

Application of Rocky Mountain Power to Increase the Deferred EBA Rate through the Energy Balancing Account Mechanism	<u>DOCKET NO. 19-035-01</u> <u>ORDER</u>
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ISSUED: April 26, 2019

I. BACKGROUND

On March 15, 2019, PacifiCorp filed an application (Application) with the Public Service Commission of Utah (PSC) for authority to increase rates in Electric Service Schedule No. 94 (Schedule 94), Energy Balancing Account (EBA). In the Application, PacifiCorp proposes to recover approximately \$23.9 million in total deferred EBA costs incurred in calendar year 2018,¹ on an interim basis, effective May 1, 2019 (2019 EBA). This results in an approximate 1.1 percent overall increase in the Schedule 94 rate.

PacifiCorp's Application includes proposed modifications to Schedule 94, Sheet Nos. 94.4, 94.5, 94.8, and 94.11. In addition to revisions to customer EBA rates, these modifications include the addition of new SAP accounts to track NPC-related accounting entries arising from Electric Service Schedule No. 136, Transition Program for Customer Generators (Schedule 136), the deletion of a sales for resale account, and the addition of a new revenue account.

Pursuant to the PSC's March 29, 2019, Scheduling Order, Notice of Hearings, and Tariff Status (Scheduling Order), the Division of Public Utilities (DPU) filed its preliminary review of

¹ The \$23.9 million includes the following components: (1) a charge of approximately \$22.9 million, the difference between the Actual EBAC and the Base EBAC in current base rates for the period beginning January 1, 2018 through December 31, 2018 (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 \$4.9 million related to an adjustment for sales made to a special contract customer; (4) approximately \$0.4 million in costs related to the Utah Subscriber Solar program and Schedule 136; (5) a credit of approximately \$0.2 million to reflect the PSC's Order in the 2018 EBA, Docket No. 18-035-01; (6) approximately \$7.6 million in costs representing the Utah-allocated Deer Creek Mine amortization expense; and (7) approximately \$1.0 million in accrued interest costs.

the Application (Preliminary Review) on April 4, 2019, concluding the Application appears not to depart substantially from prior years' filings. The DPU believes that PacifiCorp's proposed rate spread, rate design, and billing determinants are consistent with what was approved by the PSC in PacifiCorp's most recent general rate case (2014 GRC).²

The DPU recommends the PSC acknowledge the Application as being complete and that interim rates, as proposed in the Application, be approved effective May 1, 2019, to be amortized through April of 2020. As an alternative (Alternative Proposal), the DPU states that if the PSC determines that the net power cost component in base rates is unreasonable because it does not reasonably match actual net power costs, the PSC may adjust rates, pursuant to Utah Code Ann. § 54-4, in a manner it finds to be just and reasonable until the conclusion of the DPU's audit and the establishment of final rates.

On April 18, 2019, PacifiCorp, the Office of Consumer Services (OCS), and the Utah Association of Energy Users (UAE) filed reply comments.

In its reply comments, PacifiCorp argues the DPU's Alternative Proposal is inconsistent with the purposes of Schedule 94, which is to set an EBA rate annually to reflect a charge or sur-credit for the appropriate deferral period when actual net power costs deviate from the net power costs in base rates. PacifiCorp recommends that the PSC reject the DPU's Alternative Proposal and approve the interim rates as provided in the Application.

² See *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* (Report and Order, issued August 29, 2014); Docket No. 13-035-184.

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In its reply comments, the OCS objects to all portions of the DPU's Preliminary Review which reference the imposition of, and the procedures for, the application of interim rates in the EBA mechanism. The OCS notes the February 16, 2017 Order in Docket No. 09-035-15,³ which implemented interim rate procedures in connection with the EBA mechanism, has been appealed to the Utah Supreme Court⁴ by the OCS and the UAE (Appeal). The OCS also objects to the DPU's Alternative Proposal, arguing it amounts to an adjustment to base rates and that such an adjustment can only take place in a general rate case.

In its reply comments, the UAE repeats its assertion, previously made in Docket Nos. 09-035-15 and 18-035-01⁵ that interim EBA rates are unlawful. UAE notes the pending Appeal and recommends the PSC reject PacifiCorp's Application to the extent it seeks to impose a rate increase on an interim basis. UAE also opposes the DPU's Alternative Proposal, arguing that base rate adjustments can only occur in the context of a general rate case and that the interim rates proceeding is not the appropriate venue for the PSC to make a determination about the reasonableness of the current net power cost component in base rates.

On April 24, 2019, pursuant to the Scheduling Order, the PSC conducted a hearing to address the Application. PacifiCorp, the DPU, the OCS, and the UAE made appearances.

³ See *In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism* (Order, issued February 16, 2017); Docket No. 09-035-15.

⁴ *Utah Office of Consumer Services and Utah Association of Energy Users v. Utah Public Service Commission*, Appellate Case No. 20170364-SC and *Utah Office of Consumer Services and Utah Association of Energy Users v. Utah Public Service Commission*, Appellate Case No. 20180536-SC.

⁵ See *supra* n.3, *Petition of UIEC, Office of Consumer Services and UAE for Reconsideration and Rehearing of Commission Order Issued February 16, 2017, filed March 20, 2017 at 13. See also Application of Rocky Mountain Power to Increase the Deferred EBA Rate through the Energy Balancing Account Mechanism* (UAE Reply Comments at 1, filed April 19, 2018); Docket No. 18-035-01.

At hearing, PacifiCorp stated that the proposed rate increase is spread across customer rate schedules consistent with the NPC allocators agreed to in the 2014 GRC and indicated that the average rate impact to the average residential customer is a 0.9% increase or approximately 67 cents per month. PacifiCorp requests the PSC approve the interim rates it proposes in the Application, effective May 1, 2019.

The DPU reiterated the conclusions it made in its Preliminary Review. Counsel for the OCS and the UAE reiterated their objection to interim rates noting the pending status of the Appeal and also their objection to the approval of the DPU's Alternative Proposal.

DISCUSSION, FINDINGS, AND CONCLUSIONS

Based on the DPU's Preliminary Review, we find the Application does not depart from prior years' EBA filings. We also reiterate our conclusion that using an interim rates mechanism in this context is within our authority and is in the public interest for the reasons presented in prior EBA orders and our appellate briefs. Accordingly, we approve PacifiCorp's proposed \$23.9 million rate increase on an interim basis pending the final results of the review of the DPU's audit and a hearing following that audit. Because we are adopting the DPU's primary recommendation to grant interim approval of the proposed rate changes, further consideration of the DPU's Alternative Proposal is unnecessary.

ORDER

For the reasons expressed above:

- 1) We approve PacifiCorp's \$23.9 million rate increase on an interim basis subject to the results of the DPU's audit and further hearings regarding the audit results; and

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- 2) We approve the modifications to Electric Service Schedule No. 94 as filed, effective May 1, 2019.

DATED at Salt Lake City, Utah, April 26, 2019.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#307855

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 PSC 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 PSC 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 PSC'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 April 26, 2019, a true and correct copy of the foregoing was served upon the following as indicated below:

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