

- 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
) ORDER ON PETITION FOR
) CLARIFICATION AND
) RECONSIDERATION OR REHEARING
) AND
) NOTICE OF SCHEDULING
) CONFERENCE
)

ISSUED: May 9, 2011

By The Commission:

We have reviewed the Petition of PacifiCorp (“Company”), doing business in Utah as Rocky Mountain Power, for Clarification and Reconsideration or Rehearing, filed April 15, 2011, addressing the Corrected Report and Order, issued March 3, 2011 (“Order”). We have also reviewed the responses of the Division of Public Utilities (“Division”), the Office of Consumer Services (“Office”), the Utah Association of Energy Users (“UAE”), and the Utah Industrial Energy Consumers (“UIEC”), filed on or before May 2, 2011.

We grant limited rehearing on the issue of whether swap transactions should be included in the EBA mechanism. We will hold a scheduling conference on **Thursday, May 19, 2011, at 10:00 a.m., in Room 401, Heber M. Wells Bldg., 160 East 300 South, Salt Lake City, Utah**, to establish the rehearing schedule and process. The broader issue of the Company’s hedging strategies and policies will not be considered in this docket but remains a proper subject of examination in any docket in which the Company seeks recovery of specific hedging transaction costs.

We deny the Company's request that we reconsider the EBA 70-30 sharing mechanism. As discussed more thoroughly in the Order, the Company currently elects to pursue rate increases on the basis of forecasts of future test period revenues and expenses. The general rate case process affords the Company the opportunity to present and defend its forecasts of all test period operating costs, including net power cost. The base rates approved at the conclusion of general rate case hearings provide the Company a reasonable opportunity for full recovery of all prudent test year costs, including net power cost. Nothing in the Order limits that opportunity. Rather, the EBA 70-30 sharing mechanism tempers the outcome when the forecast is inaccurate.

As we noted in the Order, under future test period ratemaking, both customers and Company shareholders face 100 percent of the risk that actual costs will differ from forecasted costs. All of the adverse consequences of a missed forecast flow either to the customers (rates higher than actual costs) or the shareholders (rates lower than actual costs). The sharing mechanism mitigates this outcome. It improves the Company's opportunity to recover net power costs, while maintaining an important financial incentive for the Company to avoid suboptimal planning and operation. As the EBA is implemented, the sharing mechanism is the best method to ensure customer and shareholder interests are aligned and the public interest is maintained. Furthermore, as the Order states, we will review the 70-30 sharing at the conclusion of the pilot period to determine whether it continues to be reasonable.

The Company notes the Order excludes REC revenues from the EBA and asks, in effect, whether the Order precludes future consideration of balancing account treatment for REC

DOCKET NO. 09-035-15

- 3 -

revenues. We clarify the Order does not preclude future consideration of balancing account treatment for REC revenues. The Company also asks that we clarify a sentence at page 72 of the Order that includes the phrase "...REC revenues can be banked..." The inclusion of the word "revenues" in that phrase is corrected to read "...RECs can be banked..."

The Company also asks that we clarify the termination date of the EBA pilot period. The EBA pilot program terminates on December 31, 2015. As specified in the Order, the written preliminary work group evaluation of the EBA will be due within four months following December 31, 2013. The final work group evaluation will be due within four months following December 31, 2014.

At the Company's request, compliance with ordering paragraph 2 of the Order (directing the filing of revised Schedule 94) is deferred until further notice.

DATED at Salt Lake City, Utah, this 9th day of May, 2011.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#72581