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Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF)
ROCKY MOUNTAIN POWER TO INCREASE)
RATES BY \$29.3 MILLION OR 1.7)
PERCENT THROUGH THE ENERGY) Docket No. _____
BALANCING ACCOUNT)

**APPLICATION TO INCREASE RATES THROUGH THE ENERGY
BALANCING ACCOUNT**

Rocky Mountain Power, a division of PacifiCorp (“Company” or “Rocky Mountain Power”), hereby submits this application (“Application”) to the Public Service Commission of Utah (“Commission”) pursuant to its proposed energy balancing account mechanism (“EBA”) tariff Schedule 94 (“Tariff Schedule 94”), requesting approval to set the EBA rate for recovery of \$29.3 million, which represents an overall rate increase of 1.7 percent. The Company is proposing to recover approximately \$29.3 million in total deferred costs and interest, including the following cost components: (1) \$9.3 million, representing 70 percent of \$12.9 million, the difference between the actual EBA cost (“EBAC”) and the base EBAC in current base rates for the period beginning October 1, 2011 through December 31, 2011, plus accrued interest; and (2) \$20.0 million, representing the first annual installment of the \$60.0 million total cost recovery of deferred net power costs (“NPC”) for the period prior to September 2011, which the

Company is collecting pursuant to the Settlement Agreement in Docket Nos. 10-035-124, 09-035-15, 10-035-14, 11-035-46 and 11-035-47, among the Company and eight other parties, dated July 28, 2011 (“Stipulation”).

This Application is based on the Company’s assumption that Tariff Schedule 94 is consistent with (1) the Commission’s findings and order approving the Stipulation (“GRC Order”) and (2) its findings and order defining and approving the EBA, issued by the Commission’s March 3, 2011 Corrected Report and Order in Docket No. 09-035-15 (“EBA Order”).

While the Commission has not yet approved Tariff Schedule 94, the hearing for the Tariff Schedule 94 compliance docket (“Compliance Docket”) will be held April 17, 2012. The parties in the Compliance Docket agreed to the date to provide sufficient time for the Commission to approve Tariff Schedule 94 before the interim rates in this case go into effect June 1, 2012. In the event the Commission’s findings and orders include changes to the Company’s proposed Tariff Schedule 94, the Company will incorporate such changes to Tariff Schedule 94 prior to June 1, 2012.

This Application represents the first deferred NPC rate adjustment under Tariff Schedule 94 under the EBA, which became effective October 1, 2011. The proposed deferred EBAC rate increase and percentage varies by rate schedule pursuant to and consistent with the approved rate spread of the base EBAC in the Company’s last general rate case, Docket No. 10-035-124 (“2011 GRC”), as more fully explained below. Rocky Mountain Power respectfully requests that, pursuant to the provisions in Tariff Schedule 94, this increase in Utah rates become effective, on an interim basis, June 1, 2012, subject to further review, hearing and possible refund. In support of its Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation, which provides electric service to retail customers through its Rocky Mountain Power division in the states of Utah, Wyoming and Idaho, and through its Pacific Power division in the states of Oregon, California, and Washington.

2. Rocky Mountain Power is a public utility in the state of Utah and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Utah. Rocky Mountain Power's principal place of business in Utah is 201 South Main, Suite 2300, Salt Lake City, Utah, 84111.

3. Communications regarding this filing should be addressed to:

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Yvonne R. Hogle, Senior Counsel
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In addition, Rocky Mountain Power requests that all data requests regarding this application be sent in Microsoft Word or plain text format to the following:

By email (preferred): datarequest@pacificorp.com
dave.taylor@pacificorp.com

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

Informal questions may be directed to David Taylor, Utah Regulatory Affairs Manager at (801) 220-2923.

4. Tariff Schedule 94 permits the Company to monitor total NPC on an unbundled basis apart from other investments and expenses included in base rates and to account for historical actual NPC that may be over or under the amount recovered in base rates through the EBA.

5. Under Tariff Schedule 94, the Company files a deferred NPC adjustment application annually on or before March 15. This Application is the first deferred NPC rate adjustment under the EBA. Tariff Schedule 94 includes provisions for an annual interim rate effective date of June 1.

6. The EBA deferral calculation consists of two revenue requirement components: NPC and wheeling revenue. NPC are defined as the sum of fuel expenses, wholesale purchased power expenses, wheeling expenses, less wholesale sales revenue. Wheeling revenue includes amounts booked to the Federal Energy Regulatory Commission account 456.1, Revenues from transmission of electricity of others. Collectively, the two components are known in Tariff Schedule 94 as Energy Balancing Account Costs or EBAC.

7. The deferred EBAC is determined pursuant to Tariff Schedule 94 by comparing, in a deferral period, the actual NPC and wheeling revenue to the total base NPC recovered in rates as established in a general rate case, with 70 percent of the difference being deferred for later recovery from or refund to customers.

8. For this Application only, the deferral period is a three month period beginning October 1, 2011 through December 31, 2011 (“Deferral Period”). Because of the timing of the effective date of the EBA, the Deferral Period is nine months shorter than it will be in subsequent applications.

9. The request in this Application includes two components: (a) the EBA deferral amount (“EBA Deferral Amount”) of approximately \$9.3 million (including (i) \$9,003,977 over the Deferral Period, plus \$53,320 of accrued interest and (ii) \$228,708 in interest that will accrue on the EBA deferral account balance prior to the effective date of June 1, 2012); and (b) an incremental \$20 million surcharge that represents the first of a three-year amortization of NPC previously deferred on the Company’s books prior to September 20, 2011 that the Company is recovering pursuant to the Stipulation.

10. Actual NPC were higher than Base NPC during the Deferral Period mainly as a result of the decline in wholesale electricity and natural gas market prices as compared to prices reflected in the 2011 GRC. The change to wholesale market prices resulted in a re-optimization of the Company’s supply portfolio to achieve the lowest NPC for customers. The lower market prices resulted in reduced coal and natural gas generation volumes, which in return resulted in reduced wholesale sales and increased purchased power volumes.

11. The Company calculated the EBA Deferral Amount using the all-party stipulated methodology in the Stipulation (“Stipulated Scalar”) approved by the Commission in the GRC Order.

12. Consistent with the GRC Order, the Company also calculated the amount that would have resulted from using the EBA formula detailed in the EBA Order.

13. The different approaches used in each method for computing Utah-allocated NPC for the EBA are discussed in Mr. Steven McDougal’s Direct Testimony.

Deferred Net Power Cost Adjustment

14. Pursuant to Tariff Schedule 94, the deferred EBAC adjustment is calculated monthly and recorded as a deferred expense on the Company’s books. Mr.

Brian Dickman's Direct Testimony, **Exhibit RMP___(BSD-1)**, shows the detailed calculation of the EBA Deferral Amount. Actual Adjusted Total NPC from October 1, 2011 through December 31, 2011 were approximately \$367 million, shown on line 1. This was \$22 million higher than the \$345 million Base NPC from the Stipulation.

15. After applying the Stipulated Scalar shown on line 4, Utah's actual NPC before wheeling revenues were approximately \$150.2 million shown on line 7. After crediting both Utah actual firm wheeling revenues of approximately \$6.0 million shown on line 10 and Utah actual non-firm wheeling revenues of \$703,065 shown on line 13, Utah actual EBAC were approximately \$143.4 million shown on line 14.

16. In comparison, Utah Base EBAC were approximately \$135.5 million shown on line 17. The deferred EBAC prior to application of the cost-sharing band is approximately \$12.9 million on line 22, and represents the difference between Adjusted Actual NPC and Base NPC.

17. The Deferred EBAC, after applying the 70 percent EBA sharing band, is approximately \$9.03 million on line 25. Interest provisions for the Deferral Period (October 1, 2011 through December 31, 2011) are on lines 26-30, and interest from the end of the Deferral Period is \$53,320, for a total ending deferral amount of approximately \$9.06 million, shown on line 31. The Company then added approximately \$229,000 in accrued interest through June 1, 2012 shown on line 32, for a total Deferral Amount of approximately \$9.3 million. Finally, a \$20 million stipulated deferred NPC amortization amount was added, shown on line 32, for a total EBA recovery amount of approximately \$29.3 million shown on line 33.

18. As previously stated, the Company also calculated, for informational purposes, the deferral amount that would have resulted from using the EBA formula

detailed in the EBA Order. The Calculation is provided in Mr. Brian Dickman's Direct Testimony, **Exhibit RMP___(BSD-2)**.

19. The Company has provided work papers on a compact disk ("CD") to support **Exhibit RMP___(BSD-1)**. An index to these work papers is included as **Exhibit RMP___(BSD-3)**. The workpapers are generally consistent with the information provided to the Division of Public Utilities ("Division") in response to data request DPU 1.1 in the EBA tariff proceeding, Docket No. 11-035-T10. In addition, the Company includes on a CD certain additional filing requirements proposed in the DPU's EBA Pilot Program Evaluation Plan filed with the Commission in Docket No. 09-035-15.

Proposed Tariff Sheets

20. The Company's proposal is to spread the EBA revenue across customer classes consistent with the approved spread of the base EBA costs to rate schedules in the 2011 GRC.

21. In the Stipulation on Cost of Service, Rate Spread and Rate Design in the 2011 GRC, parties agreed that any rate change should be spread according to the percentages of the revenue requirement increase reflected in Exhibit A to the Stipulation (Paragraph 5).

22. The table below summarizes the proposed price changes by tariff rate schedule. Mr. William Griffith's Direct Testimony, **Exhibit RMP___(WRG-1)**, displays the Company's proposed rate spread which is consistent with the rate spread from the 2011 GRC, as discussed above. The proposal would result in an overall increase of 1.7 percent to tariff customers in Utah. Mr. Griffith's Direct Testimony, **Exhibit RMP___(WRG-2)**, includes billing determinants and the calculations of the proposed EBA

rates in this case. Mr. Griffith's Direct Testimony, **Exhibit RMP___(WRG-3)**, contains the proposed rates for Tariff Schedule 94.

Customer Class	Proposed Percentage Change 2012 EBA
Residential	
Schedules 1, 2, 3	1.8%
General Service	
Schedule 23	1.5%
Schedule 6	1.5%
Schedule 8	1.8%
Schedule 9	2.0%
Irrigation	
Schedule 10	1.7%
Public Street and Area Lighting Schedules	
Schedules 7, 11, 12	0.0%
Schedule 15	1.7%

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission approve interim rates as provided in Tariff Schedule 94 to recover the costs identified in this Application, as filed, with an effective date of June 1, 2012.

DATED this 15th day of March 2012.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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