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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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Date: December 23, 2011

Subject: Office of Consumer Services' Response to Utah Clean Energy, Southwest Energy Efficiency Project and Western Resources Advocates Petition for Suspension of Rocky Mountain Power's Proposed Adjustment to Schedule 193, Docket No. 11-035-T14

Background

On November 23, 2011, Rocky Mountain Power (Company) filed proposed tariff sheets to reduce the collection rate currently applied to the Demand-Side Management (DSM) tariff rider – Schedule 193. The Company requests approval to reduce the collection rate from approximately 3.6 percent to 2.4 percent effective January 1, 2012.

On December 1, 2011, Utah Clean Energy, Southwest Energy Efficiency Project, and Western Resource Advocates (Interveners) filed a Petition to Intervene and Petition for Suspension of Rocky Mountain Power's Proposed Adjustment to Schedule 193. The Interveners request an investigation to determine the appropriateness of reducing the Demand-Side Management surcharge collection rate.

On December 19, 2011 the Public Service Commission (Commission) issued an Order Suspending Tariff Sheet Effective Date and Scheduling Hearing. By that Order parties desiring to respond to the Interveners' Petition must file responses by December 23, 2011.

Response to Petition for Suspension

A reduction to the DSM Surcharge is appropriate.

The Office recommends that the Commission approve the Company's proposed reduction to the DSM tariff rider. The purpose of reducing the DSM Surcharge is to adjust the surcharge to an amount that complies with the provisions of the Stipulation in Docket 02-035-T12[1], which established the DSM balancing account. The Stipulation provides that: 1) Only the costs associated with Commission-approved DSM programs will be included in the Company's Schedule 191 balancing account[2] (later changed to Schedule 193); and 2) The objective is to set a Schedule 191 collection rate projected to result in a zero balance by the following annual review period.[3]

It is important to note that the Company's request is not being made without consideration. The DSM Rider has been in a surplus position for all of 2011. The Office has indicated its concern about over-collection since the April DSM Balancing Account analysis. The balance as of November was approximately $11.5 million. Absent a lowering of the rate, the balance is forecast to be approximately $22.8 million at the end of 2012. There is no justification for the Company to carry this high of a balance. The reasonableness of the reduction is further demonstrated by the recognition that "as the balance in the deferred account approaches zero, the Company will assess whether a rate change is necessary in order to align projected expenditures and DSM Surcharge revenues."[4]

A balance between DSM expenditures and surcharge revenues is necessary to a just and reasonable surcharge rate paid by consumers; in this case reducing the average residential customer's monthly bill by 1.2 percent or $0.97. Part of the Interveners' objection to the DSM tariff rider adjustment is that it would eventually need to be increased again in order to achieve desirable levels of conservation and efficiency. In general the Office agrees that minimizing rate adjustments is desirable. However, customers will experience a rate adjustment June 1, 2012 associated with the Energy Balancing Account likely followed by another rate adjustment in October 2012 related to the Company's expected rate case. Therefore, future changes to the DSM rate could be timed such that it is implemented on one of these dates to minimize the total number of rate changes.

[1] SWEEP and WRA, two of the three Intervener parties, were parties to the stipulation.
[2] Docket No. 02-035-T12 Stipulation, item 7 page 3.
[3] Docket No. 02-035-T12 Stipulation, item 10 c) page 4.
[4] November 23, 2011 Cover Letter to Advice No. 11-13, page 2.

Acquisition of cost-effective efficiency resources will not be hampered by reducing the DSM Surcharge.

The Interveners' primary concern appears to be that the development and implementation of cost-effective DSM will be impeded by reducing the DSM surcharge. It is not clear how keeping the DSM Rider unchanged would lead to the acquisition of more DSM resources. The DSM Advisory Group has been well aware for months that the DSM Rider is in surplus and likely to be lowered yet the Interveners have not brought forth specific ideas for new programs or measures. However, the Office agrees that the Company, regulators, and stakeholders should examine ways in which the overall DSM process could be improved and ultimately lead to acquisition of greater amounts of cost-effective efficiency resources.

The Interveners suggest that rather than decreasing the DSM surcharge the Company and DSM Advisory Group should have an opportunity to evaluate whether and how it will be possible to increase implementation of cost-effective DSM. The Office asserts that assessing how to increase the acquisition of cost-effective DSM is an on-going process that the DSM Advisory Group should be continually evaluating.

Interveners state they are committed to facilitating Company acquisition of all cost-effective efficiency resources. The Office also supports the acquisition of cost-effective DSM resources. DSM programs and resources are typically acquired through the issuance of a Company RFP. From RFP issuance to Commission approval and program implementation and the steps in between resource acquisition can take a considerable amount of time. While this assessment, evaluation and acquisition are occurring the balance in the DSM balancing account should not be permitted to increase beyond a rate that is just and reasonable. Currently, we are aware of only one additional DSM program currently under consideration by the Company, the Home Energy Report. The Office has and continues to encourage the Company to implement a Home Energy Report. Since no specific proposal has been presented to the DSM Advisory Group, the timing until implementation is uncertain which would also lead to an increase in the DSM Rider balance.[5]

The Interveners also request that the Commission set a schedule to begin an investigation into whether and how the Company will acquire more cost-effective energy efficiency savings. The Office asserts that such an investigation is unnecessary at this time. Efforts are underway to increase the efficiency of the DSM Advisory Group, the existing and appropriate forum for consideration of additional DSM resources. Further, due to the impending sunset for Schedules 192 and 193 a comprehensive evaluation of the DSM programs and associated processes is commencing. Initiating yet another investigation would likely be duplicative of these efforts and does not provide any clear value.

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[5] In Docket 08-999-05, the Commission ordered the Company to work with the DSM Advisory Group to determine report features and participant levels prior to filing the program for Commission approval. See Commission Order for 08-999-05, page 10.

Conclusion

The primary issue is that the DSM Rider has been over-collecting for over a year. Parties have had ample opportunity to propose new programs, yet the forecasts still indicate a substantial surplus. The Office fundamentally believes that the terms of the stipulation in Docket 02-035-T12 should be adhered to until changes to the program are in place. However, the Office will not oppose a brief delay to a change in the tariff rider level if it keeps more parties involved in the process. The Office recommends that if the tariff isn't changed now and a surplus is projected at the time of the next rate change (either June 1st when the EBA is implemented or mid-October at the conclusion of the next general rate case) the rate must be adjusted at that time to mitigate any increase.

Recommendations

The Office recommends that the Commission approve the Company's proposed reduction to the DSM tariff rider. Alternatively, the Office recommends that the Commission allow a delay of the decreased DSM Rider only until the time of the implementation of the next rate increase, either through general rates, the EBA Rider or any other rate mechanism. In such a case, the analysis of appropriate programs and mechanisms should be examined along with the evaluation of the sunset of the DSM riders. The Commission should Order the Interveners to bring their ideas for additional *cost-effective* efficiency programs to that forum.