

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Rocky Mountain Power's Proposed Revisions to Electric Service Schedule No. 193, Demand Side Management (DSM) Cost Adjustment	<u>DOCKET NO. 15-035-T15</u> <u>ORDER</u>
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ISSUED: December 23, 2015

SYNOPSIS

The Commission approves PacifiCorp's request to increase the Electric Service Schedule 193, Demand Side Management (DSM) Cost Adjustment surcharge from 3.62 percent to 4.0 percent effective January 1, 2016. The average residential customer using about 8,376 kWh a year would see an annual increase of approximately \$3.36 (about 0.4 percent), effective January 1, 2016.

PROCEDURAL HISTORY

On November 23, 2015, PacifiCorp, doing business as Rocky Mountain Power (PacifiCorp), filed Advice No. 15-14 (Filing) proposing a second-step increase to the Electric Service Schedule No. 193 – Demand Side Management (DSM) Cost Adjustment (Schedule 193) surcharge (DSM Surcharge) collection rate effective January 1, 2016. On November 23, 2015, the Commission issued an action request to the Utah Division of Public Utilities (Division) for review of PacifiCorp's Filing. On November 24, 2015, the Commission issued a notice of scheduling conference set for November 30, 2015, and thereafter issued an order on December 2, 2015, setting the schedule for this docket and providing notice of a hearing.

On December 8, 2015, the Division, the Utah Office of Consumer Services (Office), Utah Clean Energy (UCE) and the Southwest Energy Efficiency Project (SWEEP), and the Utah

Association of Energy Users (UAE) filed comments on the Filing. The Division, the Office, and PacifiCorp filed reply comments on December 15, 2015.

On December 17, 2015, the Commission's designated presiding officer held a hearing to consider PacifiCorp's Filing. At hearing, PacifiCorp, the Division, and UCE provided testimony supporting Commission approval of the Filing. The Office and UAE provided testimony opposing the Filing.

DISCUSSION, FINDINGS AND CONCLUSIONS

A. Parties' Positions

1. PacifiCorp

PacifiCorp's Filing requests approval for a second-step increase, with modification to the DSM Surcharge, as proposed in Revised Advice No. 14-12, filed January 28, 2015 in Docket No. 14-035-T14.¹ In Revised Advice No. 14-12, PacifiCorp estimated a second-step increase of 3.94 percent, effective January 1, 2016, would align projected expenditures with DSM Surcharge revenues by December 2016. However, the year-to-date actuals through September 2015 are approximately \$3.0 million higher than originally forecasted mainly due to higher than expected participation in the small business lighting program, which was effectively suspended July 1, 2015.

PacifiCorp now proposes a second-step increase, effective January 1, 2016, to 4.0 percent for the DSM Surcharge instead of the 3.94 percent previously forecasted. At the requested rate of

¹ See *In the Matter of Rocky Mountain Power's Proposed Revisions to Electric Service Schedule No. 193, Demand Side Management (DSM) Cost Adjustment*, Docket No. 14-035-T14.

4.0 percent, the DSM Surcharge will collect an estimated \$75.4 million during calendar year 2016. PacifiCorp states it met with the DSM Steering Committee on October 23, 2015 to discuss the DSM Surcharge, and asserts it was understood by all members of the Steering Committee that adjusting the DSM Surcharge to 4.0 percent would bring the DSM Deferred Account balance to an acceptable level by the end of 2016, based on current forecasts.

In support of its Filing, PacifiCorp provides exhibits showing projected expenditures for its Utah DSM programs and Schedule 193 revenue for the balance of 2015 and the entirety of calendar year 2016. PacifiCorp's analysis of the DSM Deferred Account balance shows, at the current collection rate of 3.62 percent, an under collection of \$13.5 million as of September 30, 2015, and a projected under collection of \$12.5 million on December 31, 2015.

PacifiCorp states the average residential customer using 8,376 kWh a year would see a \$3.36 annual increase, or 0.4 percent, effective January 1, 2016. According to PacifiCorp, expenditures for programs, or program enhancements that may be initiated in 2016, are not reflected in the latest forecast.

In its reply comments, PacifiCorp states it meets with the Steering Committee quarterly where the DSM Surcharge, program budgets, and forecasts are discussed. The outcomes of these discussions are typically a result of compromises by all parties. PacifiCorp notes the strategy to have a two-step increase was a result of a discussion and compromise reached in the Steering Committee, which included participation of the Office and UAE.

PacifiCorp also responds to UAE's request that an investigation be opened to evaluate current and proposed DSM programs, the DSM Surcharge level, and other related matters.

PacifiCorp does not believe an investigation outside of the current process is warranted given that the current DSM process involves substantial reporting, auditing, and collaboration with the Commission and DSM Steering Committee. PacifiCorp contends the investigation proposed by UAE lacks specifics and requests the Commission either deny the investigation request or require UAE to provide support for their specific allegations. Additionally, PacifiCorp states the increase to the DSM Surcharge is due to the Cool Keeper equipment replacement in 2014 and increasing levels of cost-effective DSM acquisition, not cost overruns in 2015 DSM programs.

2. Division

The Division recommends the Commission approve PacifiCorp's Filing, testifying it is designed to return the DSM Deferred Account to a balance near zero.

The Division notes the DSM Steering Committee met on October 23, 2015, to discuss the DSM Deferred Account balance. At that meeting, the Division claims PacifiCorp proposed a \$6.9 million increase in the 2016 Schedule 193 budget (DSM Budget) and recommended increasing the DSM Surcharge rate to 4.13 percent. The Division represents it offered a counter proposal recommending a 2016 DSM Budget consistent with spending levels recommended in the 2015 DSM Budget along with a corresponding increase in the DSM Surcharge rate to 4 percent, as reflected in the Filing.

The Division testified that implementation of the recommendations contained in the Filing will result in outcomes that are just, reasonable, and in the public interest. Alternatively, if the Commission adopts UAE's proposal, the Division recommends the Commission adopt an

unspecified across the board percentage reduction in DSM program expenditures to achieve the necessary DSM Budget reduction.

3. Office

The Office recommends the Commission not approve PacifiCorp's request for an increase in the DSM Surcharge. The Office references the October 23, 2015 DSM Steering Committee meeting where it claims it suggested that spending on certain DSM programs could be reduced or that planned increases in spending could be delayed. The Office expresses concern about the rising costs of PacifiCorp's DSM programs and asserts there have been recent DSM program cost overruns which, according to the Office, make it difficult for PacifiCorp to achieve a zero balance in the DSM Deferred Account at surcharge rates amenable to all interested parties.

The Office testified that PacifiCorp announced it would pursue initiatives in the 2016 Utah Legislative Session, which would likely result in material changes to the administration of DSM programs. The Office is concerned about increasing the budget for existing and new DSM programs in light of potential legislative changes. The Office testified it would be better to reevaluate the proposed DSM Surcharge increase at the conclusion of the legislative session.

4. UAE

UAE is concerned with significant over-spending on certain DSM programs and the current and projected levels of the DSM surcharge. UAE testified it has traditionally been supportive of DSM programs that are clearly shown to be cost-effective, but it has expressed serious concerns over what appears to be an ever-increasing DSM surcharge level, cost overruns in some DSM programs, and the current DSM funding mechanism. UAE supports the adoption

of alternative methods of amortizing and collecting DSM expenditures, as well as DSM program cost caps. UAE requests an investigation be opened into current and proposed DSM programs, the DSM surcharge level, appropriate DSM cost controls, appropriate means of recovering DSM expenditures and appropriate cost-effectiveness measures. UAE objects to PacifiCorp's proposed increase in the DSM Surcharge until after an investigation has been conducted. Until such an investigation is complete, UAE submits PacifiCorp should adjust spending to fit the current surcharge level of 3.62 percent.

5. UCE and SWEEP

UCE and the SWEEP jointly filed comments in support of PacifiCorp's proposed increase to the DSM Surcharge. UCE and SWEEP believe increasing the DSM Surcharge to 4 percent represents a middle path that will help PacifiCorp achieve higher savings in its DSM programs while also constraining the DSM Surcharge increase to a level that is agreeable to multiple parties. UCE and SWEEP note the DSM Steering Committee discussed this increase at the October 23, 2015 meeting and understood, at the current collection rate of 3.62 percent, the DSM Deferred Account balance will be under collected by \$12.5 million by the end of December 2015 and under collected by \$8.2 million by the end of December 2016. UCE and SWEEP agree that increasing the DSM Surcharge to the proposed 4.0 percent will reduce the DSM Deferred Account balance to \$0.5 million. UCE and SWEEP support the Filing and encourage PacifiCorp to target their DSM investments on the most cost-effective DSM programs to maximize the impact of the DSM program budget.

B. Discussion, Findings and Conclusions

In response to UAE's recommendation to maintain the current DSM Surcharge at 3.62 percent and to reduce the DSM expenditures accordingly, the Division provides information showing the effect of such a decision. The Division notes that PacifiCorp estimates DSM spending would have to be reduced approximately \$7.8 million under UAE's recommendation.

The Division contends UAE did not provide comments or recommendations showing how the reduced spending would be applied to individual DSM programs. Reducing the DSM budget or eliminating individual DSM programs or related program measures, according to the Division, may impact individual program cost effectiveness. At hearing, the Division testified that a \$7.8 million decrease in the 2016 DSM budget would cause unnecessary disruption or delay in acquisition of cost-effective DSM resources.

The Division also testified 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. According to the Division, the potential legislation to which the Office refers could make any study or resulting outcome irrelevant and possibly could require the Commission to suspend all DSM program spending to well after the end of the legislative session.

Based on our review of the Filing and the testimony of the parties, the comments filed in this docket, and the testimony provided at hearing, we find that increasing the DSM Surcharge collection rate to 4 percent is just, reasonable, and in the public interest. We find that the Office's and UAE's objections to the proposed Filing based on proposed legislation are too speculative since the Legislature has not yet met and any result of the upcoming session is not yet known.

We are also concerned about potential delays in the acquisition of cost-effective DSM resources, particularly in light of the degree to which PacifiCorp relies on acquiring DSM resources to meet future needs. Additionally, we find that if any party believes that further investigation into DSM programs is warranted, a request for agency action is an appropriate means for initiating such an inquiry.

ORDER

Pursuant to the foregoing discussion, findings and conclusions, we approve:

1. PacifiCorp's request to increase the Schedule 193, DSM Surcharge collection rate to 4.0 percent as set forth in PacifiCorp's Filing.
2. The tariff sheets accompanying PacifiCorp's Filing, filed on November 23, 2015, with an effective date of January 1, 2016.

DATED at Salt Lake City, Utah, this 23rd day of December, 2015.

/s/ Melanie A. Reif
Presiding Officer

Approved and Confirmed this 23rd day of December, 2015, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#271142

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Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 23rd day of December, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
PacifiCorp

Bob Lively (bob.lively@pacificorp.com)
Michael S. Snow (michael.snow@pacificorp.com)
Yvonne R. Hogle (yvonne.hogle@pacificorp.com)
Daniel E. Solander (daniel.solander@pacificorp.com)
Rocky Mountain Power

Sophie Hayes (sophie@utahcleanenergy.org)
Sarah Wright (sarah@utahcleanenergy.org)
Utah Clean Energy

Gary Dodge (gdodge@hjdllaw.com)
Utah Association of Energy Users

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Rex Olsen (rolsen@utah.gov)
Robert Moore (rmoore@utah.gov)
Assistant Utah Attorneys General

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Administrative Assistant