



State of Utah

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Commissioner

February 25, 2026

Mr. Michael S. Snow
Rocky Mountain Power
1407 West North Temple, Suite 330
Salt Lake City, UT 84116

Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, OR 97232

Re: *Rocky Mountain Power's Semi-Annual Demand-Side Management Forecast Reports; Docket No. 25-035-41*

Dear Mr. Snow:

The Public Service Commission (PSC) reviewed the Semi-Annual Demand-Side Management (DSM) Forecast Report (the "Report") submitted by Rocky Mountain Power (RMP) on October 31, 2025, in accordance with the PSC's Order in Docket No. 09-035-T08 approving the Phase I Stipulation filed August 3, 2009, in the same docket ("Order"). Due to changes that converted the DSM Program to a regulatory asset in Docket No. 16-035-36, RMP's reporting focuses on DSM expenditures and collections, regulatory assets and liabilities, and related balances. Accordingly, RMP's Report reflects actual results through September 2025, and projects results through December 2030.

On December 2, 2025, the Division of Public Utilities (DPU) submitted comments ("DPU Comments"). Generally, DPU states that the Net Regulatory Asset/Liability balance is projected to be over \$650 million by December 2030 if the Schedule 193 surcharge remains at 3.54 percent. The DPU explains that RMP discussed the growing balance at the October 28, 2025, DSM Steering Committee meeting, and plans to adjust rates by mid-2026. The DPU also noted that RMP's DSM programs are projected to meet or exceed 2025 Integrated Resource Plan (IRP) targets:

- Class 1 (Demand Response): Projected at 505 MW, exceeding the 459 MW target.
- Class 2 (Energy Efficiency): Forecasted at 308,506 MWh, surpassing the 300,920 MWh target.

- Total DSM Budget: Projected to increase from approximately \$98.9 million in 2025 to \$110.1 million in 2026.

More specifically, the DPU also reviewed Exhibit A-UT DSM Accounting Analysis, dated October 31, 2025, and the charge applied to the balances in this Docket by RMP. The DPU notes that Utah law allows RMP to assess a carrying charge “to the unamortized balance that is equal to [...] [its] pretax weighted average cost of capital approved by the [PSC] in [...] [its] most recent general rate proceeding.” As a result, DPU states that RMP must use the pre-tax weighted average cost of capital (WACC) ordered by the PSC in the most recent general rate case and referenced the PSC-ordered WACCs of 7.06 percent in Docket No. 24-035-04 and 7.34 percent in the previous general rate case in Docket No. 20-035-04. According to DPU, “[e]ven 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.”¹ The DPU explains that the use of peer utilities’ allowed rates of return and the evaluation of market returns in a general rate case, “seem to suggest that no post hoc adjustment for taxes is required.” *Id.* The DPU proceeds to conclude that the WACC ordered by the PSC in a general rate case is a pre-tax WACC. The DPU is concerned that RMP applies a redundant tax adjustment to the WACC, producing a carrying charge of 8.99 percent and 8.418 percent, and questions whether this is the appropriate carrying charge. The DPU contends that the PSC-ordered WACC is already a pre-tax figure, rendering RMP’s additional adjustment incorrect.²

On December 5, 2025, the Office of Consumer Services (OCS) submitted comments highlighting the growth of the net regulatory asset of unrecovered costs (Net Regulatory Asset), which grew by \$170.7 million between 2020 and 2025 and is projected to reach \$650 million by 2030. The OCS attributed this growth to compounding carrying charges and the one-time Coal Fund. To address this, the OCS suggested RMP may need to increase the Schedule 193 Surcharge Rate, cap spending, or suspend coal plant accelerated depreciation paydowns. The OCS further identified several significant budget adjustments for 2026:

- Wattsmart Batteries: Budget doubling to \$15 million due to anticipated large commercial rebates.
- C&I Load Control: Budget doubling to \$5 million despite a forecasted 4 MW decrease in savings.
- Cool Keeper (A/C Load Control): A \$5.7 million increase over 2025 year-end results.

¹ DPU Comments at 4.

² See *id.* at 2-5.

RMP filed reply comments on December 22, 2025, providing the following clarifications:

- Cool Keeper Program (AC Load Control): RMP states the \$5.7 million budget increase for 2026 is driven by a geographical and hardware expansion. Specifically, RMP is expanding into Cache, Iron, and Washington Counties and targeting 20,000 new Load Control Receivers (LCRs) in 2026, up from 12,000 in 2025. Additionally, RMP states that approximately \$5 million of the increase is attributed to the one-time upfront costs of purchasing and installing these LCRs.
- Wattsmart Homes (WSH) & Business: RMP corrected previous forecasting errors. Specifically, the 2026 savings forecast was lowered from 84.9m kWh to 69.7m kWh because commercial midstream savings were accidentally double-counted. Additionally, the forecast for the Wattsmart Business should be reported as 238.8m kWh (at generation) instead of 223.4m kWh (at site). The Company also clarified that budgets don't always scale linearly with kWh. If a year focuses on "high-cost measures" (expensive equipment) vs. "low-cost measures" (LEDs/simple weatherization), the budget may rise even if the energy savings target drops.
- C&I Demand Response (DR) Program: RMP addressed concerns regarding why the budget is increasing while "savings" appear to decrease. RMP notes that this program is measured in Megawatt (MW) capacity (availability), not energy savings (kWh), the 50 MW target for 2026 is a cumulative total of all enrollments since 2023, and the 2026 \$5 million budget covers the push to add 20 MW of new capacity in a single year, plus the annual incentives for the total 50 MW fleet.
- Wattsmart Battery Program: In response to OCS's concerns about the cost-effectiveness of expensive commercial batteries, the cost-benefit analysis of a hypothetical 5-year scenario through 2030 shows a Utility Cost Test ratio of 1.49 indicating that the program is worthwhile and provides more benefit to the utility system than it costs.
- WACC Methodology: RMP disputes the DPU's claim regarding carrying charges, arguing that the WACC approved in rate cases is an overall rate of return that requires a "gross up" for equity income taxes to reach a true pre-tax figure.³

The PSC appreciates the DPU's thorough review of the Report, including the details of RMP's WACC calculations. The PSC interprets the statute to mean that RMP is entitled to a carrying charge that reflects the expected income taxes assessed on the

³ See RMP Reply Comments at pages 3-7.

Docket No. 25-035-41
Acknowledgment Letter from the PSC
February 25, 2026
Page 4

equity portion of the WACC, consistent with RMP's interpretation. The PSC must assume the legislature used the term "pretax" advisedly. Had the legislature meant to limit the carrying charge to the PSC-approved WACC, there would be no need to insert "pretax" into the relevant sentence. This interpretation is consistent with the testimony, orders, and settlement in Docket Nos. 16-035-36⁴ and 13-035-184.⁵

Based on the PSC's review of the Report, as well as the recommendations from the DPU and OCS, the PSC acknowledges that the Report complies with the requirements of the Order. The PSC directs RMP to meet with the OCS, and other interested parties, to develop a process to determine a more cost-effective approach to meeting IRP DSM targets. Further, the PSC directs RMP to address the Schedule 193 surcharge in calendar year 2026.

Sincerely,

/s/ Gary L. Widerburg
PSC Secretary
DW#344012

⁴ See *Application of Rocky Mountain Power to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act*, Docket No. 16-035-36, RMP Application filed Sept. 12, 2016, at 6-7, and Direct Testimony of David Thomson filed Nov. 9, 2016, at 5:80-83.

⁵ 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. 13-035-184, Report and Order, Attachment: Settlement Stipulation issued Aug. 29, 2014, at 5.