ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

201 South Main, Suite 2300
Salt Lake City, Utah 84111

June 11, 2009

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City UT 84111

Attention: Julie P. Orchard
Commission Administrator

Re: Advice No. 09-08
Schedule 193 – Demand Side Management (DSM) Cost Adjustment

Enclosed for filing are an original and two copies of proposed tariff sheets associated with Tariff P.S.C.U No. 47 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 tbher@utah.gov. The Company respectfully requests an effective date of August 1, 2009 for these changes.

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

The purpose of this filing is to request an adjustment to the Demand Side Management (DSM) Cost Adjustment tariff rider (appearing on customer bills as a line item entitled "Customer Efficiency Services") to collect approximately $85.4 million per year to support the acquisition of cost effective energy efficiency and load management resources. Based on the forecast for the 12 months ending June 30, 2010, the current DSM Cost Adjustment (DSM surcharge) will collect approximately $29.1 million on an annual basis.[1] The current DSM surcharge is approximately 2.1 percent of customers' bills. The Company proposes to increase the DSM surcharge by $56.3 million or 3.97 percent. This will result in a proposed total average DSM surcharge of 6.16 percent.[2]

This adjustment is necessitated by an increase in the rate of acquisition of energy efficiency and load management resources (see Table 1 below), which has caused DSM program expenditures to rise above what is currently being collected through the DSM surcharge.

[1] Based on current rates approved in the 2008 Utah general rate case in Docket No. 08-035-38
[2] Percentages are based on information contained in Exhibit A

Table 1

DSM Acquired Resources 2003 - 2008 and 2009 Forecast							
Year	Residential	Commercial	Industrial	Total megawatt hours (3)	Residential Load Mgmt	Agricultural Load Mgmt	Total Load Mgmt in megawatts (4)
2009	147,923	60,293	72,084	280,300	100	40	140
2008	73,830	72,680	46,817	193,327	97	5	102
2007	38,038	55,267	55,664	148,969	101	3	104
2006	35,297	44,615	41,179	121,091	90	0	90
2005	29,165	33,375	50,464	113,004	48	0	48
2004	48,674	25,978	28,930	103,582	28	0	28
2003	23,166	30,084	19,456	72,706	11	0	11

The financial benefits associated with Rocky Mountain Power's DSM program investments continue to deliver significant value to all parties. Table 2 below catalogs the economic benefits of acquired energy efficiency and load management resources associated with Rocky Mountain Power's 2008 DSM program results. The results in Table 2 represent the 2008 benefits and costs associated with the efficiency programs and the irrigation load management program. The benefits and costs associated with the Cool Keeper air conditioner load management program are based on program to date information due to the contractual nature of the program. As shown in Table 2, the present value of the lifetime benefits made available by the DSM programs for all customers is approximately 2:1, with program participants experiencing even greater value. In other words, for every dollar invested in these programs Rocky Mountain Power's customers, both participants and non participants, will receive approximately two dollars in benefits through lower costs in the future.

Table 2

Demand Side Management Portfolio Benefits – 2008 Calendar Year				
Test	Costs	Benefits	Net Benefits	Benefit/Cost Ratio
Total Resource Cost Test (PTRC) + Conservation Adder	$81,651,503	$170,312,403	$88,660,899	2.086
Total Resource Cost Test (TRC) No Adder	$81,651,503	$162,317,999	$80,666,495	1.988
Utility Cost Test (UCT)	$78,833,583	$162,317,999	$83,484,416	2.059
Rate Impact Test (RIM)	$87,742,736	$162,317,999	$74,575,263	1.850
Participant Cost Test (PCT)	$16,029,141	$117,777,097	$101,747,956	7.348

The DSM surcharge in Utah was last adjusted in August 2006. It was reduced from approximately 3.0 percent to 2.1 percent.[5] Since then, with the support of the DSM Advisory Committee and the Public Service Commission of Utah, the acquisition of energy efficiency

[3] First year megawatt hours acquired as measured at generation source.
[4] Megawatts under load management as measured at generation source.
[5] Utah Docket No. 06-035-T05.

savings and load management resources has increased steadily, causing program expenditures to increase from $26.7 million in calendar year 2006 to $28.5 million in 2007 and $36.4 million in 2008. Program expenditures in 2009 through May have amounted to $19.7 million with total expenditures for calendar year 2009 expected to total approximately $65.3 million. Program expenditures for calendar year 2010 are expected to be $50.8 million[6].

The amount the Company will collect given the current DSM surcharge for the twelve month period ending July 2010 will be insufficient to support the projected acquisition of energy efficiency savings and load management resources for the same period. Through the twelve months ending July 2010 the Company expects to recover $27.8 million[7] through the DSM surcharge and incur $54.9 million in DSM program expenditures.

As noted in Table 1, the acquisition of energy efficiency and load management resources increased significantly between 2007 and 2008. As a result, the Utah DSM balancing account had an uncollected balance of $16.6 million as of May 2009 with a projected July 2009 uncollected balance of $27.0 million.

The adjustment to the DSM surcharge proposed in this filing will allow the Company to: 1) recover the uncollected balance in the Utah DSM balancing account; and 2) recover the projected level of DSM program expenditures. It is important to note that in preparing the proposed adjustment, the Company only considered programs which have been approved by the Commission. This includes the addition of Schedule 96A and the recent changes to Schedule 111 and Schedule 114. New programs that the Company may offer in the future and modifications to existing programs that have not been approved by the Commission have not been factored into the DSM surcharge analysis.

Table 3 below shows the programs that have experienced some of the largest increases in expenses from 2006 through 2009. Program expenditure forecasts for all programs are provided in Exhibit C.

Table 3

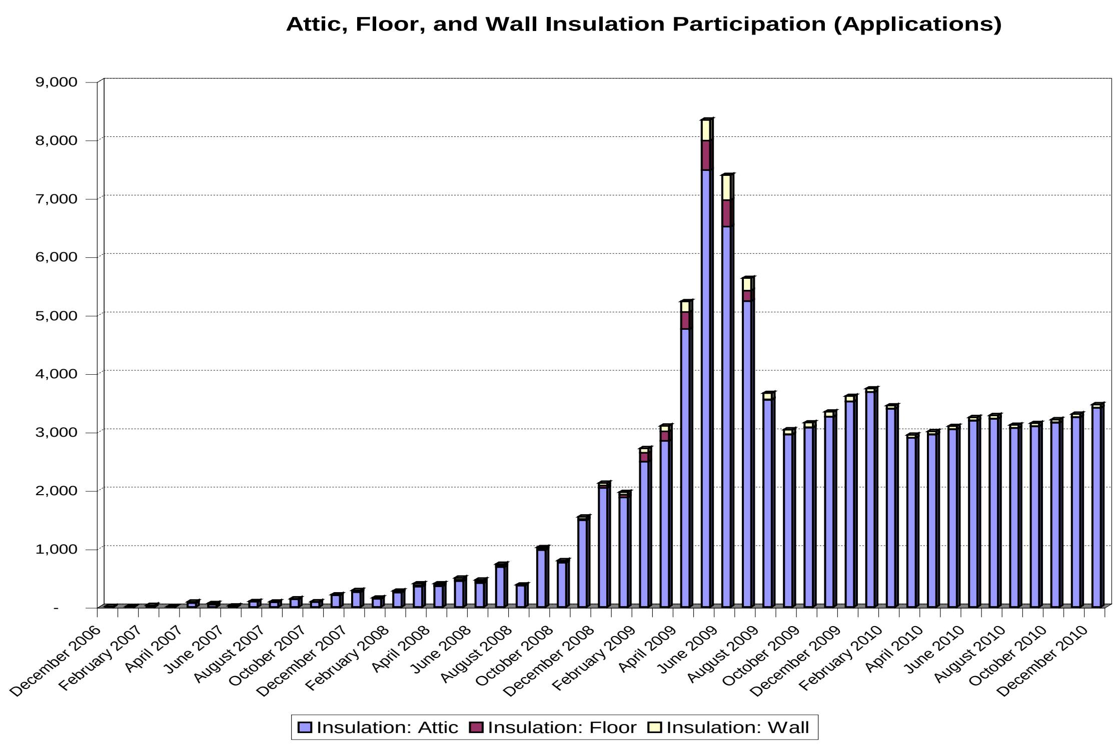
Program Expenses 2006 - 2009				
Program	2006	2007	2008	2009[8]
Irrigation Load Control (Schedules 96 and 96A)	$7,000	$276,000	$761,000	$2,400,000
Recommissioning (Schedule 126)	$210,000	$187,000	$1,000,000	$1,100,000
Energy FinAnswer/FinAnswer Express (Schedules 115 and 125)	$8,000,000	$9,500,000	$12,700,000	$14,100,000
Home Energy Savings (Schedule 111)	$240,000	$3,000,000	$7,800,000	$30,600,000

[6] Expenditures and forecasts are inclusive of Self-Direction program credits applied to customer bills within each calendar period, however exclude carrying charges.
[7] DSM revenues net of Self-Direction program credits.
[8] Amounts are rounded. 2009 contains actual costs through May and forecasted costs for June to December.

While the acquisition of energy efficiency and load management resources has increased within many of the Company's DSM programs, as demonstrated in Table 1, the program that has experienced the most notable increase is the Home Energy Savings program. Approximately $22 million of the forecasted expenditures in the Home Energy Savings program for 2009 is attributable to the incentives for insulation. Incentives for attic insulation make up approximately 94% of these costs.

As the Company indicated in Docket No. 09-035-T04, higher attic insulation incentives are driving increased participation in the program and as a result, increased overall savings and costs. Based on the Commission ordered transition period and incentive levels for attic insulation in that Docket, the Company's program administrator is forecasting approximately 51,000 insulation incentive applications in 2009. Approximately 21,000, applications have already been processed from January through May. An additional 13,000 applications are expected during June and July with the majority tied to the Commission ordered transition. Approximately 17,000 additional applications are expected between August and December 2009 and represent about $4.7 million in potential incentive payments. For January through July 2010, there are no prior expenditures or commitments and the forecast includes an additional 23,000 applications representing $6.3 million of potential incentive expenditures. In summary, the program expenditure forecast for August 2009 through July 2010 includes 39,600 applications representing $11 million in potential insulation incentives, or approximately 13 percent of the adjusted collection rate of $85.4 million. Chart A below shows the monthly participation forecast for the Company's insulation program.

Chart A



If the Commission determines that given the current economic conditions, the projected cost of the insulation program would create a hardship for non-participating customers, the Commission could elect to restrict the annual number of insulation installations. For every 5,000 installations the Company estimates the costs to be approximately $1.4 million.

The proposed DSM surcharge adjustment is consistent with the methodology established in Docket No. 02-035-T12. Article II, paragraph 10 of the stipulation in this Docket states the surcharge should be set after considering the current DSM balancing account balance, the forecasted approved program expenditures and the current collection rate. The stipulation further states the objective “is to set a Schedule 191 (193) collection rate projected to result in a zero balance by the following annual review period” which in the case of this filing is July 2010.

The adjustment to the surcharge proposed in this filing is designed to collect approximately $85.4 million per year or a $56.3 million increase over the current collection rate as is demonstrated in Exhibit A. Exhibit B provides the impact of this adjustment to each individual schedule. The proposed adjustment is intended to bring the Utah DSM balancing account into balance by July 2010.

A summary balancing account analysis is provided below in Table 4.

Table 4

DSM Balancing Account Analysis - Absent Surcharge Adjustment	
1) DSM balancing account as of July 31, 2009	26,974,030
2) Forecast DSM expenses as of 12 months ended July 2010	54,921,650
3) Forecast carrying charges as of 12 months ended July 2010	3,629,758
4) (2+3) Total expenses as of 12 months ended July 2010	58,551,408
5) Forecast DSM surcharge collections as of 12 months ended July 2010	(29,146,000)
6) Forecast 192 self direction credits as of 12 months ended July 2010	1,325,065
7) (5+6) Total collection as of 12 months ended July 2010	(27,820,935)
8) (1+4+7) Forecast DSM balancing account as of July 31, 2010	**57,704,503**

The information in Table 4 indicates that the Utah DSM balancing account, absent an adjustment, will have an unfunded balance (debit) of approximately $57.7 million by July 31, 2010. Information supporting the analysis provided in Table 4 is available in Exhibit D.

While the need for the adjustment is primarily informed by the analysis provided above in Table 4, the Company further analyzed two additional components; carrying charges and self direction credits to further refine the amounts necessary to be collected.

- Carrying charges are calculated monthly utilizing the balancing account balance, current expenditures and current collections through the surcharge. If the balancing account declines over a year (as intended with this adjustment), the carrying charges should decline each month and the figure provided in the analysis above overestimates the likely carrying charges associated with the declining balancing account.

- Monthly Self Direction credit utilization is dependent on the amount of the *Customer Efficiency Services* charge on each customer's bill as well the fund of credits available to customers who have completed projects. Increasing the surcharge will increase the utilization of available credits each month to the extent they are available from completed projects. As part of this additional analysis, the Self Direction program administrator re-forecasted monthly credit utilization (based on known and approved projects) at different *Customer Efficiency Services* charge percentages.

The balancing account analysis provided in Table 5 below reflects the effects of the reduced carrying charges and increased self direction credit utilization along with the DSM surcharge rate proposed in this filing.

Table 5

DSM Balancing Account Analysis - Including Surcharge Adjustment	
1) DSM balancing account as of July 31, 2009	26,974,030
2) Forecast DSM expenses as of 12 months ended July 2010	54,921,650
3) Forecast carrying charges as of 12 months ended July 2010	1,288,263
4) (2+3) Total expenses as of 12 months ended July 2010	56,209,913
5) Forecast DSM surcharge collections as of 12 months ended July 2010	(85,397,780)
6) Forecast 192 self direction credits as of 12 months ended July 2010	2,677,613
7) (5+6) Total collection as of 12 months ended July 2010	(82,720,167)
8) (1+4+7) Forecast DSM balancing account as of July 31, 2010	**463,776**

This analysis shows that with the proposed DSM surcharge, while reflecting revised carrying charge and self direction credit amounts, the DSM balancing account is, for all intents and purposes, balanced by July 2010 with a debit balance of approximately $463,776. Information supporting this analysis is provided in Exhibit E.

It is important that the Company be allowed to bring the DSM balancing account into balance by July 2010. The Company is already funding a significant capital expenditure budget, including approximately $2.4 billion during 2009, in order to add new generating resources, proactively address evolving clean air or renewable requirements and to make substantial investments in new transmission and local distribution facilities. Rocky Mountain Power is presently financing these expenditures through a mix of internally generated funds, new external debt issuance, retaining all earnings rather than paying dividends to its parent company, and capital contributions. However, capital market conditions and access has been very volatile including times when the

Company could not issue commercial paper (even with a higher rating than it currently possesses.) Increasing the DSM surcharge will help reduce the funding burden on the Company.

The proposed surcharge will help the Company's cash flow and improve its credit rating metrics which are presently at least one level lower than its credit ratings. Standard & Poor's was quite clear in their April 1, 2009 Ratings Direct report by stating their view of the Company's cash flow metrics as more consistent with a "BBB" rating. While they did sustain PacifiCorp's current "A-" corporate credit rating they wrote of their expectation "that management will achieve cash flow metrics more consistent with an "A" rating over the next several years." Further, Standard & Poor's downgraded PacifiCorp's short-term debt ratings to "A-2" citing a need to take a firmer view on linking PacifiCorp's short-term ratings to stand alone credit quality in explaining the downgrade. Absent a change in the surcharge, the Company expects to have an uncollected balance of approximately $57.7 million within approximately 1 year. For perspective, that uncollected balance would be nearly 6% of the total operating cash flows that the Company generated during 2008. Clearly, this is not an immaterial amount but rather one that would be noticed by financial analysts, rating agencies and investors.

Delaying the effective date for the proposed adjustment would further compound the under-recovery situation and result in the need for a higher percentage increase the longer the adjustment is delayed. In Exhibit D, the column entitled "Accumulated Balance" provides information on the status of the DSM balancing account by month under a no adjustment scenario. The balance in this column increases from approximately $27 million to $29 million if the adjustment is delayed from August to September. The impact of this one month delay would be approximately .14 percent, or an increase in the required adjustment amount from 6.16 percent to roughly 6.30 percent.

The need for an adjustment to the DSM surcharge was discussed with the DSM Advisory Committee at a meeting on April 6, 2009. The Company provided notice of the meeting to the Division of Public Utilities, the Office of Consumer Services, and other interested parties who make up the advisory committee, in accordance with Section 54-7-12.8(3)(a)-(c) of the Utah Code. During that meeting, the approximate revised collection rate presented by the Company was based on earlier assumptions about residential program participation, particularly the insulation measures of the Home Energy Savings program. The forecast used in the analysis included in this filing is based on incentive levels and effective dates established in the Commission's order in Docket No. 09-035-T04. On June 9, 2009, the Company convened another meeting with the DSM Advisory Committee to discuss the primary causes of the difference between the surcharge increase requested in this filing and the increase discussed at the April 6, 2009 DSM Advisory Committee meeting, as well as to seek any additional input from interested parties regarding this filing.

As a result of the June 9, 2009 DSM Advisory Committee meeting, the Company has included in this filing additional information on program benefits, updated the program forecasts to include actual data through May and has provided more specific information on the financial impacts of delays in cost recovery.

Rocky Mountain Power proposes to revisit the DSM program forecasts used in the development of this filing in six months, at which time an updated balancing account analysis will be performed. This analysis will be reviewed with the DSM Advisory Committee to determine the effectiveness of the DSM surcharge which results from this filing. If the DSM program forecasts and revenue forecasts have changed sufficiently to warrant a change in the collection rate to allow the balancing account to be brought into balance by July 2010, the Company will prepare an updated DSM surcharge filing for Commission consideration.

Communications regarding this filing should be addressed to:

David L. Taylor
Manager, Utah Regulatory Affairs
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City, Utah 84111
E-mail: dave.taylor@pacificorp.com

Daniel E. Solander
Senior Counsel
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City, Utah 84111
E-mail: daniel.solander@pacificorp.com

In addition, Rocky Mountain Power respectfully requests that all data requests regarding this filing be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation

Enclosures
cc: Division of Public Utilities
Office of Consumer Services
Utah DSM Advisory Committee