ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Utility Technical Consultant

Date: August 29, 2013

Re: **Conditional Approval Recommendation**

Docket No. 13-035-136, In the Matter of the Application of Rocky Mountain Power to Cancel Schedule 194

RECOMMENDATION

The Division has reviewed the Company's Application and recommends that the Commission conditionally approve the Company's request to cancel Schedule 194, making the remaining DSM account balance available to offset costs under a new Cool Keeper Contract. Specifically, the Division recommends that the Commission direct the Company to:

1. Track any costs and expenditures under a new Cool Keeper vendor contract, including the total funds made available from the cancellation of Schedule 194; and

2. File a detailed auditable report of all expenditures and funds used under or associated with the new Cool Keeper contract in the first proceeding where the Company seeks recovery of those costs.

ISSUE

On August 14, 2013, Rocky Mountain Power ("RMP" or "Company") filed an Application for Approval to Cancel Schedule 194 ("Application"). Schedule 194, the Demand Side Cost Adjustment Credit,[1] or sur-credit, is a credit on customer's bills designed to refund past over-collected DSM funds under Schedule 193.

The Company's stated purpose for the requested cancellation is so the remaining DSM deferral account balance can be used to "fund changes to the Electric Service Schedule No. 114, Air Conditioner Direct Load Control Program (Cool Keeper Program)."[2]

The Commission issued an Action Request to the Division on August 14, 2013, with a due date of September 13, 2013. Subsequently, however, the Commission issued a Notice of Filing, Comment Period, and Hearing with comments due on August 29, 2013, reply comments on September 5, 2013, and a hearing on September 12, 2013. This memo represents the Division's initial comments in this matter.

DISCUSSION

In Docket No. 11-035-T14, the Company requested that the DSM surcharge, Schedule 193, be reduced from 3.6 percent to 2.4 percent.[3] Some of the parties in that docket reached, and the Commission approved, a settlement, which set the Schedule 193 rate at 3.2 percent. The settlement also specified that the "current deferred account balance projected to be $5 million as of February 1, 2012, [would] be refunded over a one-year period through a customer bill sur-credit" and that the "Company [would] file for approval of the sur-credit by May 1, 2012."[4]

In compliance with the Commission's order adopting the settlement, on May 1, 2012, the Company applied for approval of Schedule 194, in Docket No. 12-035-T06. In its application,

[1] In its cover letter, the Company's Application erroneously refers to Schedule 194 as the "Demand Side Management Cost Adjustment." Schedule 194 is the "Demand Side Management Cost Adjustment **Credit**." (Emphasis added) Schedule 193 is the "Demand Side Management Cost Adjustment."

[2] Application, Cover Letter.

[3] Report and Order Approving Settlement Stipulation, Docket No. 11-035-T14, February 23, 2012, p. 1.

[4] *Ibid*, pp. 3-4.

the Company indicated that "the balance in the DSM deferred account as of January 31, 2012, was $6,725,641.93," and proposed refunding this amount beginning June 1, 2012, using a 0.4 percent sur-credit.[5] As currently constructed, Schedule 194 is scheduled to expire December 31, 2013. The Commission approved the Company's application in a letter dated May 31, 2012.

On November 27, 2012, the Company filed a revised forecast of its DSM program expenditures. The forecast indicated that without a change in either the Schedule 193 surcharge or the Schedule 194 sur-credit, the DSM deferral account would grow to approximately $17.7 million by December 31, 2013.

The Company discussed options of addressing this potential over-collection with the DSM Steering Committee on December 4, 2012. The Steering Committee agreed to, and, on January 29, 2013, the Company filed for an increase in the Schedule 194 sur-credit from 0.4 percent to 0.73 percent, to bring the DSM deferral account balance down to approximately $6 million by the end of 2013.[6] In its order dated February 27, 2013, Docket No. 13-035-T01, the Commission approved the increase in the Schedule 194 sur-credit.

In agreeing to the increase, the Steering Committee considered the fact that the Company's contract with its current Cool Keeper vendor was set to expire as of August 31, 2013, and that a renewal or extension of the contract, or a contract with a new vendor could potentially impose additional costs above the current contract. The targeted $6 million balance, in the Division's view, provided a buffer to offset a portion of these costs or the costs of any new DSM program the Company might propose during the 2013 DSM program year.

With its current Application, Docket No. 13-035-136, the Company requests that the Commission approve cancellation of Schedule 194 so that it can use the over-collected funds remaining in the DSM deferral account to offset a portion of the costs due to "improvements" in

[5] Advice Letter No. 12-07, Docket 12-035-T06, p. 2.

[6] Advice Letter No. 13-01, Docket No. 13-035-T01, January 29, 2013, p. 1.

the Cool Keeper Program. The Company's Application indicates on an accrual basis an account balance of $9.2 million as of June 2013, the last month costs were credited against the account.[7]

Given the August 2013 expiration of the current Cool Keeper contract, in 2012 the Company issued an RFP seeking to replace the current vendor contract. The Company's RFP allowed bidders to propose either a Pay-for-Performance program or a Utility-Owned program, using either a One-way switch or a Two-way switch. The Company's Application indicates that it chose as the winning bid a proposed utility-owned, two-way switch proposal.

At an April 24, 2013, meeting of the Steering Committee, the Company presented an update on the Cool Keeper vendor RFP. This presentation indicated that the Company received a number of bids from potential vendors. The Company's presentation also discussed the pros and cons of both types of switches and ownership arrangements. However, as indicated in the Company's Application, the presentation did not include any details of the bids, their pricing, risks, or the Company's evaluations. Although the Steering Committee was generally in favor of the two-way communication, without the supporting documentation and analysis the Division stated that it could not agree to support the Company's decision to move forward with the new technology or any other choice the Company might make.

In two subsequent meetings, one on August 21, 2013, and the other on August 26, 2013, The Company provided the Steering Committee more detailed information from the RFP and the Company's ranking of the bids. The Division recognizes the commercial sensitivity of this information and, therefore, will only refer to the information in a general manner.

On August 20, 2013, the day before the August 21st meeting, the Division submitted 14 questions to the Company on the RFP and Cool Keeper program requesting that they be discussed at the August 21st meeting. While the Company's representatives did not see the questions prior to the

[7] The Company's Application forecasts on an accrual basis an end-of-the-year balance of $5.5 million. While Attachment 1 to the Company's Application does not show additional revenues or costs after June, the Division understands that the forecasted balance includes forecasted costs and revenues.

meeting, the Company's presentations and subsequent discussion among the Steering Committee members addressed most of those questions.

At the August 26th meeting, the Company presented the results of its analysis and scoring of the bids. The Company explained that a number of bids were eliminated because they either failed to submit the proper information and documentation, or they failed to meet the required scope of work. (The Division has witnessed this in other Company RFPs for major plant additions). The Company also indicated that a number of bids were eliminated for technical reasons.[8]

For the remaining bids, the Company assembled an evaluation team from diverse (but relevant) disciplines within the Company. Each team member ranked each bid on both technical and pricing terms. The average rankings of each bid were calculated to arrive at a short list of final bidders. The Company then met with each short-listed bidder to allow the bidders to address certain issues raised by the Company.

Based on the final analysis of the short-listed bids, which included a 50/50 weighting of the technical and pricing terms, the Company chose a utility-owed, two-way switch Cool Keeper proposal. Given the information presented in the recent Steering Committee meetings, the Division is satisfied that the Company has conducted a competitive RFP, that a robust number of bids were submitted in response to the RFP, and that the Company has carefully evaluated those bids.

This endorsement of the Company's RFP process should not be misconstrued or interpreted as a recommendation of approval for either Company's choice of a final winning bid or the unknown costs associated with the new contract. These decisions are subject to future review when the Company files for cost recovery. Therefore, while the Division supports the Company's request to cancel Schedule 194 at this time to make available the remaining DSM account balance funds to offset initial costs associated with executing and implementing a new Cool Keeper contract,

[8] At the August 26, 2013, meeting, the Company explained that the initial screening decisions were confirmed by an independent, internal review.

those remaining funds, as well as any accrual of additional funds under Schedule 193 identified for the Cool Keeper program, should be subject to future refund.

In other words, if in a future proceeding the Company's actions or expenditures are deemed imprudent, the Commission will need to determine which funds to appropriately return to customers or which costs to disallow. Thus, it will be necessary for the Company to track the costs and expenditures under the new contract. Therefore, the Division recommends that the Company file a detailed auditable report of such costs and expenditures at the time it first requests cost recovery under a new contract.

The Company in its Application requests an effective date of September 15, 2013. As currently constructed and approved by the Commission, Schedule 194 automatically expires as of December 31, 2013. Thus, cancelling Schedule 194 at this time only shortens the sur-credit by approximately 3 and half months, or 106 days.

Conclusion

The Division has reviewed the Company's Application and recommends that the Commission approve the Company's request to cancel Schedule 194, making the remaining DSM account balance available to offset costs under a new Cool Keeper Contract. The Division also recommends that the Commission direct the Company to track the costs and expenditures under the new contract in the event the Company's actions or expenditures under or associated with the RFP or the new contract are deemed imprudent. At the first review of the new Cool Keeper contract or program leading to cost recovery, the Division recommends that Commission direct the Company to file a detailed auditable report of any costs or expenditures under the new contract, including the remaining DSM deferral account funds made available for the Cool Keeper program.

CC Dave Taylor, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List