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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Gavin Mangelson, Utility Analyst

Date: January 21, 2015

Subject: Docket 14-035-T14

In the Matter of: Rocky Mountain Power's Proposed Revisions to Electric Service Schedule 193, Demand Side Management (DSM) Cost Adjustment

Background

On December 31, 2014 Rocky Mountain Power Company (Company) filed with the Public Service Commission (Commission) a proposal to change the Schedule 193 tariff; the Company filed this request with supporting exhibits and proposed tariff sheets. The Commission held a Scheduling Conference on January 13, 2015.

Company DSM expenditures are recovered by a surcharge collected under Schedule 193 (surcharge). The exhibits filed in this docket demonstrate that the rates under the current surcharge have not recovered the full costs of the Company's DSM programs. Furthermore, the balance of unrecovered costs will continue to increase under the current rate of collection.

Discussion

The Office of Consumer Services (Office) has analyzed the materials filed by the Company, as well as supplemental materials provided in response to discovery requests from the Division of Public Utilities (DPU) and the Office. The Office and the DPU have also participated in numerous discussions with the Company and others regarding the Schedule 193 surcharge. Several of these discussions were held through the DSM Steering Committee and Advisory Group forums.

The Office generally supports cost recovery policy that results in a zero or near zero balance within one year, unless such recovery would require a surcharge rate that the Office considers overly burdensome. The Office also advocates for surcharge rates that minimize the carrying charges that accrue on any balances, provided this also can be accomplished with rates that the Office considers to be manageable for the rate payer.

The Company's current proposal before the Commission is to reach a zero or near zero balance by the end of 2016. The Company is proposing a phased two step increase in which the surcharge will be raised once as part of this proceeding, and then reevaluated and raised again sometime towards the end of 2015. The Company also provided the option of a one step increase at the request of the DPU. This second option is referred to in the Company's filing as the alternative rate and an analysis is presented in exhibit F. Both of these proposals are the result of Steering Committee discussions, where the merits of each option have been deliberated at some length.

Given the current surcharge and the size of the unrecovered balance the Office supports the proposal to recover the balance over approximately a two year period. Analysis of the carrying charge expense over two years reveals an immaterial difference between the one and two step options; therefore the Office does not oppose a phased increase.

However, in the supplemental materials provided in response to requests for discovery, the Company has provided some information that was not yet available at the time of this filing. This information indicates that expenditures at the end of 2014 were higher than expected. It is not yet clear what effect this will have on future expenses and the unrecovered balance, but the Office anticipates that revisions will be made to the Company's forecast. Therefore, in order to avoid an excessively high surcharge rate in 2016 the Office is asking the Commission to approve the proposed alternative surcharge rate of 3.62%.[1]

[1] This number represents a cumulative value of percentages attached to different rate schedules.

Although this rate was offered as part of the one step increase approach, the Company will likely find it necessary to increase the surcharge at the end of 2015. The Office notes that the Company's response to discovery included a revised estimate based on the updated 2014 balance. This estimate demonstrates that a surcharge increase to 3.62% in February 2015 will still require an additional increase to 3.93% at the beginning of 2016 in order to bring the balance to zero by the end of that year. However, as mentioned earlier, the impact of the new information on forecasts for next year is not yet known. The Company has committed to further study on this issue so that the DSM Steering Committee can discuss and evaluate at its upcoming meeting in early March. Thus, the Office supports this initial move to 3.62% with additional study to determine the best level to set any subsequent rate changes.

The Office asserts that this alternative rate will provide the best solution for cost recovery, and mitigation of carrying charges; while providing a sufficient rate of recovery in 2015 that may mitigate the size of an additional increase for 2016. In this way the alternative rate will best serve the interests of the affected parties.

Recommendation

The Office recommends that the Commission take the following action:

1. Approve the Company's proposed alternative rate of 3.62%.
2. Require updated tariff sheets for Schedule 193 to reflect this rate.
3. Allow for these changes to be effective February 1, 2015.

Copies To: Rocky Mountain Power
Kathryn Hymas, Vice President, Services

Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager