

ACTION REQUEST

Date: January 7, 2016

FROM: Public Service Commission

Due: February 26, 2016 *

SUBJECT: RMP 2014 Year End Cost of Service Results 15-035-51
(Company Name, Case Number, etc.)

This is a request for the Division to provide analysis, evaluation results, and the basis for conclusions and recommendations regarding the following:

- Review for Compliance and Make Recommendations
- Review Application and Make Recommendations
- Analyze the Complaint
- Review Notice and Make Recommendations
- Review Request for Agency Action and Make Recommendations
- Respond in Accordance with the Notice of Filing and Request for Comments
- Investigate
- Other – Explanation and Statement of Issues to be Addressed (See Below):

EXPLANATION AND STATEMENT OF ISSUES TO BE ADDRESSED:

RE: Docket No. 15-035-51, Cost of Service Issues

Review and make recommendations on PacifiCorp's ("Company") Annual Class Cost of Service Study 2014 filed on June 15, 2015, based on the year-end 2014 Results of Operations; corrected on June 26, 2015. The purpose of the historical class cost of service study is to understand how

*In the event the Commission issues an order or notice providing dates for comments and/or testimony in this docket:

- The Division shall respond consistent with the order or notice;
- The order or notice, including any deadlines, shall supersede and replace this action request; and
- This action request shall be deemed withdrawn.

each rate schedule is actually performing at year end given cost of service and rate design decisions.

1. In reporting its normalized (Type A plus Type B) jurisdictional results of operations for the year 2014, the Company includes Adjustment 3.6 (REC and NPC accruals), an adjustment to revenues reflecting the deferrals in the balancing accounts. This adjustment is omitted in its class cost-of-service study. Please explain why this adjustment is treated differently in the two studies.
2. In its class cost-of-service study, the Company allocates the jurisdiction's revenue credits to functions using the relative total cost-of-service of functions assuming all functions earn the jurisdiction's earned rate of return. The revenue credits allocated to each function are then allocated to classes using the relative total cost-of-service of classes, where the income of a class reflects the jurisdiction's earned rate of return and the income tax of a class reflects its own earned rate of return. The revenue credits allocated to a class do not vary with changes in the allowed rate of return or class revenue requirement.

Alternatively, the jurisdiction's revenue credits can be directly allocated to classes using the relative net cost-of-service for classes, i.e., the revenue requirement for accounts 440-445, where the income and income tax of a class reflect the allowed rate of return. What are the relative merits of the two approaches?

3. In its class cost-of-service study the Company uses the jurisdictional average uncollectible rate to calculate for each class the change in revenues required to achieve an allowed rate of return. This is equivalent to assuming all classes receive an equal percentage change in their revenues (assigned to accounts 440-445). When classes do not receive an equal percentage change, should class-specific uncollectible rates be used?

*In the event the Commission issues an order or notice providing dates for comments and/or testimony in this docket:

- The Division shall respond consistent with the order or notice;
- The order or notice, including any deadlines, shall supersede and replace this action request; and
- This action request shall be deemed withdrawn.