

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of a Request for Agency Action
to Review the Carrying Charges Applied to
Various Rocky Mountain Power Account
Balances

DOCKET NO. 15-035-69

ORDER

ISSUED: January 20, 2016

SHORT TITLE

PacifiCorp Carrying Charge Account Interest Rates

SYNOPSIS

The Commission approves a carrying charge interest rate for the Demand-Side Management Balancing Account, the Renewable Energy Credit Balancing Account, the Home Energy Lifeline Program, the Solar Incentive Program, the Blue Sky Program, customer security deposits, and customer overpayments based on the average of the annual Aaa and Baa corporate bond interest rates for the previous year as published by the Federal Reserve Board of Governors, effective March 1, 2016. The Commission also approves updating the carrying charge interest rate for these accounts on March 1 of each subsequent year using the same method.

I. PROCEDURAL HISTORY

On August 11, 2015, the Utah Division of Public Utilities (Division) filed a request for agency action seeking review of the carrying charges applied to various PacifiCorp, dba Rocky Mountain Power (PacifiCorp), accounts, pursuant to Utah Code Ann. §§ 54-4a-1 and 63G-4-201 and Utah Admin. Code R746-100-3. The request asks the Commission to open a docket to review and possibly modify the annual carrying charges applied to various PacifiCorp accounts identified in its Tariff P.S.C.U. No. 50 (Tariff).

On September 2, 2015, the Commission held a scheduling conference and issued a Scheduling Order and Notices of Technical Conference and Hearing (Scheduling Order). Pursuant to the Scheduling Order, the Commission held a technical conference on September 29, 2015, at which PacifiCorp presented a spreadsheet containing information on the various accounts subject to carrying charges. At the conclusion of the technical conference, PacifiCorp agreed to provide a revised spreadsheet to reflect the discussion and input during the technical conference.

On October 21, 2015, PacifiCorp provided both an updated spreadsheet summarizing its accounts subject to carrying charges and a spreadsheet demonstrating the calculation of PacifiCorp's allowance for funds used during construction (AFUDC) rate for 2014. On October 27, 2015, the Division filed a memorandum recommending the Commission "adopt the average of the annual Aaa and Baa Corporate interest rates for the preceding calendar year . . . effect[ive] . . . March 1, 2016 and . . . the[reafter] on [each] March 1 . . ."¹. On November 3, 2015, the Commission issued an action request to the Division requesting any explanations of or

¹ Division Memorandum at 8, filed October 27, 2015.

recommendations on the interest rate for short term debt used by PacifiCorp in its 2014 AFUDC rate calculation of 15.4979 percent. On November 18, 2015, the Division responded to the Commission's action request concluding that "... [it] believes that [PacifiCorp's] explanation [for the AFUDC rate calculation] is plausible and recommend[ing] that the Commission take no action."²

The following parties requested and the Commission granted intervention status in this docket: the Utah Association of Energy Users (UAE), Utah Clean Energy (UCE), and Southwest Energy Efficiency Project (SWEEP).

On November 19, 2015, PacifiCorp, the Office of Consumer Services (Office), and UCE and SWEEP, jointly, filed comments on the Division's October 27, 2015 memorandum. On December 2, 2015, the Division, the Office, PacifiCorp, UAE, and UCE and SWEEP jointly, filed reply comments.

On December 10, 2015, the Commission's designated presiding officer convened a hearing to examine the carrying charge interest rate issue.

II. CARRYING CHARGES

At issue are PacifiCorp's carrying charge interest rates associated with eight program accounts (Carrying Charge Program Accounts). The interest rates for these accounts currently range from 5.20 percent to 7.76 percent as identified in PacifiCorp's October 27, 2015 revised spreadsheet summarized in the table below.

² Division Action Request Response at 2, filed November 18, 2015.

Table 1. PacifiCorp’s Carrying Charge Program Accounts

Account Description	Current Carrying Charge Interest Rate	Is interest rate fixed or variable? If variable, the benchmark is provided.	Reference Docket(s)/ Order date	Interest Rate Stipulated or Agreed to
Demand-Side Management (“DSM”)	7.76%	Variable. Tied to PacifiCorp’s “then-current” ³ AFUDC rate.	Docket No. 02-035-T12, ⁴ Order dated October 3, 2003.	Yes
Renewable Energy Credit Balancing Account (“RBA”)	5.20%	Variable. Tied to cost of debt from most recent general rate case.	Docket No. 10-035-14, ⁵ Order dated September 13, 2011.	Yes
Energy Balancing Account (“EBA”)	6%	Fixed.	Docket No. 09-035-15, ⁶ Order dated March 2, 2011.	No
Customer Security Deposits	6%	Fixed.	Docket No. 97-035-01, ⁷ Order dated March 4, 1999.	No
Home Energy Lifeline	5.20%	Variable. Tied to cost of debt from most recent general rate case.	Docket No. 13-035-190, ⁸ Commission Correspondence dated October 9, 2014.	No

³ “In the Matter of Demand Side Management Cost Recovery by PacifiCorp dba Utah Power & Light Company,” Docket No. 02-035-T12, Stipulation at 4, filed August 29, 2003.

⁴ See *id.*

⁵ See “In the Matter of the Application of the Utah Association of Energy Users for a Deferred Accounting Order Directing Rocky Mountain Power to Defer Incremental REC Revenue for Later Ratemaking Treatment,” Docket No. 10-035-14.

⁶ 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.

⁷ See “In the Matter of the Investigation Into the Reasonableness of Rates and Charges of PacifiCorp, dba Utah Power & Light Company,” Docket No. 97-035-01.

⁸ See “In the Matter of Low Income Lifeline Reports,” Docket No. 13-035-190.

Account Description	Current Carrying Charge Interest Rate	Is interest rate fixed or variable? If variable, the benchmark is provided.	Reference Docket(s)/ Order date	Interest Rate Stipulated or Agreed to
Solar Incentive	6.0%	Fixed.	Docket No. 11-035-104, ⁹ Order dated October 1, 2012. ¹⁰	No
Blue Sky	7.57%	Variable. Tied to PacifiCorp's authorized rate of return.	Docket No. 07-035-T13, ¹¹ Order dated September 6, 2007. ¹²	No
Customer Overpayments	6%	Fixed.	Docket No. 97-035-01, Order dated March 4, 1999. ¹³	No

III. DIVISION RECOMMENDATION

The Division's recommendation on carrying charge interest rates addresses two items: First, the Division recommends setting the carrying charge interest rate for the Carrying Charge Program Accounts at the average of the annual Aaa and Baa corporate bond interest rates for the previous calendar year as published by the Federal Reserve Board of Governors, effective March 1, 2016. Second, the Division recommends updating the carrying charge interest rate annually on March 1 of each subsequent year. In support of its carrying charge interest rate recommendation,

⁹ See "In the Matter of the Investigation into Extending and Expanding the Solar Incentive Program and Possible Development of an Ongoing Program," Docket No. 11-035-104.

¹⁰ We note, however, that the interest rate for this program is not specifically addressed in the October 1, 2012 Order but is included in PacifiCorp's August 10, 2012 Application in this matter.

¹¹ See "In the Matter of Rocky Mountain Power's Proposed Revisions to Schedule 70, Renewable Energy Rider, Optional and 72, Renewable Energy Rider, Optional - Bulk Purchase Option," Docket No. 07-035-T13.

¹² We note that this order and the associated testimony only indicates that "[a]t the Technical Conference held August 7, 2007, [PacifiCorp] and the other parties discussed drafts of proposed schedules . . . revising a Special Condition to include interest on the balances in the regulatory liability account..." *Id.*, Order Approving Tariff Revisions with Certain Conditions at 7-8, issued September 6, 2007.

¹³ See *supra* n.7. We note that we were unable to identify a reference to "customer overpayments" in the March 4, 1999 order but accept that the current carrying charge interest rate for customer overpayments is 6 percent.

the Division asserts that a readily available long-term rate is appropriate “[s]ince longer-term interest rates are typically more stable, and because the short-term rates are . . . subject to manipulation by federal monetary policy.”¹⁴

The Division identifies the eight program accounts listed in Table 1 to which carrying charge interest rates at issue in this docket apply.¹⁵ The Division explains that, with the exception of Customer Deposits and Customer Overpayments, for which the carrying charge interest only accrues to the customer, the carrying charge interest can either accrue to PacifiCorp (i.e., in the case of an *under-collected* balance) or to customers (i.e., in the case of an *over-collected* balance).¹⁶

The Division states that in a prior investigation of carrying charge interest rates it identified that in the mid-1990s, when the Commission adjusted PacifiCorp’s carrying charge interest rate for customer security deposits and overpayments from 9 percent to 6 percent, the 90-day commercial paper rate was about 5.5 percent and the long-term bond and bank prime lending rates were about 1.5 to 2.5 percent above the 6 percent rate.¹⁷ The Division observes that the current bank prime lending rate is 3.25 percent (where it has been since 2009), the average of the September 2015 Aaa and Baa corporate bond rates is approximately 4.70 percent, and the 90-day commercial paper rate is about 0.14 percent.¹⁸ The Division maintains that a 6 percent interest rate established in the 1990s for security deposits and overpayments “fit comfortably within the

¹⁴ Division Memorandum at 8, filed October 27, 2015.

¹⁵ *See id.* at 3.

¹⁶ *See id.*

¹⁷ *See id.* at 6 (referencing “In the Matter of a Request for Agency Action to Review the Carrying Charges Applied to Various Questar Gas Company Account Balances,” Docket No. 14-057-32).

¹⁸ *See id.*

range of short[-] and long-term rates.”¹⁹ The Division asserts this is no longer the case as demonstrated in DPU Exhibit 2, entitled Interest Rate Comparison.²⁰

Regarding the interest rates for the RBA and the Home Energy Lifeline Program (HELP) based on the cost of debt established in the most recent general rate case, the Division asserts that “th[is] embedded [debt] rate does not reflect the actual borrowing rate of [PacifiCorp] at any point in time.”²¹ Rather, the Division maintains that this rate “is [the] weighted average of rates spanning decades.”²² The Division believes the carrying charge interest rates should more closely reflect PacifiCorp’s actual current borrowing costs, which would both tend to keep PacifiCorp whole in under-collected situations and ensure PacifiCorp is paying reasonably current market-based rates in over-collected situations.²³

Concerning the DSM Account and Blue Sky Program interest rates based on PacifiCorp’s AFUDC and authorized rate of return, respectively, the Division believes these programs’ carrying charge interest rates also should more closely reflect PacifiCorp’s current borrowing rate.²⁴ The Division asserts that PacifiCorp’s shareholders should not be rewarded because PacifiCorp temporarily lends money to a program.²⁵ The Division asserts that “[t]ypically, the DSM sur-charge [sic] was set with the intent to zero out the DSM balance yearly”²⁶ but notes that the DSM balance has been in an under-collected status at three periods in time.²⁷ The

¹⁹ *Id.*

²⁰ *See id.*, Exhibit 2.

²¹ *Id.* at 7.

²² *Id.*

²³ *See id.*

²⁴ *See id.*

²⁵ *See id.*

²⁶ *Id.* at 5.

²⁷ *See id.*

Division believes the carrying charge rate for more recently established accounts (e.g., EBA and the Solar Incentive Program) was set for consistency with the rates used in other accounts and was not necessarily reflective of interest rates in effect at the time the account was established.²⁸

The Division acknowledges that “there is no perfect, one-size-fits-all [carrying charge] rate”²⁹ but believes there should be consistency in the interest rates at issue in this docket.³⁰ Moreover, the Division believes there should be a “rough relationship between the carrying charge [interest rate] and the risk of recovery”³¹ and that “it is unreasonable to expect [PacifiCorp] to be able to meaningfully control funds flowing into or out of these accounts over lengthy time periods.”³² Thus, the Division concludes “that a single interest rate balancing the interests of rate payers and [PacifiCorp] that has been employed to date, combined with continued regulatory monitoring of the account balances . . . [appears] . . . to be the most reasonable approach.”³³

In support of its recommendation to annually update the carrying charge interest rate, the Division asserts that periodically revising the carrying charge interest rate will keep it in line with current market rates.³⁴ The Division explains that the March to February fiscal year will allow the Division to collect and evaluate the data from the preceding calendar year.³⁵

²⁸ *See id.* at 2.

²⁹ *Id.* at 7.

³⁰ Hr’g Tr. at 16:24-25.

³¹ Division Memorandum at 7, filed October 27, 2015.

³² *Id.* at 7-8.

³³ *Id.* at 8.

³⁴ *See id.*

³⁵ *See id.*

IV. COMMENTS

A. PacifiCorp

PacifiCorp disagrees with the Division's proposal on both the uniform carrying charge interest rate and the frequency and procedure for updating the interest rate. PacifiCorp contends its pre-tax cost of capital of 10.65 percent set in Docket No. 13-035-184³⁶ is the appropriate carrying charge rate because it comports with how PacifiCorp finances its rate base.³⁷ In light of the cost of capital components approved in that docket, PacifiCorp recommends that for Customer Security Deposits, HELP, Solar Incentive Program, and Customer Overpayments, its authorized cost of debt, which is currently 5.2 percent, is a reasonable compromise between the 10.65 percent pre-tax cost of capital and the Division's proposal. PacifiCorp asserts its cost of debt "provides a reliable and predictable measure based on [PacifiCorp's] actual costs of its financing activities that are established through an evidentiary proceeding and consistent with costs and rates."³⁸

PacifiCorp concurs that routinely updating carrying charge interest rates in a predictable manner may be beneficial to customers and recommends that the carrying charge interest rate should be updated at the conclusion of each general rate case rather than annually as proposed by the Division.³⁹ In the event the Commission determines that regularly scheduled updates are appropriate, PacifiCorp recommends comparing its authorized cost of debt with the actual cost of

³⁶ Docket No. 13-035-184, "In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations," on or about January 3, 2014.

³⁷ See PacifiCorp's Reply Comments at 3, filed December 2, 2015.

³⁸ Hr'g Tr. at 33:8-12.

³⁹ See PacifiCorp's Comments at 2, filed November 19, 2015.

debt reported in its annual results of operations report filed with the Commission.⁴⁰ PacifiCorp proposes that an adjustment to the carrying charge interest rate “would be made when fluctuation from one year to the next would exceed 10 percent.”⁴¹

PacifiCorp recommends that programs whose carrying charge interest rates have been agreed to in a Commission-approved stipulation or agreement should remain unchanged (i.e., DSM, RBA, EBA, and Blue Sky) until an appropriate future proceeding. PacifiCorp states that “[u]pon modification in an appropriate future proceeding, [PacifiCorp] agrees with setting uniform carrying charges prospectively.”⁴² PacifiCorp recommends the carrying charges for these accounts should be addressed as follows: 1) the DSM Account carrying charge should be considered in a future proceeding in which rate modification is proposed for the balance going forward; 2) the REC account carrying charge should be reviewed and modified in the next annual review of the account for the balances going forward; 3) the Blue Sky Account carrying charge should be reviewed and modified as necessary in the next annual review of the Blue Sky program for balances going forward; and 4) no change to the EBA carrying charge should be made until the end of the pilot period, with consideration of the interest rate evaluation during the re-evaluation of the EBA in 2016.

PacifiCorp also asserts: 1) its financing activities are fully reviewed and vetted during general rate cases, and the process results in an established cost of debt based on actual financing activities; 2) the Commission-authorized cost of debt provides a carrying charge consistent with the rate of return and capital structure used to determine rates in a general rate case; 3)

⁴⁰ See Hr’g Tr. at 36:2-7.

⁴¹ *Id.* at 36:8-10.

⁴² PacifiCorp’s Reply Comments at 2, filed December 2, 2015.

PacifiCorp's cost of capital and the associated cost of debt are not fragmented and assigned to any particular element of PacifiCorp's operations; rather, the cost of debt is used to finance PacifiCorp's operations in totality; and 4) while less volatile than short-term interest rates, the average of the Aaa and Baa corporate bond interest rates "provide[s] customers no protection from the potentially negative impacts of unpredictable volatility in financial markets and/or Federal monetary policy actions."⁴³

PacifiCorp testified that during the last 10 years the market-based carrying charge interest rate proposed by the Division has fluctuated on a year-to-year basis by up to 16 percent.⁴⁴ PacifiCorp states that this volatility is greater than the changes in its Commission-authorized cost of debt during the same time frame. Rather than relying on unpredictable and uncontrollable market based rates, PacifiCorp maintains customers are more insulated from these impacts if the Commission exercises control of the carrying charge interest rates by basing them on its authorized cost of debt. During the hearing, PacifiCorp also provided an explanation of its financing activities.⁴⁵

Regarding those accounts whose interest rates were set by stipulation or agreement, PacifiCorp argues that "[s]ubsequent modification of a stipulation or agreement without involvement and concurrence of all parties to the agreement sets a harmful and chilling precedent for future negotiations of agreements, wherein parties [sic] negotiate in good faith with the full expectation that once approved by the Commission, agreements will stand as accepted by the

⁴³ PacifiCorp's Comments at 3, filed November 19, 2015.

⁴⁴ See Hr'g Tr. at 33:23.

⁴⁵ See *id.* at 54:20-25; 55:1-25; 56:1-3.

parities [sic].”⁴⁶ Additionally, PacifiCorp maintains it has little control over the balance in most of the Carrying Charge Program Accounts.⁴⁷

Finally, PacifiCorp asserts that UCE/SWEEP’s recommendation to use the Division’s proposed carrying charge interest rate for the discount rate used in the DSM program cost effectiveness analysis is beyond the scope of issues addressed in this docket, and PacifiCorp requests that this issue not be considered by the Commission in this proceeding.⁴⁸

B. Office of Consumer Services

The Office supports the Division’s recommendation. The Office contends the Division’s recommendation allows the carrying charge interest rate to reflect current market rates for like assets and removes the potential incentive to manipulate the system. The Office asserts the carrying charge should be consistent with the underlying risk PacifiCorp or ratepayers incur resulting from over- or under-collection in the accounts identified by the Division⁴⁹ and should be commensurate with a realistic determination of the risk of default of a debt.⁵⁰ The Office asserts that because the Carrying Charge Program Account “balances are typically intended to fluctuate in the short term, the carrying charges applied to them are similar to interest on short-term debt.”⁵¹

The Office also supports a carrying charge interest rate that provides an incentive for PacifiCorp to maintain zero or near-zero balances when feasible.⁵² The Office contends that a

⁴⁶ PacifiCorp’s Comments at 5, filed November 19, 2015.

⁴⁷ *See id.* at 3.

⁴⁸ *See* PacifiCorp’s Reply Comments at 4, filed December 2, 2015.

⁴⁹ *See* Comments of the Office at 1, filed November 19, 2015.

⁵⁰ *See id.* at 2.

⁵¹ Hr’g Tr. at 22:20-23.

⁵² *See supra* n.49 at 2.

carrying charge consistent across the accounts at issue in this case will maintain stability and ease of calculation and administration.

The Office disagrees with PacifiCorp's counter-proposal. Regarding the use of PacifiCorp's long-term cost of debt for certain accounts, the Office asserts that these accounts have balances that should fluctuate in the short term. Thus, the Office maintains "there is little commonality between the short term debt represented in these balances and an established rate of return on capital investment."⁵³ The Office also challenges PacifiCorp's assertion that the Division's proposal would expose ratepayers to unpredictable volatility. The Office notes the Division proposes annual updating of the carrying charge interest rate, not monthly or daily updating. In addition, the Office asserts that bond rates generally are more stable than other potential metrics for the cost of debt.⁵⁴

The Office disagrees with PacifiCorp's assertion that a change to any carrying charge interest rate established as part of a stipulation could compromise future negotiations. The Office maintains that parties to settlement stipulations understand that the Commission may accept or reject settlements, and it may consider subsequent review of previous findings or orders. The Office notes that rates established in settlement stipulation do not remain in place in perpetuity and are subject to change in the next relevant case.⁵⁵ Finally, the Office maintains the discount rate associated with DSM program evaluations should not be considered in this docket.⁵⁶

⁵³ Office Reply Comments at 2, filed December 2, 2015.

⁵⁴ *See id.*

⁵⁵ *See id.*

⁵⁶ *See Hr'g Tr.* at 23:6-9.

C. Utah Clean Energy and Southwest Energy Efficiency Project

UCE and SWEEP support the Division's recommendation and further request that the Division's proposed interest rate also should apply to the discount rate used to determine the cost effectiveness of DSM programs.⁵⁷ With respect to the DSM account, UCE argues "a relatively low rate is appropriate given that [PacifiCorp] bears very little risk that prudent expenditures on approved DSM programs will not be recovered."⁵⁸ In addition, UCE and SWEEP point out that PacifiCorp's recovery of its investment in DSM programs differs from its recovery of supply-side investment costs in that DSM program expenditures, for the most part, are recovered without regulatory lag.⁵⁹ For these reasons, UCE and SWEEP believe it is appropriate to use the same relatively low interest rate for both the carrying charge applied to the DSM account as well as for the discount rate used in determining the cost effectiveness of potential DSM programs. UCE also contends updating carrying charge interest rates will keep them in line with market rates and current economic conditions.⁶⁰

D. UAE

UAE supports the Division's recommendation. UAE asserts that carrying costs should be reflective of risk and that a short-term debt rate or corporate bond interest rate, rather than PacifiCorp's cost of long-term debt, more accurately reflects the repayment risk faced by PacifiCorp.⁶¹

⁵⁷ See Comments of Utah Clean Energy and SWEEP at 2, filed November 19, 2015.

⁵⁸ *Id.* at 1.

⁵⁹ See *id.* at 2.

⁶⁰ See *id.* at 1.

⁶¹ See Reply Comments of the Utah Association of Energy Users at 1, filed December 2, 2015.

E. DIVISION'S REPLY COMMENTS

In response to PacifiCorp's suggestion that some interest rates cannot be revisited because they were originally set in a stipulation or by agreement, the Division asserts it has the obligation to act when something is no longer just, reasonable, and in the public interest.⁶² In response to PacifiCorp's comments, the Division observes that many of the accounts at issue in this docket are funded by ratepayers, not PacifiCorp, and agrees that an appropriate rate would take into account actual financing that occurs. The Division notes PacifiCorp's September 4, 2015 Financing Activity Report,⁶³ indicates PacifiCorp issued first mortgage bonds in June of 2015 at an interest rate of 3.35 percent,⁶⁴ and asserts that using an average of the corporate bond interest rates will smooth out all but the most extreme interest rate fluctuation.⁶⁵

V. DISCUSSION, FINDINGS, AND CONCLUSIONS

A. Carrying Charge Determination Method and Updates

We find that there should be consistency in the carrying charge interest rate at issue in this docket. We further find that the interest rate should reflect our regulatory objectives to be simple to determine, understandable to regulators and customers, easy to administer, and equitable to both PacifiCorp and ratepayers. Consistent with previous decisions, we also find that the interest rate should reasonably reflect market conditions⁶⁶ and the repayment risk faced by PacifiCorp. We also find that adopting PacifiCorp's long-term debt rate, which includes interest

⁶² See Hr'g Tr. at 11:20-22.

⁶³ This document was filed in "In the Matter of PacifiCorp's Financial Reports," Docket No. 15-035-51.

⁶⁴ See Division Reply Comments at 4, filed December 2, 2015.

⁶⁵ See *id.* at 6.

⁶⁶ In Docket No. 97-035-01, one of the reasons cited by the Commission in support of decreasing the security deposit interest rate from 9 percent to 6 percent was because interest rates were decreasing.

rates on debt issuances from many years ago, as a carrying charge interest rate does not reasonably acknowledge that Carrying Charge Program Account balances are typically intended to be managed at intervals more consistent with a short-term rate, as explained by the Office, UCE, and SWEEP.

We agree that there is no perfect, one-size-fits-all carrying charge interest rate. In weighing the tension between customers' and PacifiCorp's interests and our regulatory objectives cited above, we find the Division's proposal, supported by the Office, UCE, SWEEP, and UAE, strikes a reasonable and equitable balance. We also agree with the Division and the Office that components of stipulations routinely are adjusted in subsequent proceedings.

We conclude the carrying charge interest rates for all accounts listed in Table 1 above, with the exception of the EBA, should be modified based on the method proposed by the Division, effective March 1, 2016. In other words, for the present, the carrying charge interest rate for the Carrying Charge Program Accounts shall be the average of the annual Aaa and Baa corporate bond interest rates for calendar year 2015 as published by the Federal Reserve Board of Governors, effective March 1, 2016. With respect to the EBA, we conclude PacifiCorp's argument that the EBA carrying charge interest rate should not be changed during the pilot period and should be evaluated during the EBA evaluation, in 2016, is reasonable. We direct PacifiCorp to file tariff sheets reflecting the decisions in this order by February 8, 2016, subject to Division review, to become effective on March 1, 2016.

We also direct PacifiCorp to update the carrying charge interest rate (excepting the EBA carrying charge) on March 1 of each subsequent year using the average of the annual Aaa and Baa corporate bond interest rates for the preceding calendar year. We note the parties have not

recommended a process for implementing the annual carrying charge interest rate updates. Therefore, we direct the Division to collaboratively develop and file a proposal identifying this process within 90 days after the date of this order.

At hearing, the Commission introduced the fact that Section 9.(b) Overbilling, Interest Rate of PacifiCorp's Tariff Electric Service Regulation No. 8, Billings, states that PacifiCorp "shall provide interest on customer payments for overbilling. The interest rate shall be the *greater* of the interest rate paid by [PacifiCorp] on customer deposits, or the interest rate charged by [PacifiCorp] for late payments."⁶⁷ We direct PacifiCorp to evaluate whether the language in Regulation No. 8 requires modification based on the decisions in this order.

B. DSM Program Cost Effectiveness Test Discount Rate

UCE and SWEEP propose that the Commission adopt the interest rate identified in this docket for use as the discount rate in DSM program cost-effectiveness evaluations. PacifiCorp asserts this proposal is beyond the scope of issues addressed in this docket, and the Office concurs. We agree and find the record does not establish that a carrying charge interest rate assessed to balances of approved balancing accounts is an appropriate discount rate for use in a 20-year cost-benefit analysis. Therefore, we decline to adopt UCE's and SWEEP's proposal.

VI. ORDER

Pursuant to our discussion, findings and conclusions, we order:

1. The carrying charge interest rate for the Demand-Side Management Balancing Account, the Renewable Energy Credit Balancing Account, the

⁶⁷ PacifiCorp P.S.C.U Tariff No. 50, Electric Service Regulation No. 8, Billings, Original Sheet No. 8R.5 (emphasis added).

Home Energy Lifeline Program, the Solar Incentive Program, the Blue Sky Program, customer security deposits, and customer overpayments shall be based on the average of the annual Aaa and Baa corporate bond interest rates for 2015, as published by the Federal Reserve Board of Governors, effective March 1, 2016, is approved.

2. PacifiCorp shall update the carrying charge interest rate for the Demand-Side Management Balancing Account, the Renewable Energy Certificate Balancing Account, the Home Energy Lifeline Program, the Solar Incentive Program, the Blue Sky Program, customer security deposits, and customer overpayments accounts on March 1 of each subsequent year using the method set forth in Ordering Paragraph 1.
3. PacifiCorp shall file the necessary revised tariff sheets reflecting the decisions in this order by February 8, 2015, including any changes it deems appropriate to Regulation No. 8 pertaining to overbilling.
4. The Division shall collaboratively develop and file a proposal identifying a process for annually updating the carrying charge interest rate, within 90 days after the date of this order.

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DATED at Salt Lake City, Utah, January 20, 2016.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#271432

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on January 20, 2016, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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