- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Rocky Mountain Power's Application for Approval of the 2024 Energy Balancing Account	DOCKET NO. 24-035-01 ORDER APPROVING INTERIM RATES

ISSUED: June 28, 2024

1. Procedural Background

On May 1, 2024, Rocky Mountain Power (RMP) filed its Application for Approval of the 2024 Energy Balancing Account ("Application") with the Public Service Commission (PSC). The Application requests rate recovery of approximately $455 million in deferred energy balancing account costs (the "2023 EBAC").

On May 10, 2024, the PSC held a scheduling conference during which the parties stipulated to a schedule, including a virtual hearing on interim rates on June 13, 2024, and a hearing to consider the PSC's approval of final rates on January 22, 2025.[1] On May 24, 2024, the Division of Public Utilities (DPU) submitted comments, recommending the PSC approve the Application with certain conditions, effective July 1, 2024, on an interim basis and pending its audit ("DPU Comments"). On June 3, 2024, the Utah Association of Energy Users (UAE) filed reply comments ("UAE Reply Comments"). The Office of Consumer Services (OCS) and RMP each submitted reply comments on June 4, 2024 ("OCS Reply Comments" and "RMP Reply Comments," respectively).

[1] Scheduling Order and Notice of Hearings issued May 15, 2024.

On June 13, 2024, the PSC held a virtual hearing to consider RMP's interim rates request during which RMP, DPU, and OCS offered testimony. No other party appeared.

2. The Application and Positions of the Parties

a. RMP's Application

RMP represents the system-wide actual 2023 EBAC to be more than double the amount reflected in base rates.

To alleviate rate shock from this dramatic cost increase, RMP's Application proposes to depart from historical practice and recover EBAC on an interim basis over 24 months instead of the typical 12-month period, beginning July 1, 2024, and ending June 30, 2026. The Application identifies several causes of the significant increase in actual net power costs during the 2023 EBA deferral period of January 1, 2023, through December 31, 2023 (the "Deferral Period"), including coal supply constraints, increased replacement purchased power and related expenses, increased natural gas expense, decreased wholesale sales revenue, and increased wheeling and other expenses, which were partially offset by the decrease in coal fuel expense.

The Application includes "[a] charge for interest that will accrue during the 24 month rate effective period for $24.2 million."[2]

---

[2] Application, at 7.

The Application includes a revised Tariff Schedule No. 94 ("Schedule 94") and supporting testimony and exhibits. RMP states the proposed rate recovery, assuming a 24-month recovery period, is $227.5 million annually, which results in an overall increase of $52.4 million, or 2.4 percent over current rates. RMP represents the Application is consistent with Schedule 94 and seeks a July 1, 2024, interim rate effective date.

b. DPU Comments

The 24-month Recovery Period and Collection Period Interest.

DPU argues RMP failed to make an adequate prima facie showing under Utah Code § 54-7-13.5 (the "EBA Statute") that the filing is consistent with previous EBA filings.[3]

First, RMP's request to recover the 2023 EBAC over 24 months diverges from the historical 12-month recovery period. DPU asserts a 24-month collection period would add $12 million in unnecessary carrying charges to customer rates. Further, DPU argues EBAC may continue to rise, and no evidence suggests EBAC will be lower in next year's filing.[4] If EBAC do not meaningfully decrease next year, a 24-month recovery period will compound, not mitigate, rate shock for customers over the next several years. For these reasons, DPU recommends the PSC decline to approve RMP's

[3] *See* DPU Comments, at 2 (citing Utah Code Ann. § 54-7-13.5(2)(k)(iii)(A)).
[4] In fact, at hearing, DPU's witness testified first quarter results for 2024 show "a remarkable increase" over the costs in the first quarter of 2023.

proposal to recover the 2023 EBAC over a 24-month period and instead recommends the traditional 12-month recovery period.

Second, RMP has included, for the first time in an EBA filing, carrying charges that will accrue during the period in which it collects the EBAC it seeks to defer (i.e., interest that will accrue from July 1, 2024, through June 30, 2026, under RMP's proposed 24-month amortization). Hereafter, this Order sometimes refers to such carrying charges as "Collection Period Interest." DPU explains RMP has historically not included Collection Period Interest in its EBA filing, instead RMP has included these costs in its EBA filing for the following year.

Further, DPU points out RMP included the Collection Period Interest as a set dollar amount. RMP did not specify the assumed carrying charge it used to determine the amount, and RMP provided no information reflecting how it calculated the sum. This is especially problematic because, as DPU explains, the established EBA carrying charge calculation method[5] assumes the carrying charge will change annually. DPU could not determine whether RMP had employed a single interest rate over the 24-month period.

Finally, DPU suggests RMP has not historically included Collection Period Interest in its initial EBA filings because (1) the EBA was established to allow for recovery of prudently incurred *actual* costs, not anticipated or forecasted costs, and

---

[5] *See* RMP's Tariff Schedule 300.

(2) "[t]heoretically, the Base NPC [Net Power Costs], set in the most recent general rate case, and Actual EBA results of operations NPC should be relatively close, making the amount of anticipated interest accruing during the collection period small."[6] Consequently, DPU recommends the PSC decline RMP's requested recovery of $24,201,822 in Collection Period Interest through interim rates.

The 2022 EBA True-Up and Interest Rate Correction.

DPU states RMP included $1.1 million in unrecovered deferred balances that the PSC previously approved for recovery in the 2022 EBA. It explains that "[t]his rollover amount includes adjustments occurring and interest accruing during the 2022 EBA deferral year collection period (May 2022 through June 2023)."[7] The details "of this added rollover were not provided in [the Application] filing but were provided through expedited discovery."[8] DPU requests that, going forward, RMP include with future EBA annual filings "information and calculations related to the EBA deferral calculation and collection, specifically any adjustments and EBA collections occurring during the deferral year…."[9]

DPU also discovered RMP applied an incorrect interest rate when calculating accrued interest for the period from April 1, 2024, through June 30, 2024, and

---

[6] DPU Comments, at 8.
[7] *Id.*
[8] *Id*.
[9] *Id.*

recommends increasing the EBAC by $826,579 to correct this error. After removal of the $24,201,822 Collection Period Interest and the $826,579 rate correction, DPU calculates an adjusted interim rate deferral of $431,578,182 and proposes RMP be allowed to collect, on an interim basis, over twelve months to align with prior years' filings, pending DPU's audit and a hearing to establish final rates.

c. OCS Reply Comments

OCS expresses appreciation for RMP's proposal to mitigate rate shock through a 24-month collection period, but OCS states a greater subsequent rate increase will likely follow. It notes the EBA deferral amounts have steadily increased over the past several years and cites RMP's testimony indicating the underlying drivers for the large deferral are ongoing and "'still impact the Company today.'"[10] As the size of future base rate increases is unknown and given known near- and medium-term investments, OCS reasons that continuing the 12-month EBA collection period would be a lesser risk than RMP's proposal. OCS agrees with DPU that the 2023 EBAC should be amortized over twelve months and the Collection Period Interest removed. OCS argues that if RMP's proposed extended amortization period is not approved, then the Collection Period Interest must be removed from the balance, and the remaining portion of carrying costs must be adjusted out of any authorized interim rates. OCS supports an interim EBA rate based on the DPU's adjusted deferral amount of

---

[10] OCS Comments, at 2 (citing the direct testimony of J. Painter).

$431,578,182 to be collected over 12 months from July 1, 2024, through June 30, 2025.

d. UAE Reply Comments

UAE recommends the PSC adopt RMP's proposal as filed. UAE states that sharp energy price increases result in less money commercial and industrial ratepayers have available to invest in their employees and businesses. It comments that the incremental interest expense is worth a rate mitigation that softens the impacts of higher energy prices. With RMP's present interim rate request, UAE urges the PSC consider: (a) the steady rise in EBAC over the last several EBA cycles, which UAE expects to continue indefinitely; (b) future EBAC will also likely be very high compared with 2021 EBAC levels; (c) RMP's forthcoming general rate case may also result in significant increases for many of the same reasons the EBAC have sustained increases; and (d) the timing of this and future EBAC collections through EBA deferrals compounds with a likely higher base EBAC and may have prolonged effects on customer rates. UAE also suggests the PSC has discretion to consider indefinitely adopting a 24-month period EBAC collection period for future EBA proceedings. For these reasons, UAE recommends the PSC approve RMP's Application.

e. RMP Reply Comments

In Reply Comments, RMP agrees with DPU that a 24-month amortization results in higher overall interest collected from customers and compounds multiple

EBA balances into future EBA proceedings. For these reasons, RMP does not oppose a typical, 12-month amortization period.

RMP argues "interest during the collection period has been collected in past EBA proceedings," but it acknowledges carrying charges for the collection period "have not been previously included in the initial application," rather carrying charges "have accrued during the collection period and have been recovered … in the true-up adjustment in the following EBA proceeding."[11] RMP explains it included carrying charges to be incurred in the collection period in the Application because "they are more appropriately collected with the current balance instead of after-the-fact, which is consistent with how carrying charges during the collection period are treated in [RMP's] Renewable Energy Credit Balancing Account."[12]

To the extent the PSC rejects DPU's recommendation of a 12-month collection period, RMP additionally recommends the PSC include carrying charges accrued during the collection period to prevent a large carryover interest balance.

RMP agrees with DPU's proposed correction regarding the carrying charge rate and recommends the PSC adopt it. RMP also agrees to DPU's recommendation that it include information and calculations to support its true-up calculation in future EBA filings.

---

[11] RMP Reply Comments, at 2.
[12] *Id*.

3. Discussion, Factual Findings, and Legal Conclusions

The EBA Statute authorizes the PSC to "allow any rate increase or decrease, or a reasonable part of the rate increase or decrease, to take effect on an interim basis, subject to the [PSC's] right to order a refund or surcharge."[13] To grant a request for interim rates, the PSC must find the utility has made "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."[14]

With respect to RMP's proposal to amortize the 2023 EBAC over 24 months, the PSC appreciates RMP's initiative in seeking to ameliorate rate impacts for customers. However, the PSC finds no evidence has been submitted or is known that the conditions driving these significant increases in net power costs will abate in 2024. In fact, DPU's testimony at hearing suggests net power costs in the first quarter of 2024 were even greater than the first quarter of 2023. Further, as multiple parties indicated, a 24-month amortization will require ratepayers to pay significantly greater carrying charges than a 12-month amortization. Because these increases in net power costs do not appear to be an anomaly and customers will ultimately pay significantly more in carrying charges, the PSC declines to approve RMP's request for a 24-month

[13] Utah Code Ann. § 54-7-13.5(2)(k)(ii)(B).
[14] *Id.* at § 54-7-13.5(2)(k)(iii).

amortization. The PSC approves a 12-month amortization period consistent with prior filings.

Turning to the inclusion of carrying charges accrued during the collection period, RMP concedes it has not sought to include these costs in prior years' EBA filings. Instead, RMP includes the accrued carrying charges for the prior year in each year's EBA filing. We note RMP proposed to deviate from this practice and to include interest accrued during the collection period within the context of its proposal to amortize the costs over 24 months as opposed to the typical 12. Given that we decline to adopt RMP's proposed 24-month amortization and the EBA Statute's mandate that approved interim rate requests be generally consistent with prior years' filings, the PSC declines, at this time, to approve deviating from the historic practice. The interim rates approved in this Order may not include carrying charges that accrue during the 12-month collection period for the 2023 EBAC. RMP may, of course, include the accrued interest in next year's EBA filing.

Accordingly, the PSC finds the 2023 EBAC must be adjusted ("2023 Adjusted EBAC") to reflect: (i) removal of $24,201,822 in carrying charges that will accrue during the collection period from July 1, 2024, through June 30, 2025;[15] (ii) the addition of $826,579 to correct for RMP's use of an incorrect rate for the carrying

---

[15] *See* DPU Comments, at 2.

charges that accrued in the EBA during the prior collection period.[16] To determine the amount of these adjustments, the PSC relies on the DPU's testimony and calculations, the accuracy of which no party has disputed.

Based on our review of the Application and its attachments, the parties' written testimony, and testimony at hearing, the PSC finds the 2023 Adjusted EBAC is more likely to reflect actual net power costs than current base rates. The PSC further finds that an interim rate to recover the 2023 Adjusted EBAC is consistent with prior years' filings.

4. Order

The PSC approves an interim rate that facilitates RMP's recovery of the 2023 Adjusted EBAC, as defined *supra* at 10, to be collected over 12 months, effective July 1, 2024, through June 30, 2025. RMP's recovery of these costs remains subject to the PSC's authority to order a refund or adjustment until after the parties have fully litigated this docket and the PSC has approved final rates.

DATED at Salt Lake City, Utah, June 28, 2024.

/s/ Michael J. Hammer
Presiding Officer

[16] *See id*.

Approved and Confirmed June 28, 2024 as the Order of the Public Service Commission of Utah.

/s/ Jerry D. Fenn, Chair

/s/ David R. Clark, Commissioner

/s/ John S. Harvey, Ph.D., Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#334468

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the 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 fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, 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 Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on June 28, 2024, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Email:

Data Request Response Center (datareq@pacificorp.com), (utahdockets@pacificorp.com)
PacifiCorp

Ajay Kumar (ajay.kumar@pacificorp.com)
Jana Saba (jana.saba@pacificorp.com)
Katherine Smith (katherine.smith@pacificorp.com)
Rocky Mountain Power

Phillip J. Russell (prussell@jdrslaw.com)
JAMES DODGE RUSSELL & STEPHENS, P.C.
Shantell Garrett (sgarrett@energystrat.com)
Kevin Higgins (khiggins@energystrat.com)
Neal Townsend (ntownsend@energystrat.com)
Energy Strategies, LLC
Utah Association of Energy Users

Patricia Schmid (pschmid@agutah.gov)
Patrick Grecu (pgrecu@agutah.gov)
Robert Moore (rmoore@agutah.gov)
Assistant Utah Attorneys General

Madison Galt (mgalt@utah.gov)
Division of Public Utilities

Alyson Anderson (akanderson@utah.gov)
Bela Vastag (bvastag@utah.gov)
Alex Ware (aware@utah.gov)
Jacob Zachary (jzachary@utah.gov)
(ocs@utah.gov)
Office of Consumer Services

Administrative Assistant