
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

DOCKET NO. 24-035-04
ORDER APPROVING TEST PERIOD

ISSUED: March 11, 2024

I. BACKGROUND

On January 24, 2024, in accordance with Utah Admin. Code R746-700-10(B)(1), Rocky Mountain Power (RMP) filed a Notice of Intent to File a General Rate Case and Request for Approval of Test Period, along with supporting testimony (the "Request"), with the Public Service Commission (PSC). RMP seeks approval of its proposed test period of twelve months ending December 31, 2025, using a 13-month average rate base (the "2025 CY Test Period"), for its general rate case it plans to file around April 30, 2024 (the "2024 GRC"). RMP intends the new rates determined in the 2024 GRC to become effective on January 1, 2025 (the "Rate Effective Date").

On January 31, 2024, the PSC issued a Scheduling Order and Notice of Virtual Hearing on Test Period, establishing deadlines for written testimony and a hearing date regarding the Request. On February 23, 2024, the Division of Public Utilities (DPU) filed direct testimony. Utah Association of Energy Users sought intervention, which the PSC granted on February 26, 2024. Only RMP and DPU submitted written testimony.

The PSC held a virtual hearing on March 4, 2024, to consider the 2025 CY Test Period. RMP and DPU both offered testimony in support of the 2025 CY Test Year, and no party objected to the PSC granting RMP's Request.

II. DISCUSSION, FINDINGS, AND CONCLUSIONS

RMP argues the 2025 CY Test Period aligns with the 2024 GRC's proposed rate-effective period and is the only test period that fully matches the costs and benefits of the major capital investments it expects to place in service before December 31, 2025, including its 500kV Gateway South transmission line and multiple new wind projects. It states the 2025 CY Test Period is also the only test period to properly align the costs of its investments with the net power cost (NPC) and production tax credit (PTC) benefits that will be provided to customers through the Energy Balancing Account. In addition, RMP claims it is experiencing an environment of significant NPC increases related to forward market prices and fuel contracts, as well as increases in third-party liability insurance premiums for the 2024/2025 coverage period.¹ It states the 2025 CY Test Period ensures these items are aligned with the Rate Effective Date. RMP concludes the 2025 CY Test Period will not disadvantage any party or presume an outcome in the proceeding because parties will have the opportunity to review all historical information and evaluate all adjustments to the test period to make recommendations on the reasonableness of RMP's forecasts.

¹ According to the Application, RMP expects the insurance premium to be paid on or around August 15, 2024.

DPU states it has reviewed the Request and comments that over 27 percent of the 2024 GRC large capital project additions are expected to be placed in service in 2025.² DPU represents the 2025 CY Test Period aligns RMP's expected cost increases with the Rate Effective Date. DPU recommends approval of the 2025 CY Test Period and requests future applications for test year approval be accompanied by supporting exhibits.

Utah Code Ann. § 54-4-4(3) authorizes the PSC to select a test period that, on the basis of evidence, the PSC finds best reflects the conditions a public utility will encounter during the period when the rates determined by the PSC will be in effect. Utah Administrative Rule R746-700-10 (the "Rule") provides additional guidance.

The Rule states:

The applicant will provide information which will demonstrate what adjustments are required to be made to the 12 months of actual, unadjusted results of operations data, including all regulated costs and revenues, contained in the most recent periodic reported results of operations submitted to the [PSC], to arrive at the test period Adjustments to be demonstrated include, but are not limited to: normalization adjustments, annualization adjustments, accounting adjustments, adjustments to reflect prior Utah regulatory decisions and policies made by the [PSC] with respect to any item or matter ... contained in the application, and all further adjustments to arrive at the test period used by the applicant in the general rate case filing.³

² See Direct Testimony of Gary Smith for the DPU, DPU Confidential Exhibit 1.1.

³ Utah Admin. Code R746-700-10(A)(1)(a).

The Rule also requires the applicant to explain “why the test period used is the most appropriate for the case” and to “provide a summary index which identifies each adjustment or portion of an adjustment made in the filing.”⁴ Subject to limitations and requirements, the Rule allows an applicant to use a future test period. In such cases, the request to approve the proposed test period must be accompanied by testimony and exhibits providing information that supports the proposed test period. Each GRC “needs to be considered on its own merits and the test period selected should be the most appropriate for that case.”⁵

Based on RMP’s 2024 GRC rate-effective period, the timing of RMP’s significant capital additions, the significant increases in NPC it is currently experiencing and projected to continue to experience, and higher insurance premium costs, as well as DPU’s testimony, we find RMP’s 2025 CY Test Period reasonably reflects the conditions RMP expects to face during the rate-effective period. Further, the PSC found persuasive RMP’s and the DPU’s testimony pertaining to the consideration of the factors identified in our Test Period Order, including the following: (1) changes in the utility’s investment, revenues, or expenses; (2) ability to synchronize the utility’s investment, revenues, and expenses; (3) whether the utility is in a cost increasing or cost declining status; and (4) incentives to efficient management and operation.

⁴ *Id.* at R746-700-10(A)(1)(b)-(c).

⁵ *In the Matter of the Application of PacifiCorp for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 04-035-42, Order Approving Test Period Stipulation issued October 20, 2004 at 3 (hereafter, “Test Period Order”).

Based on our findings and the information provided in the Request, and in the absence of any opposition, we find and conclude RMP's 2025 CY Test Period: (1) meets the statutory requirements under Utah Code Ann. § 54-4-4(3); (2) best reflects the conditions RMP will face during the rate-effective period; and (3) will allow RMP a reasonable opportunity to recover the costs associated with its capital projects. Therefore, we approve RMP's 2025 CY Test Year.

III. ORDER

Based on the findings and conclusions above:

- 1) We approve RMP's request to use a test period of twelve months ending December 31, 2025, using a 13-month average rate base, for its 2024 GRC to be filed on or around April 30, 2024.

DATED at Salt Lake City, Utah, March 11, 2024.

/s/ David R. Clark, Commissioner

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

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#332782

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 March 11, 2024, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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