing the requirements and its EBA Pilot Program Evaluation Plan, the Commission also ordered that an EBA work group be convened to specifically address the following issues:

- a. Develop a complete list of data, transactions and other information the Company will be required to file each March 15 to constitute a complete filing;
- b. Identify monthly information to be provided to the Division for its ongoing review;
- c. Develop a pilot program evaluation plan to; identify data and information to be tracked and evaluations to be conducted during the pilot; identify training requirements, and conduct training for the work group, including but not limited to: the relationship of accounts in the EBA to the net power components in the GRID model; and the relationship to FERC accounts and how they are booked and reconciled, i.e., Account 151 Fuel Stock and account 501 Fuel
- d. The pilot program shall evaluate at a minimum: (1) the sharing mechanism; (2) which net power costs components are controllable and which are uncontrollable and whether the sharing element should be eliminated from the uncontrollable costs in the EBA; (3) the effects of the EBA on the Company's resource portfolio; (4) whether the EBA includes the appropriate net power cost components; (5) the effects of the EBA on the Company's hedging decisions and level of market reliance on net power costs; (6) parties' incremental costs to audit the balancing account; (7) unintended consequences resulting from the EBA; and (8) monthly vs. annual accrual differences.¹

4. The Commission further ordered that (1) the DPU file items a. – c. above with the Commission for approval no later than 120 days from the EBA Order issuance date, and (2) the DPU file a written preliminary evaluation of the pilot program, per item d. above, within four months after the conclusion of the second calendar year of the pilot.

5. In accordance with the EBA Order, on March 1, 2012, the DPU filed the Report of the Division of Public Utilities EBA Pilot Program Evaluation Plan (“DPU Report”) with the Commission.

¹ *In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism*, Docket No. 09-035-15, Corrected Report and Order, March 3, 2011, pps. 78 and 79.

6. Rocky Mountain Power commends all of the participants in the working group for their contributions, and further commends the DPU for all of its work in drafting the DPU Report. The Company's position is that the DPU Report is in compliance with Commission directive and is a reasonable approach to monitoring and evaluating the impact of the EBA. The Company does not object to the EBA reporting requirements proposed in the DPU Report, including the proposed filing requirements for the Company's annual EBA filings which will occur annually on March 15. However, the Company seeks clarification regarding the Commission's original directive for quarterly EBA reports² as well as various statements included in the DPU Report pertaining to future general rate cases and certain performance evaluation criteria.

EBA Reporting Requirements and Annual Filing Requirements

7. The DPU proposes that the Company provide actual net power costs ("NPC") and wheeling revenue information on a monthly basis along with a comparison of actual NPC and base NPC and a calculation of the resulting EBA deferral. As referenced in the DPU Report, in response to DPU data request 1.1 the Company provided the first comprehensive set of information that would be required on an ongoing (monthly) basis if the DPU Report is accepted. The Company's response provided net power cost and wheeling revenue information for the period from October through December 2011, and the same information was provided again along with the Company's March 15, 2012, EBA filing. The Company does not object to providing this information on a monthly basis (approximately 45 days after the reporting month) through the EBA pilot program as proposed in the DPU Report.

² Page 51 of the Commission's September 13, 2011, Report and Order in the Rocky Mountain Power 2011 General Rate Case.

8. After consultation with the Company, and receiving written comments from UIEC regarding a previous draft of the evaluation plan, the DPU included in the DPU Report a list of additional information that will be required to be filed annually as part of the Company's March 15 EBA filing. The Company has no objection to the requirements included in the DPU Report, and similar information was provided along with the Company's March 15, 2012, EBA filing. The Company plans to file its Hedging Collaborative Report by the end of March 2012, and agrees that future EBA filings made on March 15 could include the respective years' hedging report.

9. As referenced in the DPU Report, UIEC submitted a list of proposed filing requirements³ for the Company's EBA filings. UIEC's comments present a long list of potential filing requirements for the EBA. While the comments discuss a need for information at the onset of the EBA proceeding, it is not clear how the specific items requested will assist parties in evaluating the accuracy of Company accounting for net power costs, compliance with the approved tariff, or the prudence of Company actions. The requests proposed by UIEC are too broad to be incorporated into the EBA filing requirement, including vague requests for "appropriate planning information" and "each type of report that [the Company's] recordkeeping systems are capable of producing."

10. Information provided with the Company's EBA filings should be sufficient to allow the DPU to perform its review of the application and reach a recommendation of whether interim rates should or should not be instituted on June 1. The Company believes the reporting required by the DPU Report sufficiently enables this review. Many of UIEC's proposed requests

³ Written comments provided to the DPU with copies to other parties, and incorporated into the direct testimony of Maurice Brubaker in Docket No. 11-035-T10. UIEC filed its list of proposed filing requirements with this Commission, including all previously proposed filing requirements that did not get incorporated into the DPU Report, March 22, 2012.

would require the Company to provide a quantity of information that could not possibly be meaningfully reviewed by parties as part of this review, and preparing this quantity of information would impose an unnecessary burden on the Company without enhancing parties' evaluations. The Company agrees with the DPU, as stated on page 8 of the DPU Report, that "much of the additional information indicated by UIEC would be better part of data requests." Furthermore, as stated in Mr. Dave Taylor's rebuttal testimony for the Company in Docket 11-035-T10, the Company believes it will be useful to go through an EBA filing cycle to gain insight into which information may be useful as a filing requirement.

11. The Company respectfully requests clarification regarding the Commission's directive on page 51 of its September 13, 2011, Report and Order in the Rocky Mountain Power 2011 General Rate Case. In that order the Commission directed the Company, "to file quarterly reports showing calculations of the monthly deferrals and account balances per the requirements of our March EBA Order as well as for any method which may result from implementation of the Settlement Stipulation." It then directed that, "the Division shall file, for our approval, the EBA Pilot Program Evaluation Plan, including the format for providing the additional reporting required in this order." The Company believes the DPU has satisfied this Commission directive and that the monthly filings made with the DPU will more than adequately comply with the Company's requirement to report on a quarterly basis.

General Rate Case Filing Requirements

12. On Page 7 of the DPU Report it states, "The Division notes that in future general rate cases, the Company will have to file the information related to the EBA in the rate case....To the extent that the information supplied by the Company for its annual EBA filing is not included in a general rate case filing by the Company as part of the master data request, this information will be added as a supplement to the Company's master data request information."

It is unclear to the Company what specifically would be required to be included in future Company general rate case filings that is not already provided in compliance with the Commissions requirements for filing a general rate case, including Rule 746-700-23 which specifically addresses NPC. The information already required to be provided with a general rate case details the components of net power costs that, if approved, would become the Base NPC for subsequent EBA filings. Details of the actual NPC will be provided on a monthly basis to the DPU to support its ongoing audit efforts. Consequently, actual NPC from a historical base period would already have been provided by the time of a general rate case, and subsequent months would be provided as available. The Company believes the filing requirements for a general rate case are sufficient and there is no need to supplement such requirements with more detailed information specific to the EBA which will be provided in EBA reports and proceedings.

Performance Evaluation

13. Two of the evaluation criteria proposed in the DPU Report address variability of NPC. On page 9 the DPU proposes to “evaluate Company progress in smoothing variability of NPC in addition to EBA,” and on page 10 the DPU proposes to “evaluate swings in the Company’s rates.” The Company does not dispute that the Company is responsible for managing its NPC; however, the Company disagrees with the DPU’s statement that smoothing the variability of NPC is a reason the Company offered in support of the necessity of an EBA. It has been the Company’s contention that an EBA is required *due to* the variability of NPC and to enable recovery of these prudently incurred, yet volatile, costs. Indeed, the Commission clearly understood the Company’s position stating, in the EBA Order, “[t]he Company provides persuasive evidence demonstrating the effects of the increasing magnitude of the volatility on its actual, systemwide net power cost. ... However, the increasing magnitude of the difference

between system forecast and actual net power cost and the underlying variability of these costs raise a concern regarding the Company's financial health and fair rates to customers going forward which we now have an opportunity to address."⁴ Later in the EBA Order, the Commission states "[w]e conclude this new mechanism, properly designed, can be targeted to mitigate potential financial harm to the Company and avoid unfair rates to customers resulting from setting rates through sole reliance on net power cost forecasts which do not adequately capture the underlying variability of the inputs to net power cost."⁵

14. Furthermore, the Company recognizes the importance of stable customer rates, but again disagrees with the expectation that implementing an EBA will result in a decrease in rate variability. While the Company believes an evaluation of the variability in NPC, the Company's efforts to manage overall net power costs and NPC volatility, along with the impact on customer rates of implementing the EBA may be worthwhile endeavors, it respectfully disagrees with the expectation that implementation of an EBA by itself will result in reduced volatility.

DATED this 22nd day of March, 2012.

Respectfully submitted,

ROCKY MOUNTAIN POWER

Mark C. Moench (2284)
Yvonne R. Hogle (7550)
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Tel. 801.220.4050
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⁴ EBA Order, p. 65.

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