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BEFORE THE UTAH PUBLIC SERVICE COMMISSION

In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Proposed Electric Service Schedules and Electric service Regulations.	Docket No. 11-035-200 **UIEC'S COMMENTS ON THE COMPANY'S STRESS FACTOR PROPOSAL**

INTRODUCTION

As part of the Stipulation approved by the Commission in the last general rate case, the parties agreed that Rocky Mountain Power ("RMP" or the "Company") would propose a plan for a stress factor study. On July 1, 2013, the Company filed an outline of items that it proposes would comprise a "Stress Factor Study Plan." The Commission has scheduled a Technical Conference for August 14, 2013, to address the proposed Stress Factor Study Plan. In anticipation of the scheduled Technical Conference, the Utah Industrial Energy Consumers ("UIEC") submit the following comments on the proposed Study Plan and request that they be considered during the Technical Conference.

COMMENTS

The UIEC understand that the ultimate purpose of the Stress Factor Study ("SFS") is to review and, if appropriate, update the Company's allocation of generation capacity costs to rate classes in Utah. In the past, capacity costs have been allocated on 12 monthly peaks, with a 25% energy weighting factor. In theory, costs should be allocated to the groups of customers that cause the incurrence of those costs. Class usage of power at the peak is regarded as an indicator of the class's contribution to the cost of building the generation resources necessary to cover the peak load.

The SFS proposed by the Company looks at four factors: monthly peak demand, contribution to peak, reserve margins, and the cost of resources. It is not clear what would amount to "stress" under any of the factors, or how the results of any of the proposed analyses are relevant to allocating costs that result in just and reasonable rates.

At the outset, it should be obvious that if generation costs are to be allocated on the long-run costs of building the plant required to serve peak load, the allocation should be on summer peak demand. The UIEC previously filed testimony in this docket to demonstrate that the allocation of a 12 CP with a 25% weighting factor is neither just nor reasonable and should be abandoned. Testimony of Maurice Brubaker, (filed June 22, 2012). Attached for consideration during the Technical Conference is a Memorandum from Brubaker and Associates, commenting on the Company's proposed methods for analyzing "stress," and explaining that the summer period puts the most stress on the system and that winter loads can easily be met with the resources that would be built to cover the summer peaks. *See* Attachment 1.

It may be the case that factors other than those identified by the Company in the SFS contribute to the cost of capacity. Ideally, a "stress analysis" should be designed to evaluate the probability, under various contingencies, that the Company would be unable to serve its load (loss of load probability ("LOLP"). To the extent such other contingencies contribute to LOLP, it would seem reasonable to take them into consideration when allocating capacity costs among classes. However, none of the methods identified in the Company's SFS is designed to measure LOLP.

Attached for consideration in the Technical Conference is a Memorandum from UIEC expert witness, Jonathan Lesser, reviewing the Company's proposed methods for evaluating "stress" and explaining that none of them is consistent with a LOLP analysis. *See* Attachment 2. The Lesser Memorandum also questions whether the proposed methods would be helpful in allocating costs because none of them reflect actual market conditions and none are consistent with principals of economic efficiency that guide workably competitive markets, including the existing wholesale power markets in the western United States.

Dr. Lesser's Memorandum also suggests that fixed generation costs can be determined and allocated simply by looking at actual hourly market prices, and presents a method by which this could be done. Although there is no retail competition in Utah, there is a vibrant wholesale market for electricity in the West. Any formula designed to estimate and allocate the costs of building generation can and should be tested against actual prices and allocation as determined by the market.

CONCLUSION

The Technical Conference should avoid becoming mired in the pursuit of studies that are not demonstrably relevant to the incurrence and allocation of fixed generation costs. For the reasons discussed in the Memoranda of Mr. Brubaker and Dr. Lesser, the 12 CP method with a 25% energy factor to allocate capacity costs should be abandoned. In fact, any allocator based on complicated metrics and forecasted energy costs is likely to result in rates that neither accurately reflect capacity costs nor send correct pricing signals. If events other than system peak affect capacity costs, they can and should be ascertained through a well-designed LOLP study. Generation capacity costs, in any case, should be based on actual, not forecasted data, verified by a comparison to actual market conditions, and allocated based on the actual contribution of each class to causing them.

DATED this 7th day of August, 2013.

/s Vicki M. Baldwin
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CERTIFICATE OF SERVICE

Docket No. 11-035-200

I hereby certify that on this 7th day of August 2013, I caused to be emailed, a true and correct copy of the foregoing **UIEC'S COMMENTS ON THE COMPANY'S STRESS FACTOR PROPOSAL** to:

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