



- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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)	<u>DOCKET NO. 13-035-184</u>
)	<u>REPORT AND ORDER</u>
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)	

ISSUED: August 29, 2014

SHORT TITLE

PacifiCorp dba Rocky Mountain Power 2014 General Rate Case

SYNOPSIS

The Commission approves a comprehensive, multi-year, uncontested settlement stipulation addressing revenue requirement, revenue spread to classes of customers, rate design, and deferred accounting treatment of certain costs. The Commission concludes PacifiCorp dba Rocky Mountain Power's proposed net metering facilities charge requires further study and is not implemented at this time (one Commissioner dissents, in part, from this finding). The Commission initiates a process for further analysis of the net metering program costs and benefits.

The revenue requirement changes are implemented in two steps. In Step 1, the Commission increases Rocky Mountain Power's annual revenue requirement by \$35.0 million effective September 1, 2014, based on a forecasted test period of 12 months ending June 30, 2015, using a 13-month average rate base. This is a 1.86 percent increase in Rocky Mountain Power's forecast of general business revenue in Utah. In Step 2, the Commission increases Rocky Mountain Power's annual revenue requirement by \$19.2 million, conditionally effective September 1, 2015. This is a 1.02 percent increase in Rocky Mountain Power's forecast of general business revenue in Utah.

The Commission authorizes a 7.57 percent rate of return on rate base, based in part on an allowed 9.8 percent rate of return on common equity, which remains unchanged from the current authorized level.

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For the Step 1 revenue increase, the Commission allocates approximately 41 percent to residential customers and 59 percent to commercial and industrial customers. For the Step 2 revenue increase, the Commission allocates approximately 39 percent to residential customers and 61 percent to commercial and industrial customers.

For residential customers taking single-phase service, the Commission increases the customer charge from \$5 to \$6 per month and the minimum bill from \$7 to \$8 per month. The remainder of the revenue increase assigned to residential customers is derived from an increase in the second tier of non-summer rates; all other residential rates remain unchanged. The impacts of the Step 1 and Step 2 increases and rate design changes to a residential customer using 700 kilowatt hours per month are \$1.77 or 2.32 percent, and \$0.73 or 0.94 percent per month, respectively.

The Commission approves deferred accounting treatment for: (1) Utah's allocated portion of energy imbalance market ("EIM") related operations and maintenance expenses as well as depreciation expense related to capital investments necessary to implement the EIM; (2) costs related to the impacts of any proposed disposition of PacifiCorp's Deer Creek Mine and related mining assets; and (3) impacts of the possible sale of PacifiCorp's ownership interests in the Craig and Hayden generating plants.

The Commission approves (1) the base levels of net power cost and wheeling revenue for energy balancing account measurement, (2) the base level of renewable energy credit revenue contained in general rates, and (3) certain accounting treatment related to the amortization of future approved balancing account charges or refunds.

The Commission approves the extension of the EBA pilot program approved in Docket No. 09-035-15, from December 31, 2015, to December 31, 2016.

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ATTACHMENT: SETTLEMENT STIPULATION

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF THE APPLICATION)
OF ROCKY MOUNTAIN POWER FOR)
AUTHORITY TO INCREASE ITS RETAIL)
ELECTRIC UTILITY SERVICE RATES IN) Docket No. 13-035-184
UTAH AND FOR APPROVAL OF ITS)
PROPOSED ELECTRIC SERVICE)
SCHEDULES AND ELECTRIC SERVICE)
REGULATIONS)**

SETTLEMENT STIPULATION

This Settlement Stipulation (“Stipulation”) is entered into by and among the parties whose signatures appear on the signature pages hereof (collectively referred to herein as the “Parties” and individually as a “Party”).

1. The Parties have conducted settlement discussions over the course of several weeks and had numerous meetings on and between May 28, 2014, and June 16, 2014 to which intervening parties in this docket were invited. In addition, drafts of this Stipulation were circulated to intervening parties for review and comment on June 19, 2014 and June 23, 2014 and there have been further discussions among various parties. This Stipulation has been entered into by the Parties after consideration of the views expressed during that process by participating intervening parties. No intervening party has indicated that it intends to oppose this Stipulation.

2. The Parties represent that this Stipulation is just and reasonable in result, will result in rates that are just and reasonable and will provide the Company a reasonable opportunity to earn its authorized rate of return. The Parties recommend that the Public Service Commission of Utah (“Commission”) approve the Stipulation and all of its terms

18. The Parties agree that the Company should be allowed to implement a multi-year rate plan ("Plan") that will provide a measure of rate certainty to customers while affording the Company a reasonable opportunity to earn its authorized rate of return and recover its costs of service. In reaching this Stipulation, various Parties have considered and relied upon many different factors and considerations, including but not limited to: a) evidence included in the 2014 GRC that provides a justification for the stipulated two-step rate increase, b) the projected in-service date of the Sigurd-Red Butte transmission line, c) timing considerations, and d) various other factors.

19. Other than as set forth in this Stipulation, the Parties have not agreed on any specific adjustments or regulatory principles at issue in this Docket. The components are as follows:

Step 1 Rate Change

20. The Parties agree that Rocky Mountain Power should be permitted to implement a Step 1 general rate increase in the amount of \$35.0 million for service effective on and after September 1, 2014.

21. The Parties agree that the Sigurd-Red Butte transmission line investment is prudent and that cost recovery will occur in the Step 2 rate change.

Step 2 Rate Change

22. The Parties agree that Rocky Mountain Power should be permitted to implement a Step 2 general rate increase in the amount of \$19.2 million, which includes the costs of the Sigurd-Red Butte transmission line, effective on the later of the in service date of the transmission line or September 1, 2015. If the Sigurd-Red Butte transmission line is not in service by September 1, 2015, the Step 2 rate increase will be delayed until the Sigurd-Red Butte transmission line is placed into service.

