

April 19, 2018

VIA ELECTRONIC FILING

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: **Docket No. 18-035-01**
Application to Increase the Deferred Rate through the Energy Balancing Account
Mechanism—Reply Comments to Comments of the Division of Public Utilities

Per the Scheduling Order, Notice of Hearings, and Tariff Status issued March 29, 2018, Rocky Mountain Power hereby submits its reply comments in response to the comments filed by the Division of Public Utilities on April 5, 2018.

Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

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Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,



Joelle Steward
Vice President, Regulation

cc: Service List – Docket No. 18-035-01

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Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER TO INCREASE THE DEFERRED EBA RATE THROUGH THE ENERGY BALANCING ACCOUNT MECHANISM</p>	<p>DOCKET 18-035-01</p> <p>Reply Comments to Comments of the Division of Public Utilities</p>
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Pursuant to the Scheduling Order, Notice of Hearings, and Tariff Status issued by the Public Service Commission of Utah (“Commission”) March 29, 2018, Rocky Mountain Power, a division of PacifiCorp (“Rocky Mountain Power” or the “Company”), respectfully provides reply comments to the Comments of the Division of Public Utilities filed April 5, 2018 (“Division Comments”).

Reply Comments

1. Division Recommendation to Approve a Collection of \$2.8 million on Interim Basis

Rocky Mountain Power’s application in this docket (“Application”) requests the recovery of deferred net power costs or energy balancing account costs (“EBAC”) consisting of: (1) a refund of approximately \$4.4 million, the difference between the Actual EBAC and the Base EBAC in current base rates for the period beginning January 1, 2017 through December 31, 2017 (“Deferral Period”); (2) a credit of approximately \$2.9 million for savings related to the Deer Creek Retiree

Medical Obligation; (3) a credit of approximately \$2.8 million related to the settlement of the 2017 EBA, (4) a credit of approximately \$0.1 million in accrued interest; (5) approximately \$4.0 million in costs related to an adjustment for sales made to a special contract customer; (6) a credit of approximately \$0.5 million related to an adjustment arising from a non-generation agreement with a special contract customer; (7) approximately \$9.1 million in costs representing the Utah-allocated Deer Creek mine amortization expense; (8) approximately \$0.3 million in costs related to the Utah Subscriber Solar program; and (9) approximately \$0.1 million in costs related to an adjustment arising from a settlement agreement with a special contract customer.

The Division recommends that the Commission acknowledge the Company's filing as being complete and that interim EBA rates be approved effective May 1, 2018, with a \$2.8 million deferral to be amortized through April, 2019. Subject to the Company's reply comments to the Division's recommendation regarding the Company's proposed preferred alternate Deer Creek treatment below, Rocky Mountain Power agrees with the Division's recommendation to approve the collection of approximately \$2.8 million in rates on an interim basis, effective May 1, 2018.

2. Alternate Deer Creek Treatment

In its Application, the Company also proposed, as its preferred alternate, a change in the accounting treatment for recovery of the Deer Creek mine amortization expense to continue providing the Company recovery of the already-approved expense, but without an increase in customer rates. Specifically, the Company proposes to offset the Deer Creek mine amortization expense for 2017 against the regulatory liability established in Docket No. 17-035-69, Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018" (the "Tax Docket"). This alternate treatment would result in a rate decrease

in the 2018 EBA of \$6.5 million, or 0.3 percent, compared to a \$2.8 million increase if the Deer Creek costs are left in the EBA.

As an initial matter and in response to the Company's preferred alternate in the Application, the Division Comments note that the Company's proposed alternate is premature given the Tax Docket and the then-pending corresponding hearing, where the Commission would take the Company's revised proposal, as part of the Company's larger request, i.e. how the initial deferral of \$76.2 million in tax benefits will be treated under advisement. The evidentiary hearing in the Tax Docket was held April 18, 2018, and Rocky Mountain Power offered live and prehearing testimony about its proposed treatment of the Deer Creek mine amortization expense in this docket, as well as its revised position including the immediate refund of \$61 million in tax benefits, beginning May 1, 2018. Thus, while the Commission has not yet issued its ruling in the Tax Docket, the Company expects it will do so before the proposed May 1, 2018 effective date of the refund of the tax benefits. The Company proposed the May 1, 2018 effective date because it coincides with the effective date of interim rates to be set in this EBA docket. Therefore it is no longer premature for the Commission to make a decision about the Company's alternate preferred treatment of the Deer Creek mine amortization expense in this case. The Commission can do so in tandem with its decision in the Tax Docket.

Second, the Division Comments raise a concern that the "EBA has become a device to recover various items between general rate cases."¹ The Company believes that removing the Deer Creek amortization expense from the EBA should assuage the Division's concern that the EBA has become a device to recover items between general rate cases. The Division Comments then

¹ Comments of the Division, April 5, 2018, at 7.

note that the EBA was “not intended to supplant a general rate case as a venue for determining appropriate costs and rates.”² The Company is not seeking a determination for approval of the Deer Creek mine rates here. The Deer Creek mine costs are an amortization for costs already approved and therefore the Company’s request about the Deer Creek mine costs do not add to the Division’s concern about the EBA becoming a venue for determining appropriate costs and rates. The Division also objects to the Company’s proposal on the basis that there are too many adjustments to the EBA. This argument is confusing as the Company’s proposal actually removes one of the adjustments from the EBA, leaving fewer adjustments.

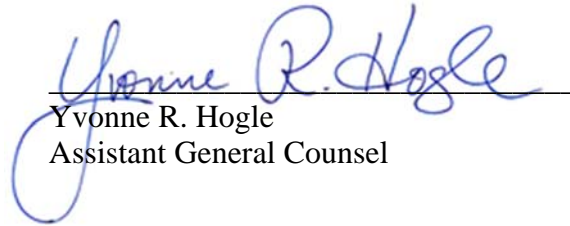
In conclusion, the Company recommends that the Commission approve the Company’s preferred alternate to authorize a) a change in the accounting treatment for recovery of the Deer Creek mine amortization expense to continue providing the Company recovery of the already-approved expense by allowing the Company to offset the Deer Creek mine amortization expense for 2017 against the regulatory liability established in the Tax Docket, and b) approve a rate decrease in the 2018 EBA of \$6.5 million, or 0.3 percent, on an interim basis effective May 1, 2018. If the Commission rejects the Company’s preferred alternate recommendation, the Company recommends approval of the collection of approximately \$2.8 million, or 0.1 percent increase in rates on an interim basis, effective May 1, 2018.

² *Id.*

DATED this April 19, 2018.

Respectfully submitted,

ROCKY MOUNTAIN POWER



Yvonne R. Hogle
Assistant General Counsel

CERTIFICATE OF SERVICE

Docket No. 18-035-01

I hereby certify that on April 19, 2018, a true and correct copy of the foregoing was served by electronic mail to the following:

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