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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission
From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Doug Wheelwright, Technical Consultant
Eric Orton, Utility Analyst

Date: February 25, 2016

Subject: Moon Lake Electric Association, Inc. Docket No. 16-030-T01

In the Matter of the Revisions to Moon Lake Electric Association, Inc.'s Retail Electric Rates

RECOMMENDATION

The Utah Division of Public Utilities (Division) recommends that the Utah Public Service Commission (Commission) accept Moon Lake Electric Association, Inc.'s (Moon Lake) notification of its plans to changes to its electric rates.

BACKGROUND

On January 20, 2016, Moon Lake's Board of Directors voted to pursue a tariff rate increase. Moon Lake states that it plans to mail a newsletter to its members in February 2016 explaining the reasons for the proposed increase. Included in that letter will be notification of public hearings which will address these proposed rate increases. The hearings will be held in Rangely, Colorado on March 8, 2016 and in Roosevelt, Utah on March 9, 2016. Notice will also be published in local papers two weeks prior to the meetings. Moon Lake's Board of Directors will then make its final vote following the

public meetings. The plans are to implement the new rates such that they are included on the bills mailed out to members after May 1, 2016.

Moon Lake sent notification of these proposed changes to the Commission on February 11, 2016. On February 17, 2016 the Commission issued an Action Request to the Division to investigate the notification. This is the Division's response to that Action Request.

ISSUE

Given the past and projected increases in its wholesale costs and flat customer growth projections, Moon Lake estimates that it will incur a net operating loss in 2016 without this rate increase.

Moon Lake's customers were given ample notification of the proposed rate changes as specified in Utah Code 54-3-3 and 54-4-1.1. Also, the Commission was notified at least 30 days prior to the proposed effective rate change as required by Commission Rule (R 746-405-2-E.2) and Utah Code 54-3-3. The Division believes that Moon Lake has complied with Commission rule and Utah Code as required prior to implementing these rate changes.

DISCUSSION

According to Moon Lake it has not raised its rates for nearly 33 years and as such this will be a rather hefty 16.4% overall increase. However, with the recent (and projected) rate increases from its power suppliers, Moon Lake now needs to increase in its rates. Moon Lake states that the increases in rates from Moon Lake's power suppliers are mainly due to new requirements placed on the power suppliers from the Federal Environmental Protection Agency regarding the operations of coal plants.

CONCLUSION

Assuming that Moon Lake follows through on its commitments made in its February 11, 2016 letter to the Commission, the Division recommends that the Commission accept Moon Lake's notification of its proposed rate changes. The Division recommends that

Moon Lake notify the Commission by letter once its public meetings are held but prior to May 1, 2016, the requested effective date. The Division expects to see the finalized tariff sheets following the final board vote.

Cc: Alan Haslem, Manager of Finance/CFO, Moon Lake Electric Association, Inc.

Maria Wright, DPU Customer Service

Michele Beck, Office of Consumer Services

Mike Peterson, Director, Utah REA