



State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

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 1, 2016

Re: Rocky Mountain Power's Annual Demand-Side Management Deferred Account and Forecast Report for 2017.

Docket No. 16-035-30

RECOMMENDATION (ACKNOWLEDGEMENT)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge Rocky Mountain Power's (RMP) Annual Demand-Side Management Deferred Account and Forecast Report for 2017 as being in compliance with the Commission Orders in Docket Nos. 09-035-T08, 10-035-57 and 13-035-136.

ISSUE

In compliance with the Commission Order of August 25, 2009 in Docket No. 09-035-T08, on November 1, 2016, the Company filed its Annual Demand-Side Management Deferred Account and Forecast Report, which contains an analysis of the DSM balancing account and the forecast for the 2017 year. On November 2, 2016, the Commission issued a Notice of Filing and

Comment Period for interested parties to submit comments on the filing on or before December 1, 2016 with reply comments due December 12, 2016. This memorandum is in response to the Commission's Notice.

DISCUSSION

On August 25, 2009, the Commission issued an Order approving the Phase I Stipulation in Docket No. 09-035-T08. The Phase I Stipulation required the Company to file semi-annually an analysis and forecast of the balancing account similar to that provided by the Company in Advice No. 09-08. In compliance with the above Orders, on November 1, 2016, the Company filed its 2017 Demand-Side Management Deferred Account and Forecast Report. The Division has reviewed the report and it appears to be in compliance with Commission Orders.

Included in the report is the 2017 forecast savings compared to the 2015 Integrated Resource Plan (IRP) targets. According to the report, the Company's 2017 DSM forecast savings is expected to meet or exceed the IRP target.

The balancing account projects 2017 program expenditures of approximately \$70.4 million with the rate recovery of approximately \$74.9 million. The forecast shows that the balancing account at the current rate of approximately 4.0 percent will over-collect by approximately \$1.9 million at the end of December 2016 and over-collect by approximately \$7.5 million by December 31, 2017.

In order to address the estimated over-collection, on November 23, 2016, the Company filed to decrease the DSM Surcharge rate to approximately 3.68 percent of customer bills¹. At this rate, the Company forecasts that DSM balancing account will show an under collected balance of approximately \$14,392 by December 31, 2017. The Division believes that the above change, if approved, would bring the DSM balancing account to an acceptable level by the end of 2017.

Pursuant to the Sustainable Transportation and Energy Plan Act (STEP) Utah Code § 54-7-12.8, beginning January 1, 2017 DSM expenditures will be booked by the Company as a regulatory asset and amortized over ten years. Funds collected by the DSM surcharge will be booked by the

¹ Docket No. 16-035-T15. Schedule 193 Rate Adjustment

Company as a regulatory liability and will be available to offset accelerated thermal plant depreciation. The balancing account analysis provided by the Company includes, as it has in the past, a carrying charge. Per STEP legislation, the carrying charge is no longer the average of the annual Aaa and Baa corporate bond interest rate but the pre-tax weighted average cost of capital (WACC). The Division notes that the carrying charge will no longer be factored into the DSM balancing account but will be applied at the regulatory asset and liability level. The Company's requested change to the Schedule 193 surcharge removes the carrying charge at the DSM level. The Division will continue to monitor Schedule 193 and present additional recommendations if the actual expenses and revenues do not follow the Company's projections.

CONCLUSION

Based on its review of the Company's filing, the Division concludes that Company's 2017 Annual Forecast complies with Commission Orders.

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