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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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Division of Public Utilities
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Date: December 9, 2011

Subject: Docket No. 11-035-57, DSM Semi-Annual Reports

<u>Background</u>

In its August 25, 2009 Order Granting Approval of the Phase I Stipulation in Docket No. 09-035-T08, the Public Service Commission of Utah (the "Commission") ordered Rocky Mountain Power (the "Company") to provide to the Commission and Demand Side Management ("DSM") Advisory Group, a Utah DSM Balancing Account Analysis. The Utah DSM Balancing Account Analysis was to be filed semi-annually.

On June 9, 2011, the Office of Consumer Services (the "Office") filed a memo in Docket 10-035-57 relating to the April 29th semi-annual DSM Balancing Account Analysis filing. At that time, the Office cited the continued over-collection of Schedule 193. The Office anticipated a Schedule 193 reduction associated with the November filing. The reduction magnitude depended on the Home Energy Report under consideration by the Company. The Office recommended keeping Schedule 193 unchanged pending action on the Home Energy Report since sufficient funds were available for the project if approved by the Commission.

On November 1, 2011, the Company filed its semi-annual Utah DSM Balancing Account Analysis (the "November Analysis") with the Commission. The Office did not file comments on the November Analysis. The Office reviewed the November Analysis forecast and had no concerns. The Company indicated it would be filing a rate reduction to Schedule 193 using the same 2012 forecast in the November Analysis.[1] The Commission issued an Action Request seeking responses by December 1, 2011. After reviewing the Division's response to that Action Request, the Commission issued a follow-up Action Request asking for a recommendation on the forecast of expenditures for approved programs and their acquisition targets in relationship to the DSM targets in the Company's 2011 IRP. This memo is submitted in response to the Commission's follow-up Action Request.

Discussion

The November Analysis is consistent with what the Commission ordered in its 09-035-T08 order. The November Analysis includes forecasted DSM program savings for 2012 in MW for Class 1 DSM, forecasted MWh for Class 2 DSM, and forecasted expenditures for the remainder of 2011 and 2012. However, the design of the semi-annual analysis has been used to review expenditures against Schedule 193 rate recovery and associated carrying costs, not to make comparisons between IRP targets and annual savings estimates.

The following table compares 2012 MW estimates from the November Analysis to the 2011 IRP:

	UT IRP Class 1 DSM (MW)	UT IRP Class 2 DSM (MW)	Total Utah IRP (MW)	November Analysis Class 1 DSM (MW)	November Analysis Class 2 DSM (MWh)	November Analysis Total (MW)
UT 2012	70	47	117	177	250,000	NA[2]

As this table shows, Class 1 DSM estimates are now 47 MW greater than the IRP projected. While Class 2 DSM capacity savings projections are included in the IRP, the November analysis reports only MWh savings for Class 2 DSM.

[1] On November 23, 2011, the Company filed proposed tariff sheets to reduce the collection rate currently applied to the DSM tariff rider – Schedule 193. The current DSM tariff rider is approximately 3.6 percent of customer bills. The Company proposes to reduce the collection rate to 2.4 percent effective January 1, 2012. The Commission issued an Action request seeking responses by December 23, 2011 with a request effective date of January 1, 2012.

[2] Since the November analysis projects only MWh savings for Class 2 DSM total MW from DSM was not calculated.

The Commission's December 1, 2011 Action Request follow-up has been helpful to facilitate additional analysis that should be incorporated in ongoing evaluations to compare projected DSM savings reported in the semi-annual analysis with the levels relied upon in the Company's IRP. The projections included in the semi-annual filing will be made closer in time and may reflect more realistic conditions. However, it is important for the Commission and other stakeholders to know whether savings estimates are eroding. Given the level of near-term resource deficits projected by the Company in the 2011 IRP, it is essential that the actual level of DSM achieved closely match (or exceed) planning targets to ensure resource adequacy.[3] In order to facilitate closer coordination between DSM analysis and its key role in the resource portfolio, the Commission should require additional changes to the Semi-Annual DSM Balancing Account filings. Specifically, the Commission should require the Company to:

- Report both capacity and energy savings projections,
- Compare projected savings with IRP DSM targets,
- Explain any deviations from the IRP DSM targets, and
- Indicate contingency plans for acquiring replacement resources if new projections of DSM savings are lower than planning targets.

Recommendation

The Office recommends that the Commission order the Company to include four components listed above in its future semi-annual DSM Balancing Account Analysis filings.

[3] In comments filed September 7, 2011 on PacifiCorp's 2011 IRP the Office expressed concern regarding the projected reliance on DSM in the IRP to meet future energy requirements and recommended that there should be a stronger tie between Class 2 DSM resource procurement and the IRP.