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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

From: The Office of Consumer Services
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The Division of Public Utilities
Chris Parker, Director
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Date: October 17, 2011

Subject: Docket No. 11-035-140 – In the Matter of the Application of Rocky Mountain Power for a Deferred Accounting Order to Defer the Costs of an Energy Storage Demonstration Project and Recovery of those Costs Through the Demand-Side Management Surcharge (Schedule 193)

Background

On July 14, 2011 Rocky Mountain Power (Company) filed with the Public Service Commission of Utah (Commission) an application requesting a deferred accounting order (Application) to defer the costs of an Energy Storage Demonstration Project in the demand-side management deferred account and to recover those costs through the Demand-Side Management Surcharge (Schedule 193). On August 17, 2011 the Office of Consumer Services (Office) and the Division of Public Utilities (Division) provided comments and recommendations to the application. On October 12, 2011 the Company provided reply comments. Herein the Office addresses the Company's responses to our initial recommendations.

Discussion

In our August 17, 2011 comments and recommendations the Office expressed support for the Energy Storage Demonstration Project and for Commission approval of a deferred account to track the costs of the Program, giving the Company an opportunity to request recovery following expenditure of the funds in 2012 or 2013. However, we addressed two basic objections to the Company's request: 1) situs assignment of costs; and 2) recovery of costs through the DSM tariff rider.

1. Situs Assignment of Costs

The Office objected to the situs assignment of costs associated with this Project stating at page 3 of our memo "The Office asserts that if this proves to be a cost effective and viable resource it will provide benefits to the system and unless the Company demonstrates benefits specific to Utah all jurisdictions should share in the costs".

In its October 12 reply comments the Company provides several examples as to how this project will potentially provide benefits specifically to Utah customers. The Office asserts that this is the type of information that the Company should provide in an initial filing so that regulators and intervenors are able to address the request in a meaningful way.

The Office notes that the Company cites the Cool Keeper program, the costs of which are situs assigned to Utah, as one example supporting the situs assignment of the costs associated with this Project. As the Commission is aware, the assignment of costs of Class 1 DSM programs is currently under discussion in the MSP work group as those programs are operated to provide benefits to the entire system. Thus, the Company's example of Cool Keeper in fact supports the Office's assertion that situs assignment is not clearly appropriate for this type of resource. The Office still asserts that ultimately if the Project is successful the entire system will benefit. However, given the ongoing discussions about appropriate treatment and the small total dollars associated with this Project, we withdraw our objection to situs assignment of costs in this specific instance only.

The Office does not necessarily support situs assignment of future costs for implementation of this type of resource, particularly if the size, scope and uses are expanded. The Office submits that a review of specifically how the resource would be utilized would be required to determine cost assignment.

2. Recovery of Costs

As stated previously the Office did not object to deferred accounting of costs of the Project but recommended that the DSM tariff rider not be used for recovery. We were concerned that the DSM tariff rider could become a "catch all" for recovery of costs that did not naturally fit in other categories. We continue to be concerned with the potential for the DSM tariff rider to be used for a myriad of projects thereby leading to customer opposition. This could have the unintended consequence of diminishing the ability of the Company to pursue worthwhile energy efficiency projects.

Because the maximum cost of the project is not large the Office will not object to inclusion of costs in the DSM tariff rider. However, more discussion is necessary regarding the issue of which costs should be include in base rates and which are appropriate for inclusion in the DSM tariff rider. Utah Code Ann. §54-7-12.8 does not prohibit recovery of costs of programs that promote the more efficient management of electric energy loads in the DSM tariff rider but does not mandate inclusion either. This issue should be addressed as part of the discussions regarding continuation of the DSM tariff rider as the sunset date approaches.

We support the Division's recommendation that the Company be required to notify the Commission it is going forward with the Project and provide justification of the prudence to proceed.

Recommendations

The Office recommends that the Commission:

- 1) Approve the Company's request for a deferred accounting order and recovery of costs in the DSM tariff rider.
- 2) Require the Company to include justification for situs assignment of any future resources of this nature, either an expansion of this Project or other Pilot projects.
- 3) Require the Company to include a discussion of which resource costs are appropriate for inclusion in the DSM tariff rider in future discussions regarding the continuation of the DSM tariff rider.