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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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	Docket No. 09-035-23  <b>RESPONSE OF ROCKY MOUNTAIN POWER TO UIEC MOTION TO BIFURCATE</b>
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Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or “Company”), pursuant to Utah Administrative Code R746-100-4.D, provides this response to the “Motion of the Utah Industrial Energy Consumers to Bifurcate Proceedings” (“Motion”) dated July 8, 2009. Rocky Mountain Power takes no position on the Motion except that: (1) if the Commission determines that the Company’s proposed Energy Cost Adjustment Mechanism (“ECAM”) in Docket No. 09-035-15 must be implemented simultaneously with the final order in this case and the Commission is unwilling to accelerate the schedule in the ECAM docket so that it may be concluded by February 18, 2010, Rocky Mountain Power supports bifurcation; and (2) if the Commission determines to grant the Motion, Rocky Mountain Power requests that resolution of the cost of service, rate spread and rate design (hereinafter collectively “Cost of Service”) aspects of this case be completed well in advance of May 1, 2010, the date summer

seasonal rates go into effect. In addition, Rocky Mountain Power wishes to comment on certain of the arguments made by the Utah Industrial Energy Consumers (“UIEC”) in the Motion.

## **I. INTRODUCTION**

Rocky Mountain Power filed its application in this case on June 23, 2009. In accordance with Utah Code Ann. § 54-7-12(3), the Commission has 240 days from June 23, 2009, or until February 18, 2010, to determine the Revenue Requirement in this case or the \$66.9 million rate increase sought in the application will go into effect by operation of law. The Commission is not required to determine the Cost of Service aspects of the application by February 18, 2010. The Motion urges the Commission to bifurcate the case, as it has in recent general rate cases for the Company and Questar Gas Company, and to determine the Cost of Service for the rate increase after February 18, 2010. A Scheduling Conference was held on July 14, 2009. At the conference, the parties agreed, subject to the Motion, to a schedule under which both Revenue Requirement and Cost of Service would be determined by February 18, 2010.

## **II. ARGUMENT**

UIEC argues in the Motion that it would be a waste of resources of the Commission and all parties for the Commission to determine Cost of Service by February 18, 2010. This is an overstatement. Rocky Mountain Power acknowledges that comparison of various parties’ positions on Cost of Service may be somewhat simpler when the Revenue Requirement has been established because all parties’ final Cost of Service recommendations are then based on the same Revenue Requirement. However, Cost of Service has often been determined concurrent with determination of Revenue Requirement within the 240-day period prescribed by Utah Code Ann. § 54-7-12(3). Because the Revenue Requirement must be determined by February 18, 2010, well in advance of the effective date of summer seasonal rates, May 1, 2010, there is time in this case to determine Cost of Service following determination of Revenue Requirement.

Whatever the Commission's decision on the Motion, Rocky Mountain Power strongly urges the Commission to determine Cost of Service sufficiently in advance of May 1, 2010, so that rates incorporating the Cost of Service decision can be implemented by that date.

The Motion also notes that the docket to approve the Company's ECAM, Docket No. 09-035-15, is currently pending. The Motion argues that Cost of Service will need to be addressed in connection with implementation of the ECAM and that it would be futile to hold hearings on Cost of Service before an ECAM is in place. Rocky Mountain Power disagrees with this argument for two reasons. First, it is theoretically unnecessary to determine whether the ECAM will be allowed and to design the ECAM prior to determining Cost of Service in the general rate case. Cost of Service is not altered by the existence of an ECAM. Second, an ECAM is a mechanism to true up actual costs with projected costs. Implementation of the ECAM as proposed in the Company's application would initially only result in accounting entries to defer the difference between actual net power costs incurred and the amount of net power costs included in rates; the impact to customers and any rate change would take place at the end of each annual reporting period.

During the July 14, 2009 Scheduling Conference in the ECAM docket, which immediately followed the Scheduling Conference in this docket, the parties discussed whether the ECAM needed to be implemented on the same date as rates are implemented in this case. All parties who spoke to the issue agreed that the intent of Utah Code Ann. § 54-7-13.5(2)(b)(iii) was that an ECAM be implemented based on net power costs in base rates that have been found to be just and reasonable. Rocky Mountain Power expressed the view that the ECAM could be implemented following the Revenue Requirement order. UIEC expressed the view that the ECAM should be implemented within reasonably close proximity to the Revenue Requirement

order, but could be implemented after the Revenue Requirement order. Rocky Mountain Power stated that a schedule that concluded the ECAM docket after February 18, 2010 would be unacceptable if that meant the ECAM could not be implemented until its next general rate case. Accordingly, the parties worked out a schedule in the ECAM docket under which Phase 2 in that docket would likely be concluded after February 18, 2009, but within reasonably close proximity to that date. If the Commission concludes that the ECAM cannot be implemented unless it is implemented simultaneously with the final order in the general rate case, Rocky Mountain Power believes the Commission must either accelerate the schedule in the ECAM docket so that it may be concluded by February 18, 2010, as originally proposed by Rocky Mountain Power, or grant the Motion so that the Cost of Service Order in this docket is issued concurrently with or after the final ECAM order.

The Motion also argues that the case should be bifurcated to allow the Company to update its Cost of Service model. The Motion states that recent comments by Commission Staff suggest that the model is seriously flawed. Rocky Mountain Power strongly disagrees. The comments of Commission Staff during meetings of the Cost of Service working group established in Docket No. 08-035-38 suggested that the Company's model may be somewhat difficult for other parties to manipulate, not that it is seriously flawed in terms of its logic or results. In response, Rocky Mountain Power prepared and distributed to parties a complete cost of service model instruction manual that will improve ease of use. In addition, as announced during the Scheduling Conference on July 14, 2009, Commission Staff has developed a version of the model that achieves the same results as the Company's model, but which may be easier for other parties to manipulate to incorporate their input assumptions. Thus, there is no need to

delay the Cost of Service portion of this case until the Company's Cost of Service model is updated.

The Motion argues that the Cost of Service portion of the case should be separated from the Revenue Requirement portion of the case to allow the use of updated load sampling data that will not be available until the end of 2009. All load estimates utilized in this case are derived from load study data collected during the full 12-month period ended December 2008 and are appropriate to use in this case. Use of updated load study sample data outside of the historic base period is not appropriate. Compilation of load study data is a continuous process. In the current case, the Company replaced three samples in the final months of 2008. These samples were due for replacement and were replaced as part of the Company's standard process of load study sample updates. For the new samples, the Company used the same stratified random sample design in their development as was used for the prior load study samples. At any point in time, it can be argued that a determination ought to be delayed because newer data will be available in the future. If such an argument is accepted, no determination could ever be made. The fact that load sampling data is being updated as part of the Company's ongoing load sampling process is no reason to delay determination of Cost of Service in this case.

Finally, the Motion argues that the Company will not be harmed by delaying a determination of Cost of Service until after Revenue Requirement is determined by February 18, 2010. While UIEC's argument is correct with regard to revenues projected to be received by the Company, it is in the Company's interest as much as it is in customers' interests for rates to accurately reflect Cost of Service. If rates do not accurately reflect Cost of Service, customers may receive incorrect signals regarding the costs their usage is causing and their usage may be distorted and inefficient as a result. Therefore, if the Motion is granted, Rocky Mountain Power

urges the Commission to conclude the Cost of Service phase of the docket reasonably promptly following the Revenue Requirement order, and certainly in advance of May 1, 2010.

### III. CONCLUSION

Rocky Mountain Power takes no position on the Motion except that: (1) if the Commission determines that the Company's proposed ECAM must be implemented simultaneously with the final order in this case and the Commission is unwilling to accelerate the schedule in the ECAM docket so that it may be concluded by February 18, 2010, Rocky Mountain Power supports bifurcation; and (2) if the Commission determines to grant the Motion, Rocky Mountain Power requests that resolution of the Cost of Service aspects of this case be completed well in advance of May 1, 2010, the date summer seasonal rates go into effect. In addition, Rocky Mountain Power disagrees with or provides clarification on some of UIEC's arguments in its Motion as discussed above.

DATED: July 23, 2009.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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## CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **RESPONSE OF ROCKY MOUNTAIN POWER TO UIEC MOTION TO BIFURCATE** to be served upon the following by electronic mail to the addresses shown below on July 23, 2009:

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