ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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December 22, 2025

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

Re: **Docket No. 25-035-41**
In the Matter of Rocky Mountain Power's Semi-Annual Demand-Side Management (DSM) Forecast Reports – Reply Comments

On October 31, 2025, Rocky Mountain Power ("Company") filed its Utah DSM Semi-Annual Forecast Report ("Report") in the above referenced docket. On November 7, 2025, the Public Service Commission of Utah ("Commission") issued a Notice of Filing and Comment period, allowing parties to file comments on the Company's Report by December 5, 2025, and reply comments by December 22, 2025. The Division of Public Utilities ("Division") and Office of Consumer Services ("Office") filed comments December 2 and 5, 2025, respectively. The Company submits these reply comments in response to the Division's and Office's comments.

Comment Summary

The Office's comments recommended the Company provide explanations for certain program budgets filed in the Report, and to justify the cost effectiveness of anticipated large custom commercial battery projects.

The Division's comments state the Report complies with the Commission's Order in Docket No. 09-035-T08, but claim the Company has been using an incorrect carrying charge in its accounting of the DSM regulatory asset and liability balance. As such, the Division requests the Company submit an updated Report reflecting a different carrying charge, and recommend the Commission open a docket to examine the impact of using an incorrect carrying charge on the DSM balances and rates.

DISCUSSION

Office Comments

- **Air Conditioning Load Control (aka Cool Keeper) Program -** On page 2 of the Office's comments, the Office requested more supporting detail for the Cool Keeper program's \$5.7m budget increase for 2026. The budget increase for the Cool Keeper program is due to expanding the program to more customers, and the costs associated with that, which include the installation of additional Load Control Receivers ("LCRs") for enrolled customers, ongoing equipment maintenance, and customer incentives. In the DSM Steering

Committee meeting held November 7, 2024, the Company discussed its intent to increase the Cool Keeper program's footprint within the Wasatch Front and also expand the program beyond the Wasatch Front into areas including Cache County, Iron County, Washington County, and more. Accordingly, the Cool Keeper program added 12,000 LCRs in 2025 and is targeting to add an additional 20,000 LCRs in 2026. The increased 2026 budget for the Cool Keeper program is primarily to cover the one-time, high up-front costs of purchasing and installing the additional LCRs needed for customer enrollments, which are anticipated to be around $5m, making up the bulk of the program's budget increase for 2026.

- **Wattsmart Homes ("WSH") Program** – On page 6 of the Office's comments, the Office suggested that the WSH program's budget does not align with its associated energy savings. In the Report, the Company forecasted 84.9m kilowatt-hours ("kWh") for the WSH program. Upon review however, this number inadvertently included forecasted savings from both the residential and commercial midstream channel. Accordingly, the forecast savings for the WSH program in 2026 should be decreased to 69.7m kWh, which excludes commercial midstream savings. Additionally, the Report's Wattsmart Business forecast of 223.4m kWh is an at site number and should have been reported as 238.8m kWh at gen. Attached hereto as Exhibit A is a revised 2026 savings forecast to reflect these numbers. The overall 2026 budget forecast remains unchanged.

  While the Company's 2025 forecast for the WSH program was originally 60.4m kWh with a $23.5m budget,[1] the Company is now anticipating the WSH program to achieve closer to 80m kWh with a projected spend of $27-28m for 2025. In 2026, the WSH's program is now targeting 69.7m kWh with a budget of $25m. Based on these updated numbers, the Company believes the forecast budgets better align with the associated energy savings. As an additional note, program budgets can be higher or lower with the same energy savings forecast, depending on where the energy savings are derived. If the majority of savings come from higher cost measures, the budget will correspondingly be higher than it would have been if savings came from lower cost measures. This means that in some years, the WSH budget may be higher than in previous years with a lower savings forecast or may have a lower budget with a higher savings forecast. This does not mean the program budget forecast does not align with the associated energy savings, rather, it means that the program savings are coming from higher or lower cost measures than in previous years. This further demonstrates that comparing one year's program budget and savings forecast to another's cannot be a congruent comparison unless the corresponding energy savings sources are also considered.

- **C&I DR Program –** On page 2 of the Office's comments, they noted the C&I DR program's budget increased while the energy savings have decreased compared to 2025's forecast. The Company would note that the C&I DR program's forecast is for anticipated available megawatt ("MW") capacity, not energy savings, and is not incremental, but accumulative. For example, the 50 MW forecast in the Report is the overall total available MW capacity the Company is targeting for the C&I DR program by the end of 2026. This is inclusive of 2023-2025 enrollments and how the Company has historically forecasted and reported on its demand response programs.

[1] Forecast Report filed November 1, 2024 in Docket No. 24-035-37.

For further context, the C&I DR program enrolled 13 MW of capacity in 2023, 11 MW of capacity in 2024, and anticipates adding an additional 6 MW of capacity by the end of 2025, for a total of 30 MW from Utah. While the Company originally forecasted 54 MW by the end of 2025, the enrollment process has taken longer than anticipated, as acknowledged in the Office's comments, resulting in fewer enrollments in 2025 than are anticipated in 2026. The projected budget of $2.3m for 2025 is correspondingly lower than originally forecast, aligning more with the enrollments achieved and customer incentives. The $5m forecast budget for 2026 is based on adding a potential of 20 MW in new enrollments, resulting in a total of 50 MW in projected capacity for the program, and covering potential customer annual incentives for all 50 MW. It should be noted however, that actual capacity and customer incentives can vary greatly based on actual customer load and performance any given year. While customer incentives and the costs of enrolling new capacity can vary greatly from customer to customer based on their load, equipment, and performance, the Company believes its forecasted budget reasonably aligns with the forecasted capacity for 2026, if achieved. The Company further believes this explanation helps provide the context needed to understand the C&I DR program's forecast numbers.

- **Wattsmart Battery Program –** On page 3 of the Office's comments, they raised concerns over the unknowns for expensive commercial batteries and whether cost-benefit results would be worthwhile to the DSM program. Attached hereto as Confidential Exhibit B is a cost effective analysis focusing solely on the commercial battery side of the program. While it is still unknown if and when future commercial battery projects will be completed and participate in the program, for purposes of determining the value of commercial batteries, Confidential Exhibit B assumes a 5-year commitment scenario with significantly increasing commercial rebate costs over a 5-year period through 2030. Under this hypothetical scenario, the commercial side of the program would pass the Utility Cost Test with a cost/benefit ratio of 1.49, suggesting the commercial offering in its current form is worthwhile to the DSM portfolio. Notwithstanding, the Company will continue to closely analyze the battery program and discuss potential actions with the DSM Steering Committee to ensure it, and the overall DSM portfolio, remains in the public interest.

Division Comments

The Division states that as part of its review it analyzed the carrying charge rate used by the Company and suggests that the Company has been using an incorrect carrying charge rate since 2017. The Division acknowledges the Company is authorized under U.C.A § 54-7-12.8(2)(b)(iii) to apply a carrying charge to the unamortized balance that is equal to the large-scale electric utility's pretax weighted average cost of capital approved by the commission in the large-scale electric utility's most recent general rate proceeding. The Division notes that RMP Exhibit A shows the Company used carrying charge rates of 8.99% and 8.418%, which the Division claims are not the Weighted Average Cost of Capital ("WACC") rates included in the Commission orders from the last two general rate cases ("GRC"). Although the Division discusses the tax implications of WACC, the Division speculates that "even though the Commission has never explicitly stated that the WACC ordered in a general rate case is a pre-tax WACC, it is the Division's understanding that the Commission is aware of the tax implications of equity financing and the impacts of debt or equity financing to the revenue requirement."[2] Based on this reasoning, the Division claims that

[2] Division Comments filed Dec. 2, 2025, at 4.

the WACC that are specified in Commission orders in GRC proceedings are the pretax WACC. The Division concludes the carrying charge rates used by the Company for the DSM regulatory asset and liability balances since January 1, 2017, have been incorrect. The Division also notes that the Company used these same carrying charge rates for the electric vehicle infrastructure program ("EVIP"), which is also authorized to use the pretax WACC as the carrying charge.[3] The Division requests that the Company file a corrected Report and that the Commission open a new docket to review the carrying charges and evaluate the impact of the "incorrect" carrying charges on the DSM and EVIP account balances.

The Company strongly disagrees with the Division's suggestion that an incorrect carrying charge rate has been used in the DSM and EVIP account balances. As noted by the Division, Utah Code specifies pretax WACC as the carrying charge rate for these programs. By accounting definition, the term "pretax" refers to the concept of earnings before taxes are deducted. Only the debt component of the WACC is pretax, as interest is a tax-deductible expense. The cost of equity component of the WACC results in taxable income. The WACC that are specified in Commission orders in GRCs are not the pretax WACC and an additional step must be completed to calculate a pretax WACC from a Commission-ordered WACC. Figure 1 below provides an example of this calculation for the Company's most recent general rate case ("2024 GRC").

Figure 1 – Pretax WACC Calculation – 2024 GRC

Cost of Capital 24-035-04 (effective April 25, 2025)	**Capital Structure**	**Capital Cost**	**Weighted Cost**	**PreTax Weighted Cost**	
Debt	55.570%	5.210%	2.895%	2.895%	
Preferred	0.010%	6.750%	0.001%	0.001%	
Common	44.420%	9.375%	4.164%	5.522%	= 4.164% / (1-24.587%)
TOTAL			**7.060%**	**8.418%**	
Consolidated Tax Rate				24.587%	

This calculation for pretax WACC produces the 8.42% carrying charge rate used by the Company for the DSM regulatory account balances beginning with the rate effective period of the 2024 GRC. While the Division argues that the WACC of 7.06% is the pretax WACC, the Commission's order in the 2024 GRC clearly approves an overall rate of return[4], which is not the same as a pretax WACC. Figure 2 provides the same calculation for the 2020 GRC.[5]

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[3] U.C.A § 54-4-41(6)(a).
[4] *See 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, at 110 (Apr. 25, 2025) ("Table 2 presents the final capital structure, ROE and overall rate of return we approve").
[5] *Application of RMP 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. 20-035-04.

Figure 2 – Pretax WACC Calculation – 2020 GRC

Cost of Capital					
20-035-04					
(effective January 1, 2021)				**PreTax**	
	Capital Structure	**Capital Cost**	**Weighted Cost**	**Weighted Cost**	
Debt	47.490%	4.790%	2.275%	2.275%	
Preferred	0.010%	6.750%	0.001%	0.001%	
Common	52.500%	9.650%	5.066%	6.718%	= 5.066% / (1-24.587%)
TOTAL			**7.342%**	**8.993%**	
Consolidated Tax Rate				24.587%	

The Division's position in this proceeding that the pretax WACC is the same as the WACC that is included in Commission orders is incorrect and inconsistent with the position they took when the DSM accounting treatment was approved. On September 12, 2016, the Company filed an application with the Commission requesting authorization under U.C.A § 54-7-12.8(2)(b) to capitalize the annual costs incurred for DSM and amortize annual DSM expenditures over a ten year period and apply a carrying charge to the unamortized balance that is equal to the Company's pretax weighted average cost of capital approved in the Company's most recent general rate proceeding.[6] On November 9, 2016, The Division filed direct testimony in the proceeding and Division witness Mr. David Thomson discussed the requirements of Utah Code for the carrying charge on the DSM balances to be the pretax WACC from the utility's most recent general rate proceeding.[7] Mr. Thomson then clearly identified the pretax WACC on lines 92-94 of this direct testimony as follows:

> Q. What is the pretax weighted average cost of capital ("pre WACC") approved by the commission in the most recent general rate proceeding?
>
> A. 10.65%.[8]

At the time of Mr. Thomson's direct testimony, the Company's most recent GRC would have been the 2014 GRC.[9] The Commission's Report and Order in the 2014 GRC ("2014 GRC Order") approved a WACC of 7.57%,[10] yet as Mr. Thomson stated, the pretax WACC for use in the DSM regulatory asset and liability balance was 10.65%. Figure 3 below shows the calculation to arrive at the 10.65% pretax WACC and how it relates to the 7.57% WACC in the 2014 GRC Order.

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[6] *Application of Rocky Mountain Power to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act*, Docket No. 16-035-36, (hereafter, "STEP Docket") RMP Application at 6-7 (Sept. 12, 2016).
[7] *Id.* Direct Testimony of David Thomson at 5:80-83 (Nov. 9, 2016).
[8] *Id.* at 6:92-4.
[9] *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. 13-035-184.
[10] *Id.* Report and Order, Attachment: Settlement Stipulation at 5 (Aug. 29, 2014).

Figure 3 – Pretax WACC Calculation – 2014 GRC					
Cost of Capital					
13-035-184					
(effective September 1, 2014)				**PreTax**	
	Capital Structure	**Capital Cost**	**Weighted Cost**	**Weighted Cost**	
Debt	48.55%	5.20%	2.52%	2.52%	
Preferred	0.01%	6.75%	0.00%	0.00%	
Common	51.43%	9.80%	5.04%	8.12%	= 5.04% / (1 - 37.951%)
TOTAL			**7.57%**	**10.65%**	
Consolidated Tax Rate				37.951%	
(Note: the federal tax rate was reduced from 35% to 21% in December 2017)					

In December 2016, the Commission issued an order approving the accounting treatment of the DSM regulatory asset and balances and associated carrying charge, listing the pretax WACC carrying charge as an undisputed issue in the proceeding.[11] In December 2017, federal tax rates decreased from 35% to 21%,[12] which decreased the pretax WACC from 10.65% to 9.21%.

Figure 4 – Pretax WACC Calculation – 2014 GRC (with 21% Federal Tax Rate)					
Cost of Capital					
13-035-184					
(effective January 1, 2017)				**PreTax**	
	Capital Structure	**Capital Cost**	**Weighted Cost**	**Weighted Cost**	
Debt	48.55%	5.20%	2.52%	2.52%	
Preferred	0.01%	6.75%	0.00%	0.00%	
Common	51.43%	9.80%	5.04%	6.68%	= 5.04% / (1 - 24.587%)
TOTAL			**7.57%**	**9.21%**	
Consolidated Tax Rate (Federal Rate 21%)				24.587%	

Table 1 provides a full history of the carrying charge rates that have been used for the DSM regulatory asset and liability balances since January 1, 2017. The table also includes the corresponding GRC as well as a reference to where the carrying charge rate has been included in reporting over the years.

[11] STEP Docket, Phase One Report and Order at 11-12 (Dec. 29, 2016).
[12] The Tax Cuts and Jobs Act of 2017, enacted December 22, 2017.

Table 1: History of Carrying Charge Used for DSM Regulatory Asset and Liability				
CY	Carrying Charge (pretax WACC)	Reporting Reference	GRC Docket	Note
2017	10.65%	19-035-17, Second STEP Program Status Report, RMP Attachment 1 - 1.0 STEP Acctg Info CY 2018, Tab 1.1 'Assets & Liabs', Cell F5	13-035-184	
2018	9.21%	19-035-17, Second STEP Program Status Report, RMP Attachment 1 - 1.0 STEP Acctg Info CY 2018, Tab 1.1 'Assets & Liabs', Cell F26	13-035-184	Federal tax rate decreased from 35% to 21% Dec 2017
2019	9.21%	20-035-21, Third STEP Program Status Report, RMP Attachment 1 - 1.0 and 1.1 STEP Acctg Info CY 2019, Tab 1.1 'Assets & Liabs', Cell F48	13-035-184	
2020	9.21%	21-035-29, 4th STEP Program Status Report, RMP Attachment 1 - Exhibits 1.0 and 1.1, Tab 1.1 'Assets & Liabs', Cell F70	13-035-184	
2021	8.99%	22-035-13, 5th STEP Program Status Report, RMP Attachment 1 - Exhibits 1.0 and 1.1, Tab 1.1 'Assets & Liabs', Cell F92	20-035-04	
2022	8.99%	23-035-31 Semi-Annual DSM Forecast Reports, RMP Exhibit A - Accounting Analysis (Excel), Tab 'Accounting Analysis' Cells B17 & B25	20-035-04	
2023	8.99%	24-035-37 Semi-Annual DSM Forecast Reports, RMP Exhibit A - Accounting Analysis (Excel), Tab 'Accounting Analysis' Cells B17 & B25	20-035-04	
2024	8.99%	25-035-41 Semi-Annual DSM Forecast Reports, RMP Exhibit A - Accounting	20-035-04	
2025	8.42%	Analysis (Excel), Tab 'Accounting Analysis' Cells B17 & B25	24-035-04	Effective April 25, 2025

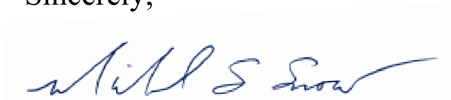
The Company also includes an Excel workpaper that links the pretax WACC percentages in Table 1 to the calculations in Figures 1 through 4. This workpaper demonstrates that the carrying charge rates the Company has used for the DSM regulatory asset and liability accounts represents the appropriate pretax WACC from the GRCs.

For these same reasons, the Company disagrees with the Division that it used an incorrect carrying charge for the EVIP account balance. The Company also notes that the EVIP Settlement Stipulation, of which the Division was a signatory party, stated that 8.99% was the pretax WACC to be used as the carrying charge for the program accounting.[13]

CONCLUSION

Based on the information provided herein, the Company believes it has adequately addressed the Office's comments. The Company respectfully requests that the Commission reject the Division's suggestion that the Company has used an incorrect carrying charge in the DSM regulatory asset and liability and the EVIP program accounts. A new proceeding is unnecessary since the Company has provided evidence in these reply comments that the carrying charge rate used correctly reflects the pretax WACC, consistent with Utah Statute.

Sincerely,



Michael S. Snow
Manager, Regulatory Affairs

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[13] *Application of Rocky Mountain Power for Approval of Electrical Vehicle Infrastructure Program*, Docket No. 20-035-34, Settlement Stipulation, at 7 (Nov. 17, 2021).

CERTIFICATE OF SERVICE

Docket No. 25-035-41

I hereby certify that on December 22, 2025, a true and correct copy of the foregoing was served by electronic mail to the following:

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Rick Loy

Rick Loy
Coordinator, Regulatory Operations

Attachment A

Revised Forecast

2026 Forecast Savings compared to Resource Plan Targets

	2026 Program Forecast		2025 Integrated Resource Plan	
	MWh @ Gen 2026	**MW 2026**	**MWh 2026**	**MW 2026**
Class 1 DSM - Residential, Commercial, Industrial				
Air Conditioner Load Control - Res. & Small Com. (Sch. 114)		394		340
Wattsmart Batteries Program (Sch. 114)		45		50
Irrigation Load Control - Industrial (Sch. 105)		14		20
C&I Load Control Program (Sch. 114)		50		47
EV Charging Demand Response (Sch. 114)		1.75		2
Total Class 1		505		459
Class 2 DSM - Residential				
Low Income Weatherization (Sch. 118)	180	0.03	N/A	N/A
Wattsmart Homes (Sch. 111)	69,696	13.14	N/A	N/A
Total Class 2 Residential	69,876	13.17	58,974	11.12
Class 2 Non-Residential Programs				
Wattsmart Business (Sch. 140)	238,848	45.02	N/A	N/A
Total Class 2 Non-Residential	238,848	45.02	241,946	45.61
Total Class 2	308,724	58.19	300,920	56.72
Total Class 2 Estimated Range	277,852 - 339,596			
Misc.				
Home Energy Reporting (Sch. N/A)	102,248	19.27		

Notes:

1. 2025 IRP Preferred Integrated Portfolio ("25I.LP.ST.r21.Base.EP.2409MN.Integrated.155264") workpaper: Demand Response Selections includes existing, planned, and selected incremental demand response resources by customer class and technology for Utah for the year 2026, listed in cumulative MW of capacity.
2. Irrigation forecast represents highest expected realized value during the season (see "Irrigation Load Peak Impact" tab for an estimate by week throughout season).
3. Air conditioner load control (Cool Keeper) forecast represents the expected contribution/impact available at peak, temperature dependent.
4. Total Class 2 DSM: 2025 IRP - Preferred Integrated Portfolio ("25I.LP.ST.r21.Base.EP.2409MN.Integrated.155264") showing energy efficiency for 2026 when accounting for 1st year annual energy efficiency shape.

5. Peak Capacity Impact (MW) divided by forecasted Class 2 DSM energy savings (MWh)	0.000188	
6. 2026 Utah energy selections derived from the 2025 IRP Update Preferred Integrated Portfolio	300,920	MWh
7. Estimated coincident peak impact of 2026 Utah Class 2 DSM programs excluding Home Energy Reports	**56.72**	**MW**

8. 2025 IRP Utah Energy Efficiency coincident peak contribution from supporting data used to create 2025 IRP Figure 6.3 page 130
9. Savings values for EE & DR are listed in untis of MWh and MW *at generation* .

Confidential Attachment B

Commercial Battery Cost Effectiveness

Attachment B is Confidential in its entirety

and provided under a separate cover