



1407 W North Temple, Suite 330
Salt Lake City, Utah 84114

July 21, 2020

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 Administrator

RE: Docket No. 20-035-17
In the Matter of the Application of Rocky Mountain Power for a Deferred
Accounting Order Regarding Costs Incurred Due to the COVID-19 Public Health
Emergency
Reply Comments

In accordance with the Scheduling Order and Notice of Hearing issued by the Public Service Commission of Utah on April 16, 2020, Rocky Mountain Power, hereby files its reply comments responding to the comments of the Division of Public Utilities and the Office of Consumer Services, filed with the Commission on June 1, 2020, and June 2, 2020, respectively.

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

Sincerely,

Joelle Steward
Vice President, Regulation

Jacob A. McDermott (16894)
Emily Wegener (12275)
Rocky Mountain Power
1407 W North Temple, Suite 320
Salt Lake City, UT 84116
Telephone: (801) 220-2233
Facsimile: (801) 220-4615
Jacob.mcdermott@pacificorp.com

Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for a Deferred Accounting Order Regarding Costs Incurred Due to the COVID-19 Public Health Emergency	Docket No. 20-035-17 ROCKY MOUNTAIN POWER'S REPLY COMMENTS
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I. INTRODUCTION

Pursuant to the Scheduling Order and Notice of Hearing issued by the Utah Public Service Commission (“Commission”) on April 16, 2020, Rocky Mountain Power (the “Company”), hereby files its reply comments responding to comments of the Division of Public Utilities (“Division”) and the Office of Consumer Services (“OCS”), filed with the Commission on June 1, 2020, and June 2, 2020, respectively.

II. BACKGROUND

On April 3, 2020, the Company filed an application for an accounting order authorizing the Company to record a regulatory asset associated with costs incurred as part of the Company’s response to the COVID-19 public health emergency (“Application”). On April 16, 2020, following a scheduling conference, the Commission set June 2, 2020, as the deadline to file comments on the Company’s application; June 9, 2020, as the intervention deadline, and July 21, 2020, as the deadline for reply comments. No parties intervened.

The Division filed comments recommending the Company's application be approved conditioned on review and approval of actual costs submitted in the future pursuant to the method proposed in the Company's application. It further recommends the Company should track cost savings relating to the public health emergency that may mitigate the costs.

The OCS filed comments agreeing that the COVID-19 public health emergency was unforeseeable, but expressed concerns that it could not determine at this time whether the Company's bad debt expenses relating to COVID-19 were "extraordinary." It also noted that non-regulated businesses will also experience adverse effects from the pandemic that they would not be able to pass through to their customers. Based on these concerns, the OCS stated that it "does not object to the establishment of a regulatory asset to record the incremental increase in bad debt expense cause by the public health emergency, and agrees that the use of the 2019 uncollectible rate of 0.195% in calculating the amount to be deferred appears to be a reasonable approach so long as the underlying bad debt costs recorded by RMP during the deferral period are subject to close scrutiny prior to determination of the potential recovery of the regulatory asset from ratepayers."¹ It opposed including late fees in the regulatory asset, stating that the late fees will presumably be included in the write offs. The OCS also recommends that if the Company seeks to defer other costs that it tracks related to the COVID-19 public health emergency that it be required to track cost savings to offset additional costs. The OCS opposed the Company's request to record a carrying charge on the deferral. It also recommended that the Commission evaluate whether the expenses meet the "extraordinary" requirement for a deferred accounting order at the time the Company seeks recovery. Additionally, OCS recommended that the Company make quarterly reports that include additional information, seek approval from the Commission before using

¹ See Office of Consumer Services Initial Comments, p. 4.

deferred accounting for any additional costs related to its COVID-19 response, and that the deferral period run through December 31, 2020, subject to extension if requested by the Company and justified by circumstances at that time.

III. ROCKY MOUNTAIN POWER'S COMMENTS

OCS and the Division do not contest the Company's proposed method for tracking bad debt expenses. The Company agrees with OCS and the Division that whether the proposed regulatory asset meets the standard for deferred accounting orders set forth in *MCI Telecommunications Corp. v. Public Service Commission of Utah*², can be determined at the time the Company seeks recovery. The Company also agrees to provide additional reporting as requested by OCS, to seek approval from the Commission before including any additional COVID-19-related expenses in its regulatory asset, and to seek approval from the Commission if it believes it is appropriate to extend the deferral period beyond December 31, 2020.

Late Fees

Waived late fees should be included in the deferral account. OCS argues that late fees should not be included because they are only being waived upon request and because late fees are in addition to base rates. The Company informed customers through its website and bill inserts that it was willing to waive late fees, and has forgone this revenue source as a direct result of the ongoing COVID-19 public health emergency. The Company requests the ability to defer the waived late fees as this is revenue that is lost as a direct result of the COVID-19 public health emergency.

Deferral of Cost Savings

The Company has identified cost savings related to a reduction in employee expenses

² 840 P.2d 765, 771 (Utah 1992) (noting that deferred accounting is appropriate "when an unforeseeable event results in an extraordinary increase or decrease in expenses or revenues").

related to travel and training. While the Company has not yet quantified these savings, it agrees to identify these savings as a potential offset to the deferred costs at the time we seek recovery of the costs.

Identification of Additional Costs

The Company's Application identified the potential for additional cost categories as the COVID-19 public health emergency evolves. The Company has identified the following cost categories. The Company has not yet quantified these costs and therefore are not requesting to include in the deferral at this time.

- Increased labor and facility costs to enable social distancing;
- Increased costs for personal protective equipment and cleaning supplies; and
- Increased technology costs to enable employees to work from home.

The Company will continue to track these costs and, as stated in the Application, if the Company determines these costs should be deferred, it will make a separate filing in this docket to provide an explanation why deferral and potential recovery is appropriate, and what baseline will be used to calculate the deferral for that cost category. This would allow for an opportunity for interested parties to provide input, conduct discovery and make recommendations to the Commission.

Carrying Charge

Consistent with past practice of regulatory assets and liabilities, the Company should be permitted to book a carrying charge on the amounts in the deferral account. The Company is carrying the bad debt costs until it is permitted to recover them, and therefore should be allowed to apply a carrying charge to the amount in the deferral account to account for the time value of money. OCS argues that this results in a benefit to shareholders as a result of the COVID-19

epidemic. However, the Company is not asking for its full rate of return, but the lower customer deposit rate, which is applied to most regulatory assets and liabilities. Therefore, the Commission should permit the Company to earn a carrying charge.

IV. CONCLUSION

The Commission should approve the Application, including the deferral of late fees waived and a carrying charge. The Company agrees that whether recovery of the deferred expenses is appropriate should be considered at a later proceeding. The Company also agrees to provide reports as requested by the OCS and to seek permission from the Commission before including any additional categories of COVID-related costs or extending deferrals beyond December 31, 2020.

DATED this 21st day of July, 2020.

Respectfully submitted,

ROCKY MOUNTAIN POWER



Jacob McDermott
1407 West North Temple, Suite 320
Salt Lake City, Utah 84116
Telephone: (801) 220-2233
Facsimile: (801) 220-3299
Email: jacob.mcdermott@pacificorp.com

Attorney for Rocky Mountain Power

CERTIFICATE OF SERVICE

Docket No. 20-035-17

I hereby certify that on July 21, 2020, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services

Cheryl Murray cmurray@utah.gov

Michele Beck mbeck@utah.gov

Division of Public Utilities

dpudatarequest@utah.gov

Assistant Attorney General

Patricia Schmid pschmid@agutah.gov

Justin Jetter jjetter@agutah.gov

Robert Moore rmoore@agutah.gov

Victor Copeland vcopeland@agutah.gov

Rocky Mountain Power

Data Request Response Center datarequest@pacificorp.com

Jana Saba jana.saba@pacificorp.com
utahdockets@pacificorp.com

Jacob McDermott jacob.mcdermott@pacificorp.com



Katie Savarin
Coordinator, Regulatory Operations