

Mark C. Moench (2284)  
Yvonne R. Hogle (7550)  
Rocky Mountain Power  
201 South Main Street, Suite 2300  
Salt Lake City, Utah 84111  
Tel. 801.220.4459  
Fax 801.220.4058  
[mark.moench@pacificorp.com](mailto:mark.moench@pacificorp.com)  
[yvonne.hogle@pacificorp.com](mailto:yvonne.hogle@pacificorp.com)

Gregory B. Monson (2294)  
D. Matthew Moscon (6947)  
Stoel Rives, LLP  
201 South Main Street, Suite 1100  
Salt Lake City, Utah 84111  
Tel. 801.578.6946  
Tel. 801.578.6985  
Fax 801.578.6999  
[gbmonson@stoel.com](mailto:gbmonson@stoel.com)  
[dmmoscon@stoel.com](mailto:dmmoscon@stoel.com)

*Attorneys for Rocky Mountain Power*

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of )	
Rocky Mountain Power for Authority )	
To Increase its Retail Electric Utility )	DOCKET NO. 13-035-184
Service Rates in Utah and for Approval )	
of Its Proposed Electric Service )	
Schedules and Electric Service )	
Regulations. )	

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**APPLICATION FOR GENERAL RATE INCREASE**

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Rocky Mountain Power (“Rocky Mountain Power” or “Company”) hereby submits its application (“Application”) to the Public Service Commission of Utah (“Commission”) requesting approval of an increase in its retail electric utility service rates in Utah in the amount of \$76.3 million, or 4.0 percent, and approval of its proposed

electric service schedules and electric service regulations to become effective September 1, 2014 in accordance with the 240-day period provided under Utah Code Ann. § 54-7-12(3). In support of the Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an Oregon corporation that 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. The Company serves approximately 830,000 customers and has approximately 2,400 employees in Utah. Rocky Mountain Power's principal place of business in Utah is 201 South Main Street, Suite 2300, Salt Lake City, Utah 84111.

3. Communications regarding this filing should be addressed to:

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

Yvonne R. Hogle  
Senior Counsel  
Rocky Mountain Power  
201 South Main Street, Suite 2300  
Salt Lake City, Utah 84111  
[yvonne.hogle@pacificorp.com](mailto:yvonne.hogle@pacificorp.com)

D. Matthew Moscon  
Stoel Rives LLP

201 South Main Street, Suite 1100  
Salt Lake City, Utah 84111  
[dmmoscon@stoel.com](mailto:dmmoscon@stoel.com)

In addition, Rocky Mountain Power requests that all data requests regarding the Application be sent in Microsoft Word or plain text format to the following:

By email (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

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

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

#### **REQUEST FOR AUTHORITY TO INCREASE RATES**

4. The Application complies with the minimum filing standard and requirements established by the Commission in Utah Admin. Code R746-700-10 through R746-700-23 - for a general rate case filing. Attachment 1 to the Application lists each filing requirement and the location of the responsive information which can be found in Attachment 1, in the testimony or within folders saved on the enclosed CDs.

5. The Application includes only those elements of the revenue increase request necessary to maintain and provide safe and reliable service to the Company's customers at a level they deserve.

6. Pursuant to applicable Utah law and Commission rules, Rocky Mountain Power hereby requests authority to increase its retail rates in Utah by an amount of \$76.3 million. Rocky Mountain Power's request is based upon a forecast test year ending June 2015 ("Test Period"), using a 13 month average rate base with a historical base period of 12 months ending June 30, 2013, and a return on equity ("ROE") of 10.0 percent.

7. On November 5, 2013, the Company filed with the Commission a Notice of Intent to File a Rate Case, requesting approval of the Company's proposed Test Period in its next general rate case, based on the stipulation reached among the signing parties in the 2012 Utah general rate case, Docket No. 11-035-200 ("2012 General Rate Case"). In the stipulation, the signing parties agreed they would not oppose the use of a forecast test period that ended no later than 15 months from the end of the month in which the Company filed its next rate case application, using a 13 month average rate base. The Test Period in this case meets such parameters, and no party opposed it. The Commission subsequently issued an order December 10, 2013 approving the Test Period, noting the stipulation and the fact that no one opposed the Company's use of the Test Period.

8. Based on the Utah-allocated adjusted results of operations for the Test Period, the Company is far from achieving its authorized ROE of 9.8 percent. The Company's Utah results of operations through June 2013 indicate the Company has only achieved a ROE of 8.5 percent. The revenue increase for which approval is requested is based, in part, on a ROE of 10.0 percent as recommended by Dr. Samuel C. Hadaway. Dr. Hadaway's recommendation is based on his analysis, specifically described in his testimony, that an ROE of 10.0 percent is comparable to the average allowed for vertically integrated utilities for the first three quarters of 2013, and consistent with the higher interest rates expected while rates from this case will be in effect. An overall price increase of \$76.3 million would be required to produce the 10.0 percent ROE under the approved 2010 Protocol allocation method, described in the Agreement Pertaining to PacifiCorp's September 15, 2010 Application for Approval of Amendments to Revised

Protocol Allocation Methodology filed with the Commission on June 27, 2011, under Docket No. 02-035-04 and approved by the Commission on November 8, 2011.

### **PRIMARY COST DRIVERS**

9. The Company's requested increase in rates is driven by several main drivers. First, the filing includes costs related to several major capital improvement projects including (a) the Lake Side 2 generation plant, expected to go into service June 2014 and (b) the Sigurd-Red Butte transmission line, projected to go into service June 2015. In addition, the Mona-Oquirrh transmission line, which was fully described and previously found prudent in the 2012 General Rate Case, is included in this case as a fully annualized project. In total, increases in capital related costs comprise approximately \$37.0 million of the total requested increase in this case. These projects are required to continue to provide safe, adequate, and reliable service to customers and to comply with regulatory mandates.

10. Another significant driver is related to retail sales forecasts that are lower than projected in the 2012 General Rate Case. As was observed in the 2012 General Rate Case, retail demand continues to decline, confirming a downward trend in usage primarily among the Company's residential customers. The Company's fixed costs are being spread over fewer purchased kWh. Consequently, revenues in this case are approximately \$42.0 million lower than the forecast used to set currently effective rates in the 2012 General Rate Case. The decline in revenue is partially offset by revenue requirement reductions due to the impact on net power costs and a lower allocation of system costs to Utah associated with the reduction in Utah MWh sales.

11. Another significant driver is the reduction in renewable energy credit (“REC”) revenues. The projected REC revenue is \$3.7 million total company and \$2.0 million on a Utah-allocated basis. The Utah allocated amount represents an 80 percent reduction from \$10.0 million currently reflected in rates. The reduction in REC revenue accounts for approximately \$8.0 million of the proposed rate increase.

12. Fourth, the impact associated with the revised depreciation rates approved by the Commission on September 11, 2013 in Docket No. 13-035-02 is also a cost driver in this case. Revised depreciation rates contribute approximately \$8.5 million to the overall increase in this case.

13. Finally, although the level of the increase in Net Power Costs (“NPC”) in this case is lower than it has been historically, approximately \$5.1 million of the rate increase request is directly attributed to increased NPC.

14. The foregoing cost drivers are offset by approximately \$34.0 million in wheeling revenues and lower distribution, customer service and operations and maintenance expense.

#### **RATE SPREAD**

15. The Company is proposing to allocate the revenue increase to customer classes based upon the cost of service study included in the Application. The proposed rate spread is designed to reflect cost of service results while balancing the impact of the rate change across customer classes.

16. The table below summarizes the proposed rate schedule changes for each listed customer class.

<b>Customer Class</b>	<b>Proposed Percentage Change from Rates In Effect on the date of Application</b>
<b>Residential</b>	5.1%
<b>General Service</b>	
Schedule 6	2.1%
Schedule 8	4.1%
Schedule 9	6.1%
Schedule 23	3.1%
<b>Irrigation</b>	6.1%

**RATE DESIGN**

17. Rocky Mountain Power proposes to generally increase rate components on a uniform basis and to increase the Customer Charge for Schedules 6, 8, 9, 23, and irrigation customers to achieve the schedule changes in the rate categories set forth above.

18. To address challenges the Company is facing as a result of increased customer self-generation and declining customer usage, more particularly explained in Ms. Joelle R. Steward's direct testimony, the Company is proposing certain necessary changes to rate design.

19. For example, Rocky Mountain Power is proposing to increase the current residential Customer Charge by \$3.00 per month from \$5.00 to \$8.00 per month. As observed and confirmed by past cases, the current Customer Charge fails to recover the related fixed costs of serving residential customers, including the cost of meters, service drops, poles and conductors, transformers, and retail service. The proposed changes to residential rates will improve recovery of fixed costs, reduce revenue volatility, and minimize subsidization within the residential customer class.

20. The Company further proposes to increase the minimum bill for residential customers from \$7.00 to \$15.00 per month. Despite the Company's preference

to discontinue the minimum bill in the past, it has been supported by the Office of Consumer Services and Salt Lake Community Action Program on the basis that it helps the Company recover fixed costs from very low use customers. In this case, the Company recommends that it be increased as set forth herein.

21. Rocky Mountain Power is also proposing to implement a net metering facilities charge of \$4.25 per month for residential net metering customers, as more particularly described in Ms. Steward's direct testimony.

22. The Company is proposing a \$1.60 increase in the Low Income Lifeline Credit. This will increase the current credit from \$11.00 per month to \$12.60 per month. Since the credit level has not been changed since 2009, the Company's position is that the proposed change to the credit reasonably reflects changes in residential rates over time and the proposed increase in this case. Additionally, it mitigates the impact of the proposed increase in the Customer charge on low income customers.

### **BILLING DETERMINANTS**

23. The testimony of Ms. Steward contains a summary of present and proposed prices along with the billing determinants used in preparing the pricing proposals in the case.

### **NONSTANDARD METERING ACCOMMODATIONS FROM SCHEDULE 7**

24. In accordance with the Commission's direction in its order in Docket No. 13-035-T03 that the Company provide an update on the initial use of its non-standard metering accommodation provisions in Schedule 7, to date, seven (7) customers have chosen a non-standard metering accommodation. All of them chose to exchange a standard meter for an approved non-standard meter. From April 1, 2013 through October



31, 2013, the Company collected, for non-standard metering accommodations, \$2,509.00, representing \$0 for meter relocation; \$1,981.00 for non-standard meter installation; and, \$528 for manual meter reading fees.

**WITNESSES - PREFILED WRITTEN TESTIMONY**

25. The Application and the requests made herein are supported by the prefiled written direct testimony and exhibits of the following witnesses, all of which are submitted as attachments to the Application:

- **A. Richard Walje**, President, Rocky Mountain Power, will provide an overview of the Company's 2014 General Rate Case filing and policy considerations related to the Application. He will also explain the Company's proposed increase in electric utility rates in the amount of \$76.3 million.
- **Steven R. McDougal**, Director, Revenue Requirement, will present the Company's overall revenue requirement based on the forecasted results of operations for the Test Period. He will describe the sources of the forecast data and present certain normalizing adjustments related to revenue, operations and maintenance expense, depreciation and amortization, taxes, and rate base.
- **Bruce N. Williams**, Vice President and Treasurer, will testify concerning the Company's cost of debt, preferred stock and capital structure including the Company's overall return on rate base of 7.72 percent requested in this case.
- **Dr. Samuel C. Hadaway**, FINANCO, Inc., will testify concerning the Company's proposed return on equity.
- **Kelcey A. Brown**, Manager, Load Forecasting, will testify on the forecast test period loads and sales in Utah. She will explain how she computed Utah sales during the

Test Period in this case, the changes in methodology, how the forecast compares to historical results and the time period used in the 2012 General Rate Case upon which existing rates are based.

- **Gregory N. Duvall**, Director, Long Range Planning and Net Power Costs, will describe the Company's total NPC and the influences that are driving up total NPC beyond the level approved in the 2012 General Rate Case. He will also describe the Energy Imbalance Market ("EIM") and how it will affect NPC in this case.
- **Cindy A. Crane**, Vice President of Inter-West Mining, will specifically address the issue of rising coal costs and the cost drivers associated with fuel.
- **Stacey J. Kusters**, Director of Origination in Commercial and Trading, PacifiCorp Energy, will provide testimony describing the reduction in REC revenues.
- **Chad A. Teply**, Vice President of Resource Development and Construction, PacifiCorp Energy, will provide testimony in support of the capital investments in the new Lake Side 2 combined cycle combustion turbine natural gas fueled resource, certain pollution control equipment retrofits on existing coal fueled resources, and other significant generation plant projects being placed in service during the Test Period.
- **Dana M. Ralston**, Vice President of Thermal Generation, will testify on the operations and maintenance expenses related to the thermal generation fleet.
- **Mark R. Tallman**, Vice President of Renewable Resources, will testify on an addition to the Company's Lewis River hydro generation plant required to comply with the license issued by FERC.

- **Natalie L. Hocken**, Senior Vice President of Transmission and System Operations, will testify on capital investments in the Company's main grid transmission system.
- **Douglas N. Bennion**, Vice President, Engineering Services and Capital Investment, will explain the Company's capital investments in transmission and distribution facilities to serve customer loads and deliver reliable power in Utah.
- **Erich D. Wilson**, Director, Human Resources, will describe the Company's compensation and benefit plans, and explain why the Company's incentive and base compensation, retirement and healthcare costs should be included in rates.
- **Douglas K. Stuver**, Senior Vice President and Chief Financial Officer, addresses the Company's treatment of costs related to pensions and other post-retirement benefits.
- **Joelle R. Steward**, Director, Pricing, Cost of Service, & Regulatory Operations, will present the Company's rate spread and rate design proposals and the Company's class cost of service study.
- **Jeffrey M. Kent**, Director Distribution, will present a proposed reduction to the Company's pole attachment rate.

**WHEREFORE**, by this Application, Rocky Mountain Power respectfully requests that the Commission:

1. Authorize an increase in the Company's retail electric utility service rate in an amount of \$76.3 million.
2. Approve the rate design proposals recommended by the Company including, without limitation, the implementation of a net metering facilities charge.

3. Allow any benefits that materialize as a result of the EIM to flow through the energy balancing account (“EBA”).
4. Authorize the Company to include the CAISO administrative fee in the EBA on a permanent basis.
5. Authorize the Company to include operations and maintenance and capital expenses associated with EIM in the EBA until the next general rate case.
6. Alternatively, if the Commission does not approve the EBA treatment of the EIM costs and benefits described above, approve the deferral of non-NPC EIM costs as a regulatory asset in Account 182 for later inclusion in customer rates.
7. Approve the Company’s proposed electric service schedules.

DATED this 3<sup>rd</sup> day of January, 2014.

Respectfully submitted,

ROCKY MOUNTAIN POWER



Mark C. Moench (2284)  
Yvonne R. Hogle (7550)  
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Salt Lake City, Utah 84111  
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[gbmonson@stoel.com](mailto:gbmonson@stoel.com)  
[dmmoscon@stoel.com](mailto:dmmoscon@stoel.com)  
*Attorneys for Rocky Mountain Power*