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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Preliminary Review – Interim Rate Recommendation

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

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Date: May 23, 2023

Re: **Docket No. 23-035-01**, In the Matter of Rocky Mountain Power's Application for Approval of the 2023 Energy Balancing Account Increase – Interim Rate Request.

Recommendation (Approval)

The Division of Public Utilities (Division or DPU) recommends that the Public Service Commission (Commission) approve the interim rate request for Rocky Mountain Power's (Company) Energy Balancing Account (EBA) filing in this docket. The filing is consistent with prior years' filings and is more likely to accurately reflect actual costs than the current base rate. The Division recommends approval of the Company's request for an interim rate increase effective July 1, 2023.

Background

On May 1, 2023, the Company filed its annual application for approval of the EBA. In its application, the Company requested an interim rate increase effective July 1, 2023, based on its calculated 2022 deferral year recovery of \$175 million and amortized over twelve months ending June 30, 2024.¹

¹ Utah allocated amount.

As explained in the testimony of Jack Painter, the 2022 deferral comprises, on a Utah-allocated basis, \$220.8 million in EBA-related costs above the base net power cost established in the 2020 general rate case (2020 GRC).² This large differential is more than double the 2021 deferral year amount of \$107.6 million.³ The Company outlined the extreme weather events and drought conditions that contributed to this increase, including increased purchased power and fuel expenses. The heat waves across the Company's service area throughout July, August, and September of 2022 cumulatively amounted to \$115.7 million of the net power cost differential on a Utah-allocated basis.⁴ In addition, a historic winter cyclone event occurred in December 2022, impacting market demand and natural gas prices. This differential in December alone totaled \$64.3 million or 23 percent of the total Utah-allocated variance.⁵

Consistent with prior EBA applications, the Company spread the 2022 deferral recovery across customer rate classes and provided revisions to Electric Schedule 94.⁶ The rate spread, rate design, and billing determinants appear consistent with the method approved in the 2020 GRC.⁷

The Division has performed a preliminary review of the Company's application. Although the Division has performed a broad review of the current filing, it makes no judgment regarding the entirety or accuracy of the information.

According to Utah Code Section 54-7-13.5(2)(k)(iii):

The electrical corporation or the other party shall make an adequate prima facie showing that:

- (A) the proposed interim rate appears consistent with prior years' filings; and
- (B) the interim rate requested is more likely to reflect actual power costs than the current base rates.

² Rocky Mountain Power, Application for Authority to Increase Rates in Utah, Docket Number 20-035-04.

³ Utah allocated comparison.

⁴ Rocky Mountain Power, Attachment A – Direct Testimony of Jack Painter, Docket Number 23-035-01, Lines 293 – 299.

⁵ Ibid, Lines 308 – 315.

⁶ Rocky Mountain Power, Attachment D - Robert Meredith Workpapers, Docket Number 23-035-01.

⁷ Public Service Commission of Utah, Tariff Approval Letter, Docket Number 21-035-T01.

Based on the overall body of information as filed, the Division's understanding of operating and market conditions in 2022, and the Division's experience with EBA filings and audits, the Division concludes that the Company has made a prima facie showing that the application appears consistent with prior years' filings and the interim rate increase requested is more likely to reflect actual power costs than current base rates.

Confidential DPU Attachment 1 summarizes the Division's comparison of the Company's current application and supporting documents with the prior year. Variations from the prior year are recorded in this exhibit. The variations and issues that the Division discovered during this initial review were immaterial to the Company's interim rate request.

Conclusion

The Division recommends that the Commission approve the Company's request for an interim rate increase effective July 1, 2023, to be amortized over twelve months ending June 30, 2024.

cc: Jana Saba, Rocky Mountain Power
Michele Beck, Office of Consumer Services