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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power to increase the Deferred EBA Rate through the Energy Balancing Account Mechanism	Docket No. 18-035-01 UAE’S REPLY COMMENTS REGARDING RMP EBA SHARING MECHANISM
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Pursuant to the Commission’s Scheduling Order in docket 18-035-01 issued March 29, 2018, the Utah Association of Energy Users (“UAE”) files these comments in response to the Rocky Mountain Power’s September 18, 2018, filing on Utah Public Service Commissions’ solicitation for comments to address “whether allowing an electrical corporation to continue to recover [100% of the electrical corporation’s prudently incurred] costs under Subsection (2)(d) [of the EBA statute] is reasonable and in the public interest.”

UAE Response to RMP's Recommendations on the EBA Sharing Mechanism

In response to RMP's comments filed on September 18, 2018, regarding the EBA and the sharing mechanism, UAE makes the following reply comments.

In its filing, RMP provides four statements of support for the EBA while eliminating the sharing mechanism:

1. **RMP Contention:** The elimination of the sharing mechanism benefits customers and is in the public interest because it ensures the customers only pay for the actual costs for the energy they consume.

***UAE Response:** Eliminating the sharing mechanism based on this premise fails to give any weight to the importance of establishing appropriate incentive mechanisms and risk sharing. Ratemaking is not an exercise in "cost reimbursement".*

2. **RMP Contention:** The lack of a sharing mechanism is standard throughout the utility industry.

***UAE Response:** As noted in UAE's initial reply comments, risk-sharing provisions are a standard provision in the energy balancing account for four other states in which PacifiCorp operates: Idaho, Oregon, Washington, and Wyoming.*

3. **RMP Contention:** The elimination of the sharing band helps mitigate the need for frequent rate cases.

***UAE Response:** There is no evidence that this is the case. RMP's last Utah rate case was filed in January 2014. The sharing mechanism was in place through May 2016, when it was suspended by the enactment of Senate Bill 115. Since that time, EBA adjustments have been relatively minor, including adjustments that would have resulted in credits to RMP had a sharing mechanism been in place. There is no reason to believe that the suspension of the sharing mechanism since mid-2016 has contributed to the recent absence of RMP rate cases. Wyoming continues to employ essentially the same 70/30 sharing mechanism that Utah employed and RMP has not filed a general rate case in that jurisdiction since March 2015.*

4. **RMP Contention:** An EBA in which the Company recovers 100 percent of its Net Power Costs (NPC) "ensures customers are served by a financially healthy utility."


***UAE Response:** Since the sharing mechanisms have been in place in the large majority of PacifiCorp's state jurisdictions, the utility has suffered no ill effects to its financial health or a reduction in ratings from any financial agency.*

UAE maintains that the sharing mechanism has provided a meaningful incentive for the Company to manage its NPC. The 70/30 sharing mechanism originally adopted by the Commission as part of the EBA Pilot strikes a reasonable balance between customers and shareholders with respect to the sharing of risks associated with deviations in actual NPC relative to what is established in rates. If any extension of the EBA is permitted beyond December 31, 2019, UAE recommends that the 70/30 sharing mechanism be reinstated (as noted in SB 115).

Finally, UAE repeats its request that the Commission's report to the public utilities interim committee should offer support for retaining the sunset provision of SB 115 so that the Commission can determine whether reinstatement of a sharing mechanism remains in the public interest as previously determined. UAE asks the Commission to explain to the Committee that there is widespread support for such a sharing mechanism among the Commission, the Division, the Office, UAE and UIEC, given the important incentives that such a mechanism can provide for prudent utility cost management.

DATED this 16th day of October 2018.

HATCH, JAMES & DODGE

By: 

Gary A. Dodge
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 16th day of October, 2018 on the following:

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