

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Rocky Mountain Power)
Proposed Schedule 94, Energy Balancing) DOCKET NO. 11-035-T10
Account (EBA) Pilot Program Tariff) PREHEARING ORDER

ISSUED: January 20, 2012

By The Commission:

The purpose of this order is to provide the parties additional guidance concerning the nature and scope of the hearing to be held Tuesday, April 17, 2012, at 9:00 a.m., scheduled in a previous order in this docket.¹

BACKGROUND

On October 12, 2011, PacifiCorp, doing business in Utah as Rocky Mountain Power (“Company”), submitted a proposed new tariff, Schedule 94, pertaining to the recently established Energy Balancing Account (“EBA”) Pilot Program. The Commission directed the Company to make this tariff filing in the September 13, 2011 order approving the settlement stipulation in Docket Nos. 10-035-124 (the Company’s most recent general rate case), 09-035-15, 10-035-14, 11-035-46, and 11-035-47 (“September Order”).

On October 14, 2011, the Commission issued an order finding it in the public interest to suspend proposed Schedule 94, pending further investigation. Thereafter, the Commission held two technical conferences, in part, to review the proposed tariff. At the conferences, parties examined whether the proposed tariff properly implements the relevant Utah statutes and Commission orders, including the March 3, 2011 order defining and approving the EBA mechanism (“EBA Order”), and the September Order.

¹See, Notice of Scheduling Order, Notice of Intervention, and Notice of Hearing, issued December 16, 2011.

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On December 6, 2011, the Commission held a scheduling conference to receive parties' recommendations concerning further evaluation of proposed Schedule 94. On December 16, 2011, pursuant to the schedule produced at the conference, the Company and the following additional parties filed comments recommending issues requiring resolution prior to the proposed tariff becoming effective: the Division of Public Utilities ("Division"), the Office of Consumer Services ("Office"), the Utah Association of Energy Users ("UAE"), and Utah Industrial Energy Consumers ("UIEC"). Following its review of these comments, the Commission publishes this order to clarify the scope of the issues to be examined in this docket and the process for doing so.

DISCUSSION

We emphasize at the outset of this discussion that proposed Schedule 94 is a compliance filing. As such, our inquiry in this docket is limited to questions regarding the proposed tariff's compliance with pertinent statutes and our prior orders. This docket is not a forum for re-litigating positions presented (or that should have been presented) in the prior proceedings which produced the EBA and determined the EBA-related costs that are currently in rates. This proceeding is also not the best forum in which to promulgate EBA administration details. Rather, we have already provided for such details to be addressed to some extent in the Division's report of the working group established pursuant to the EBA Order. Moreover, we expect to further examine such details after the Commission and interested parties gain some experience with the EBA mechanism. For example, additional opportunities to establish

administration details for the mechanism will come in connection with the Division's written evaluations to be filed after the second and third years of EBA operation.²

It is important to bear in mind the EBA is a four-year pilot program. Under the process adopted in our EBA Order, the Company must file annually on March 15, to collect or refund the prior calendar-year's deferred EBA balance. This filing will be subject to Division audit and Commission prudence review. The EBA rates will be interim until this process has been completed.³ Further, as noted above, the EBA Order established a working group, led by the Division, to develop a list of filing requirements and a pilot evaluation plan, along with several other specified duties. The Division has already filed a draft working group report which parties reviewed in a technical conference, and will file the final version of the report for our review and approval. We look forward to the recommendations of the working group. We are confident this input will help to supply the administrative details some parties seek to develop in this proceeding.

In their December 16, 2011 filings, some parties provided comments or questions regarding the factors to be used in allocating PacifiCorp's total system costs to Utah retail customers. We remind parties our September Order approved use of a stipulated scalar for determining Utah's share of total company costs eligible for energy balancing account treatment, and use of energy measured at the point of generation rather than at the meter. The allocation equation we approved in our EBA Order, a different allocation method further described below, is required for reporting purposes only at present. We welcome comments on the compliance of

² See, *In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism*, Docket No. 09-035-15, Corrected Report and Order, March 3, 2011, (the EBA Order), pp. 78-79.

³ *Id.* at 77.

the Company's proposed Schedule 94 EBA calculation with the stipulated scalar. For example, whether the scalar is a fixed value when applied to total company actual costs or a dynamic value calculated using actual loads, is a question within the scope of the upcoming hearing.

We also believe the following explanation of relevant language in the EBA Order will provide additional clarity on the EBA calculation we approved in that order, and that we presently require for reporting purposes.⁴ In the EBA Order we stated: "...the balancing account must be based on Utah's approved factors for allocating total Company costs to the retail customers in Utah. Accordingly, the allocation factors approved in the pending general rate case, Docket No. 10-035-124, shall be used to determine Utah's allocated share of the power-related expenses and revenues approved for balancing account treatment."⁵ By this statement we mean the allocation factors approved in that case will be calculated dynamically. That is, the approved allocation factors and their *general rate case values* will be used to determine Utah's share of the *base* power-related expenses and revenues approved for balancing account treatment, and the approved allocation factors calculated using *actual company load conditions* during the period of balancing account accrual will be used to determine Utah's share of the Company's *actual* power-related expenses and revenues eligible for the EBA.

Additionally, in our EBA Order we stated, "...the collection or refund of any EBA balance must also be based on cost of service. Therefore, we will rely on our most recent general rate case revenue spread and rate design decisions for the spread of the deferred balance

⁴ This report of the EBA Order method of allocating total Company costs to Utah customers shall be filed as part of the March 15 filing to true up the prior year's EBA deferred balance. The purpose of the report is to facilitate comparison of the report's results with the allocation results produced through using the scalar agreed upon in the settlement stipulation approved in the September Order.

⁵ See, *In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism*, Docket No. 09-035-15, Corrected Report and Order, March 3, 2011, (the EBA Order), p.74.

to rate schedules and to rate elements.”⁶ By this statement we mean we will rely on the revenue requirement spread approved in the general rate case decision, consistent with cost of service principles. Rate case cost of service analysis identifies cost causation by function. Thus, the spread of deferred EBA amounts to rate schedules must be consistent with the approved spread of the base EBA costs to rate schedules in the general rate case. We invite parties to provide testimony in this docket on the appropriate factors to apply in achieving a cost-based spread of EBA costs to rate schedules.

In light of the foregoing, we offer the following as further examples of issues raised in the parties’ December 16, 2011 comments that will be appropriate to examine in this proceeding:

1. Whether the proposed tariff adequately details the types of costs that will be recorded in the EBA, consistent with the EBA Order and the September Order;
2. Whether the proposed tariff is consistent with the EBA Order in the manner in which it provides for the finality of rates; and,
3. Whether the proposed tariff’s treatment of carrying charges is consistent with the carrying charge provisions of the EBA Order.

This list is not exhaustive but is illustrative of the key purpose of this proceeding -- to test compliance. Also, in the event any party identifies an aspect of EBA implementation upon which our prior orders are silent, and which requires resolution in order to begin implementation of the mechanism, we will consider proposals to supply the needed information.

Because this is our initial examination of Schedule 94 and the volume of issues raised is relatively extensive, we direct the parties to file their positions in the form of testimony,

⁶ *Id.* at 76-77.

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rather than comments as is the practice in more routine tariff matters. The dates specified in our December 16, 2011 scheduling order will govern the filing of direct, rebuttal, and surrebuttal testimony.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED,

1. That parties may file direct, rebuttal and surrebuttal testimony in this docket according to the schedule set forth in the December 16, 2011, Notice of Scheduling Order, Notice of Intervention, and Notice of Hearing.
2. That such testimony shall be limited to addressing: a) whether proposed Schedule 94 complies with statutes and prior Commission orders, and b) aspects of the EBA mechanism necessary for its implementation on which statutes and prior Commission orders are silent.

DATED at Salt Lake City, Utah, this 20th day of January, 2012.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
D#213809

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 20th day of January, 2012, a true and correct copy of the foregoing Prehearing Order, was served upon the following as indicated below:

By U.S. Mail:

Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, OR 97232

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Administrative Assistant