State of Utah
Department of Commerce
Division of Public Utilities

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REPLY COMMENTS

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Date: December 15, 2015

Re: **RMP Advice No. 15-14, Proposed changes to Schedule 193 – Demand Side Management (DSM) Cost Adjustment**

Docket No. 15-035-T15

ISSUE

In its memorandum dated December 8, 2015, the Division of Public Utilities (Division) recommended that the Public Service Commission (Commission) approve the Schedule 193 rate change to 4.0% for the 2016 year with an effective date of January 1, 2016. A major purpose of this change is to help return the DSM balancing account to near zero which in turn would reduce the carrying charge on the account. Utah Clean Energy and Sweep in their comments dated December 8, 2015 generally supported the Division's recommendation.

The Utah Association of Energy Users (UAE) in its comments dated December 8, 2015 objects to Rocky Mountain Power's (RMP or Company) proposed increase in the Schedule 193 surcharge until after an investigation has been conducted into current DSM programs, projected DSM expenditures, cost effectiveness, funding issues and other relevant issues. The Office of Consumer Services (Office) in its comments dated December 8, 2015 generally support UAE's recommendation to not approve the surcharge. The Office is concerned that the Company's 2016 Utah Legislative initiatives will have a material effect on the administration and use of the DSM program. The Office was looking to refining its position in reply comments once UAE's comments, concerns and recommendations were filed.

DISCUSSION

On October 14, 2014, the DSM Steering Committee met to review the DSM balancing account. The Company explained that due to higher than expected costs the deferred balancing account would be over spent by $14.2 million at the end of 2014. A two-step process was reviewed and agreed upon by members of the Steering Committee. The first step included an increase in the surcharge to 3.62% in the first quarter of 2015 and the second step included a review and possibly an additional increase to approximately 4% later in the same year. On March 3, 2015, the Commission approved the Company's requested DSM surcharge Step 1 increase to 3.62% with an effective date of February 1, 2015. The Company in now requesting the second step increase to the DSM surcharge.

On October 23, 2015, the DSM Steering Committee met in accordance with step 2 to review the deferred balancing account. At that meeting, the Company initially proposed a budget for 2016 that included a $6.9 million increase over the 2015 budget and a surcharge of 4.13% to recover the budgeted spending plus the past under collection. The Division opposed the Company's initial proposed 2016 budget along with the surcharge required to meet that budget. The Division questioned the Company's proposal to increase the budget and at the same time increasing the surcharge beyond the 4% discussed in October 2014 while the deferred account balance continues to be under-collected. The Division suggested a 2016 budget more in line with 2015 spending with a surcharge of 4%. On November 23, 2015 the Company filed to increase the surcharge to 4.0% which is in line with the Division's recommendation.

At the current rate of 3.62%, the Company projects that the account balance will be under collected by $12.5 million at December 31, 2015 and also under collected by $8.2 million at

December 31, 2016. With a 4% surcharge, the Company projects an account balance of $0.5 million at December 31, 2016.

UAE objects to the increase in the surcharge until after an investigation has been completed into the DSM program and costs. In addition, UAE recommends the Company adjust spending in the DSM program consistent with the current surcharge level. The Company provided the Division with a high-level estimate of the reduced spending required to reach an approximate zero balance by December 31, 2016 at the current Schedule 193 surcharge rate.

The Table below provides three scenarios; the DSM program using RMPs proposed budget with the current surcharge, RMPs proposed budget at RMPs proposed surcharge change; and a reduced spending estimate at the current surcharge.

	2016 forecasted Budget	**Schedule 193 Sur-charge**	**Balancing Account at 12/31/2016**
Current	$65,299,812	3.62%	$8,161,097
RMP Proposed	$65,299,812	4.00%	$533,714
Reduced Spending at current surcharge	$57,500,000	3.62%	$210,000

The Company estimates it would need to reduce DSM spending by approximately $7.8 million in order to achieve UAEs recommendation. Unfortunately, UAE did not provide comments or recommendations on how the reduced spending would be implemented, should it be specific to individual programs such as wattsmart Business, or should measures not preforming as well as others be reduced, or should an across the board spending cut be implemented? All current DSM programs have been reviewed and approved and have been found to be cost effective. Reducing spending or eliminating programs and/or measures may affect the cost effectiveness of that program.

UAE states it supports the adoption of alternative methods of amortizing and collecting DSM expenditures but has provided no guidance or recommendations regarding these methods.

The Division believes that decreasing the 2016 budget to $57.5 million to implement UAE's recommendation will cause unnecessary disruption or delay in acquiring what has been shown to be cost effective DSM resources. The Division also notes that the Office's argument against the increase is equally applicable to UAE's proposal of delaying the increase until a lengthy investigation takes place: the potential legislation could make any study or outcome therefrom irrelevant and require the Commission to possibly suspend all DSM spending to well after the end of the legislative session. Therefore, the Division continues to support the Company's application and moving forward with proven cost effective DSM expenditures at a level consistent with the 2015 budget. However, if the Commission is inclined to adopt UAE's proposal, the Division recommends that the Commission adopt an across the board percentage reduction in all programs to achieve the necessary budget reduction.

CONCLUSION

The Division continues to recommend that the Commission approve the Schedule 193 rate change to 4.0% with the Company's proposed budget for the 2016 year with an effective date of January 1, 2016.

CC Bill Comeau, Rocky Mountain Power
Bob Lively, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List