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Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Rocky Mountain Power

From: The Office of Consumer Services

Date: September 29, 2016

Subject: Office of Consumer Services Questions for the October 3, 2016 Technical Conference related to STEP Budget Issues. Docket No. 16-035-36 STEP Programs.

Generally, the Office believes that the Company should provide an explanation and example of how the capitalization of Demand Side Management (DSM) costs and creation of the deferred liability will operate. In addition the Office submits the following questions for discussion.

1. One component of the proposed revised Schedule 195, Sustainable Transportation and Energy Plan ("STEP") Cost Adjustment, is for recovery of the Utah Solar Incentive Program (USIP) costs. The Utah STEP 2016 Pricing workpaper at the Rate Spread tab shows a breakdown of the Schedule 195 Proposed revenue recovery amounts between the amounts associated with the USIP and the remaining (non-USIP) costs. The Rate Design tab that calculates the Proposed Schedule 195 surcharge percentage does not break the percentage surcharge down between the USIP and the remaining amounts. The special contract customers with contracts in effect in January 2016 will pay towards the USIP costs, but not the remaining STEP costs.
    - Since the Company proposes that a single tariff (Schedule 195) be used to recover the USIP costs and the remaining STEP costs, and certain customers are not subject to the non-solar program costs, please explain how the Company intends to separately account for and track the portion of the Schedule 195 balancing account associated with the USIP (revenues and costs) and the remaining costs.
    - Discuss how the Schedule 195 over-recovery balance (i.e., USIP revenues collected and carrying amounts exceeding cumulative incentive payments

and administrative costs) that will exist as of the date immediately prior to the tariff change (December 31, 2016) will be treated. For example, are separate sub-balancing accounts being established and the December 31, 2016 balance applied entirely to the USIP sub-balancing account?

- Will the actual revenues collected after the date of the tariff change (January 1, 2017) be separated for balancing account purposes for the portion associated with the Solar Incentive Program and the remaining STEP amounts collected?
- Since (1) the special contract customers are excluded from the non-Solar Incentive Program STEP charges, and (2) the rate design calculations incorporate projected USIP incentive payments and administrative costs, the if the balancing account or tracking specific to the Solar Incentive Program costs results in an over or under-recovery of the Solar Incentive Program costs, will the Schedule 195 tariffs be modified to reflect the impacts of the over or under-collection of the Solar Incentive Program costs? If not, why not.

2. The Utah STEP 2016 Pricing workpaper at the "USIP Balance" tab shows total actual and projected administrative costs from 2012 through 2021 as $2,262,641, with $86,653 incurred in 2012 and $388,549 incurred in 2013. The tab also shows incentive payments in 2013 as $981,796. In the last rate case, Docket 13-035-184, the Company used a base year ended June 30, 2013. In that case, Steven McDougal's Exhibit RMP__(SRM-3), at page 4.4.1 shows only $260,397 as being removed from test year expenses for the solar program. Mr. McDougal's testimony in that same case, at page 21, states that the costs "…related to the Pilot Solar Photovoltaic Incentive Program, which has been superseded by the Schedule 107 Solar Incentive Program, are removed from results of operations to normalize Test Period costs." Did the $260,397 adjustment made in the rate case remove all of the incentive payment and administrative costs that fell during the 12-months ended June 30, 2013 that are reflected on the "USIP Balance" tab from the test year? If not, then identify the amount of USIP incentive payments and administrative costs that are currently incorporated in base rates and explain why the USIP program costs shown on the USIP Balance tab are not reduced annually by the amount incorporated in base rates starting with the rate effective date of the last rate case.

3. Please confirm that the administrative costs for the non-USIP programs that the Company proposes to incorporate in the Schedule 195 STEP tariff will only include new incremental costs and will not include internal Company costs that are factored into current base rates and explain how the Company intends to evaluate

if a particular administrative cost is already being recovered as a component of base rates.

4. Paragraph 6 of the Application indicates that the Company is requesting authorization beginning January 1, 2017 to capitalize the annual costs incurred for DSM and amortize the annual DSM expenditures over a ten year period with carrying charges applied to the unamortized balance. Is the Company seeking authority to start the capitalization at its discretion beginning any date after January 1, 2017, or is it the Company's intent to actually start to capitalize the annual amounts beginning on January 1, 2017? Please clarify. If based on the Company's discretion, what is the date the Company currently anticipates beginning to capitalize the annual DSM costs?

5. Please provide a schedule showing the projected monthly DSM regulatory asset balance and the projected monthly regulatory liability fund balance that will be used for thermal plant depreciation for the period January 2017 through December 31, 2021.

6. In several places in the filing the Company references the "overarching Utah STEP accounting document (Exhibit C page 6 of 16 in the Advanced Substation Metering Program). Where is that document found in the filing?

7. Please explain why the Company chose to completely re-work Schedule 195 rather than create a new tariff schedule for the STEP program.