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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Alternative Cost Recovery for Major Plant Additions of the Populous to Ben Lomond Transmission Line and the Dunlap I Wind Project

Docket No. 10-035-89

**UAE'S MEMORANDUM IN
RESPONSE TO UIEC'S MOTION
TO DEFER RECOVERY OF THE
MAJOR PLANT ADDITION
COSTS**

The Utah Association of Energy Users (UAE) files this memorandum in response to UIEC's Motion to Defer Recovery of the Major Plant Addition Costs (UIEC Motion).

The UIEC Motion requests continued deferral until a future general rate case (GRC) of the incremental revenue requirement approved by stipulation and Commission Order in Docket 10-035-13 (MPA #1). UAE supports the UIEC Motion as to MPA #1 on the grounds that continued deferral to a future general rate case is required by statute.

The UIEC Motion also requests deferral to a GRC of any incremental revenue requirement ultimately approved in this docket (MPA #2). UAE supports the UIEC Motion as to MPA #2 because it is consistent with sound public policy and is fair to the utility and its customers. Alternatively, if the Commission decides for whatever reason to permit collection of any major plant addition (MPA) costs prior to the next GRC, UAE respectfully submits that the Commission should utilize updated billing determinants in setting the collection rates.

**Utah Statutes Require Continued Deferral
of the MPA #1 Incremental Revenue Requirement**

Utah Code Section 54-7-13.4(5) authorizes two options for dealing with the incremental revenue requirement impact of an MPA rate case: (1) adjust rates upon approval of cost recovery; or (2) defer the impacts “for recovery in general rate cases.” The statute does not authorize deferral to a subsequent MPA rate case or any other time. UAE submits that Utah statutes require that recovery of the incremental revenue requirements approved by the commission in MPA #1 must await RMP’s next general rate case.

**Public Policy Considerations and Fairness to RMP and its Customers
Support Deferral of the MPA Incremental Revenue Requirement**

MPA rate cases are designed to assure a utility that it can recover all of its costs incurred in connection with a prudent major plant addition. The MPA statutory scheme clearly envisions an MPA rate case will not be as complicated nor take as long to complete as a GRC. However, in recognition of the fact that fundamental fairness to both the utility and its customers will be impacted by the amount of time that passes between a GRC and an MPA rate case, the statute

provides two important protections: (1) the utility's ability to use an MPA is limited to eighteen (18) months after a GRC order; and (2) the Commission is given discretion to defer collection of incremental revenue requirement impacts of an MPA to a future GRC.

RMP has proposed in this docket to use the billing determinants (e.g., number of customers and usage per customer) developed in the last GRC in setting collection rates. However, the more time that passes since the last GRC order, the less accurate those billing determinants will be. When a utility is in a load-growth environment – as RMP has been in Utah for many years, even during recent recessionary periods – use of GRC billing determinants to collect the incremental revenue requirement impact of an MPA will *guarantee* over-recovery by the utility. Conversely, in a declining load-growth environment, use of the GRC billing determinants will guarantee under-recovery by the utility. Moreover, the further out the MPA rate case order is from the GRC order, the over- or under-recovery will be more pronounced. UAE submits that fairness to both the utility and its customers strongly supports deferral of MPA impacts whenever significant time will have passed between the GRC order and an MPA rate case order in an environment of growing or declining load.

**Alternatively, Updated Billing Components Should be used to Collect
the MPA Incremental Revenue Requirement**

If the Commission determines for whatever reason that collection of any or all of the MPA revenue requirement impacts or deferred balance should begin prior to the effective date of the next GRC order, UAE submits that the Commission should exercise its discretion to require the use of

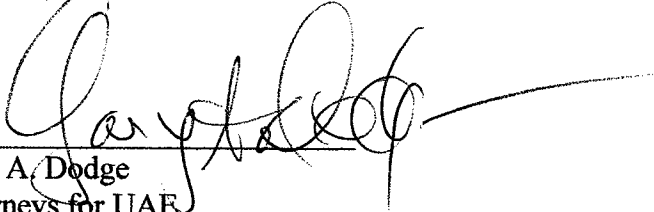
updated billing determinants in setting MPA collection rates. Nothing in the MPA statutes dictates the test year or billing determinants to be used in setting MPA collection rates. While the statute clearly envisions something less than a full GRC analysis, it is silent on what analyses or approaches should be utilized to protect the public interest – leaving those issues to the sound discretion of the Commission. RMP used an updated test period to calculate projected net revenue requirement impacts of the MPA; however, it elected not to use updated billing determinants appropriate for that test period. UAE submits that fundamental fairness to RMP's customers dictates that, unless recovery of the MPA impacts is deferred to the next GRC, updated billing determinants appropriate to the test period should be determined and utilized in setting MPA collection rates.

Conclusion

UAE respectfully submits that the Commission should grant UIEC's motion to defer to the next general rate case the collection of incremental revenue requirement impacts of the two 2010 major plant addition rate cases. Alternatively, UAE submits that updated billing determinants should be used in setting collection rates for the major plant additions.

Respectfully submitted this 9th day of September, 2010.

HATCH, JAMES & DODGE

/s/ 
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 9th day of September, 2010, on the following:

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