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December 23, 2011

***VIA ELECTRONIC FILING  
AND HAND DELIVERY***

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

Attention: Julie P. Orchard  
Commission Secretary

Re: Docket No. 11-035-T14 - Response of Rocky Mountain Power to the Petition of Utah Clean Energy, the Southwest Energy Efficiency Project, and Western Resource Advocates

On November 23, 2011, Rocky Mountain Power (the "Company") submitted its Tariff Advice No. 11-13 (the "Application") proposing a reduction to the Schedule 193 tariff surcharge. This matter was subsequently assigned to Docket No. 11-035-T14. Schedule 193 implements a surcharge (the "DSM Surcharge") on customer bills to fund cost effective demand-side management ("DSM") programs in Utah. Rocky Mountain Power proposed to reduce the DSM Surcharge collection rate applied to customer bills from the currently effective 3.6 percent to 2.4 percent; this reduction is expected to reduce annual DSM Surcharge collections from \$62.6 million at the current rate to \$41.5 million.

Rocky Mountain Power provided advance notice that it was preparing an application to reduce the DSM Surcharge in a filing submitted with the Commission on November 1, 2011, in Docket No. 10-035-57. In this filing, the Company noted that a balance owing to customers in the DSM Surcharge deferred account was projected as of December 2012. To address the projected balance, Rocky Mountain Power indicated it was preparing an application to reduce the DSM Surcharge that would be filed in time for the new surcharge rate to become effective January 1, 2012.

The primary objective of the Company's Application submitted on November 23, 2011, was to address a balance owing to customers that has accrued in the DSM Surcharge deferred (or balancing) account. As of September 2011, the Company indicated the deferred account reflected a balance owing to customers of \$11.3 million; as of November 2011, this balance has increased to \$11.5 million. Absent a reduction in the surcharge rate, it is projected that as of December 2012, the deferred account will reflect a balance of approximately \$22.8 million. The DSM Surcharge rate proposed in the Company's Application was intended to bring the balance in the deferred account near equilibrium by December 2012 while covering projected DSM program expenditures in 2012.

On December 1, 2011, Utah Clean Energy (“UCE”), the Southwest Energy Efficiency Project (“SWEEP”) and Western Resources Advocates (“WRA”) (collectively referred to herein as the “Petitioners”) jointly submitted a petition requesting that the Commission suspend the requested effective date of Company’s Application in order to 1) investigate the appropriateness of reducing the DSM Surcharge collection rate; 2) investigate whether and how it will be possible to increase cost-effective DSM expenditures (and savings) in 2012; and 3) to establish a schedule for analyzing and resolving the issues raised in their petition and in the Company’s Application.

On December 19, 2011, the Commission issued an order suspending the Company’s Application pending the outcome of a hearing set for January 12, 2012, to consider the merits of the issues raised by the Petitioners. The Commission directed that responses to the petition be filed by December 23, 2011. Rocky Mountain Power provides herein its response to the issues and proposals raised by UCE, SWEEP and WRA in their petition.

Rocky Mountain Power is appreciative of the Petitioners interest in the Company’s DSM programs and their involvement in the DSM Advisory Group. The Petitioners involvement and expertise in these matters is highly valuable to the Company’s efforts of pursuing cost effective demand-side management resources in Utah, which is a significant component of the Company’s resource plans. Nevertheless, Rocky Mountain Power believes the petition of UCE, SWEEP and WRA is without warrant and requests that the Commission approve the Company’s request to reduce the DSM Surcharge as soon as is practical following the hearing scheduled for January 12, 2012. In support of this request, Rocky Mountain Power offers the following.

The Petitioners propose that the DSM Advisory Group be allowed time to determine whether and how it is possible to increase DSM program spending in 2012 prior to reducing the DSM Surcharge. For this proposal to be successful, the presumption must be that the DSM Advisory Group will be able to – in a timely manner – identify means by which DSM program spending (and savings) may be increased in 2012 such that the accrued funds owing to customers in the deferred account (currently \$11.5 million) will be directed toward cost effective DSM measures. Otherwise, the balance owing to customers in the deferred account will continue to grow at a projected rate of approximately \$1.0 million per month in 2012.

Rocky Mountain Power’s experience over 10 years of operating DSM programs in Utah is that implementing program changes in the timeframe necessary to significantly impact DSM program expenditures in 2012 is unlikely. The process of implementing new DSM measures from the initial design phase to Commission approval can take six months or longer. This is on top of the time it will take for the Advisory Group to identify new measures that should be pursued. In addition, there is typically a ramp rate associated with new DSM measures in which it takes time once a measure is implemented for participation to materialize. For these reasons, it is the position of Rocky Mountain Power that the process proposed by the Petitioners will not result in significant increases in DSM program spending (and savings acquisition) in 2012. If the Petitioners request is granted, Rocky Mountain Power expects that the balance owing to customers in the deferred account will continue to grow through the end of 2012 and perhaps reach the levels projected (\$22.8 million as of December 2012) in the Company’s Application.

The Company believes that the accrual of such a balance in the DSM Surcharge deferred account is not consistent with Commission orders concerning the DSM Surcharge collection rate. In Docket No. 02-035-T12, a stipulation was reached amongst parties (of which SWEEP and WRA were signatories) which established the DSM Surcharge cost recovery mechanism. Paragraph 10 of this stipulation provides that the DSM Surcharge collection rate should be determined based on the following factors:

- a) the balance in the Schedule 191 (currently Schedule 193) balancing account at the time the collection rate is being set, reviewed or adjusted;
- b) a forecast of the next year's expenses for Commission-approved DSM programs; and
- c) the current collection amount or rate.

The stipulation further states that the objective of setting a DSM Surcharge collection rate is to set a rate that will result in a zero balance by the end of the following annual review period. The Commission issued an order approving this stipulation on October 3, 2003, in Docket No. 02-035-T12. On page 3 of this order, the Commission noted the language in paragraph 10 of the stipulation concerning the basis for setting the DSM Surcharge collection rate. This methodology and its intent was also referenced in the Commission's order dated August 25, 2009, in Docket No. 09-035-T08 at pages 4 & 5.

In their petition, UCE, SWEEP and WRA also note that the Company's projection of expenditures utilized to develop the collection rate proposed in this Application exclude expenditures for new programs projected for launch in 2012. As described above, the Commission has clearly determined that only expenditures for Commission-approved programs may be considered in setting the DSM Surcharge collection rate. In developing the DSM Surcharge collection rate proposed in this Application, Rocky Mountain Power utilized the methodology described above with the intent of bringing the deferred account near equilibrium by December 2012. Rocky Mountain Power believes its proposed DSM Surcharge collection rate is consistent with past Commission direction concerning this matter.

Concerning the Petitioners proposal that a schedule be established to analyze and resolve issues raised in their petition and the Company's Application, Rocky Mountain Power contends that a forum to address these issues already exists within the DSM Advisory Group and that a Commission mandated schedule for resolution of these issues is not necessary. During an Advisory Group meeting held on December 7, 2011, UCE, SWEEP and WRA and other participants discussed the need to establish a process to identify and develop additional opportunities to acquire increasing levels of energy efficiency through the Company's programs. At this meeting, a process was established to address these issues within the Advisory Group over the next several months.

The first meeting to discuss these opportunities has been scheduled for January 24, 2012, with additional meetings scheduled for the second Wednesday of each month starting in February and continuing until these matters are fully vetted. Matters to be discussed include identification of additional energy efficiency acquisition opportunities and the structure of the DSM cost recovery mechanism going forward. Since a process has already been established to address issues raised

by the Petitioners within the Advisory Group, Rocky Mountain Power believes a schedule determined by the Commission to address issues raised by the Petitioners is unnecessary. Rocky Mountain Power is committed to increasing the rate of acquisition of energy efficiency resources through its DSM programs and looks forward to participating in this process with the Advisory Group to identify and assess opportunities.

In addition, the Petitioners raised concerns in their petition that the Company's forecasted and actual investments in DSM acquisitions are decreasing. Rocky Mountain Power would suggest that a better measurement of Company performance on DSM acquisition is first year energy efficiency savings acquired by year compared to the target rather than expenditures incurred compared to budget. The Company believes this is a more accurate metric of performance as a number of items can contribute to program expenses varying year over year. The table provided below compares energy efficiency savings targets compared with actual acquisitions by year since 2009. As demonstrated, Rocky Mountain Power has exceeded its energy efficiency acquisition target every year and annual targets have increased year on year since 2009.

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
IRP Savings Target (MWh)	162,815	197,534	211,016	250,000
Actual Savings (MWh)	247,799	218,755	245,000	

It should be noted that actual savings acquired in 2009 were impacted by the abnormally high participation in the Home Energy Savings program attic insulation measure due to the measure incentive being equal to or in excess of measure installation costs at that time. The unaudited first year energy savings at site for 2011 is currently forecasted to be 245,000 MWh, which is a 12.0% increase over 2010 acquisitions.

In their petition, UCE, SWEEP and WRA further contend that the Company did not comply with Utah Code § 54-7-12.8(3)(c) in submitting its Application, which provides for the following:

- 3) Each electrical corporation proposing a tariff under this section shall, before submitting the tariff to the commission for approval, seek and receive input from:
  - (a) the Division of Public Utilities;
  - (b) the Office of Consumer Services created in Section 54-10a-201; and
  - (c) other interested parties.

Prior to submitting its Application with the Commission, Rocky Mountain Power circulated a draft Application to the Division of Public Utilities (the "Division") and the Office of Consumer Services ("the Office") for comment but did not circulate the draft with the entire Advisory Group. The Advisory Group currently consists of over 100 individual members including Company employees and contractors, the Division, the Office, Commission Staff, customer representatives, advocates, Idaho Public Utility Commission Staff, Questar representative, energy efficiency and load control product vendors currently not under contract to the company, and other interested stakeholders. Participation by the members varies depending on the matter at hand. The sheer size of the Advisory Group, its composition and the varying participation levels makes it difficult for the Company to assess which parties might be interested in a

particular issue or filing. The statute referenced above does not define “interested parties” nor does it specify that members of the Advisory Group must be consulted prior to the Company filing a modification of the Schedule 193 DSM Surcharge with the Commission. For these reasons, Rocky Mountain Power objects to the Petitioners assertion and contends that it was compliant with Utah Code § 54-7-12.8(3)(c) by providing a draft Application to the Division and Office in advance of submitting the Application with the Commission.

Rocky Mountain Power is concerned that failure to adjust the DSM Surcharge in a timely manner will result in the current balance owing to customers in the deferred account increasing over time. As stated earlier, based on projections provided in the Application, the Company expects the balance in the deferred account owing to customers will increase to nearly \$22.8 million by December 2011 if the DSM Surcharge is not adjusted downward. A balance at this level would be difficult to manage and would require a substantial rate adjustment to return the funds to customers in the event additional cost effective energy efficiency measures were not identified in a timely manner.

For the reasons stated herein, Rocky Mountain Power respectfully requests that the Commission approve the Company’s request to reduce the DSM Surcharge as soon as is practical following the hearing for this matter scheduled for January 12, 2012. The Company also requests that the Commission deny the Petitioners proposal that a Commission mandated schedule be established to analyze and resolve issues raised in their petition and the Company’s Application. Rocky Mountain Power appreciates the Commission’s consideration of these comments.

Inquiries concerning this matter may be directed to Dave Taylor, Utah regulatory affairs manager, at (801) 220-2923.

Sincerely,

Carol L. Hunter  
Vice President, Services

cc: Division of Public Utilities  
Office of Consumer Services  
Utah Clean Energy  
Southwest Energy Efficiency Project  
Western Resource Advocates