Southwest Energy Efficiency Project

January 13, 2020

Docket No: 19-035-T18

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, Utah 84111

Re: **Docket No. 19-035-T18—In the Matter of Rocky Mountain Power's Proposed Tariff Revision to Electric Service Schedule No. 194, Demand Side Management Credit**

The Southwest Energy Efficiency Project ("SWEEP") and Utah Clean Energy ("UCE") appreciate the opportunity to provide the following comments on Rocky Mountain Power's ("RMP" or the "Company") proposed tariff revision to schedule 194.

Summary

On December 30, 2019, RMP filed a tariff sheet proposing to implement a one-time customer refund of $22 million due to over-collection of Schedule 193 rates ("DSM Surcharge"). SWEEP and UCE oppose issuing a credit of this magnitude for the following reasons.

1. RMP calculated the proposed credit based on the cash-based balance of the DSM balancing account instead of the accrual-based balance. Historically RMP has calculated refunds and DSM Surcharge rates based on the accrual-based balance and SWEEP and UCE see no compelling reason to change from this precedent at this time.
2. RMP projects that if it issues a refund of $22 million the DSM balancing account will have an under-collection by the end of 2020. SWEEP and UCE believe it is prudent to maintain a modest balance in the DSM balancing account to allow the Company flexibility to respond to opportunities in the DSM market, such as those new initiatives presented by SWEEP and UCE at a DSM Steering Committee phone meeting on November 21, 2019, and discussed in more detail below.

Instead of a one-time refund of $22 million, SWEEP and UCE propose RMP issues a Schedule 193 refund of approximately $16.8 million. This refund is the accrual-based balance in the DSM balance account as of December 31, 2019. This refund provides a balance between returning unspent DSM funds to customers and allowing RMP flexibility in the funding of its ongoing DSM programs. The calculation of a refund using the accrual-based balance is consistent with precedent.

In addition, SWEEP and UCE ask the Commission to urge RMP to spend its full 2020 DSM budget delivering cost-effective DSM programs to its customers. The DSM balancing account has been consistently over-collected over the past few years as RMP has failed to meet its DSM spending and savings forecasts. Cost-effective DSM programs provide significant benefits to customers through lower bills and reductions in overall utility-system costs. SWEEP and UCE stand ready to work with RMP to design new cost-effective DSM initiatives that can help the Company meet its forecasts and provide significant value to its customers.

Discussion

In 2018 RMP's DSM programs provided almost $150 million in net benefits to RMP's customers, delivering $2.39 in benefits for every dollar spent. Despite this robust cost-effectiveness, RMP has cut DSM targets and budgets in recent years. In addition to cuts to the DSM budget, RMP has significantly under-spent its DSM budget over the past two years. This has led to a large over-collection of funds from customers and a persistent balance in the DSM balancing account.

RMP proposes to provide customers with a one-time $22 million refund to address the over-collected balance. If a refund of this magnitude is provided to customers, RMP projects that the DSM balancing account will have an under-collection by the end of 2020.[1]

To calculate the customer refund, RMP used the cash-based accumulated balance in the DSM balancing account.[2] As discussed by the Company, this method is a departure from recent precedent on this matter. Historically, the Company has calculated the DSM Surcharge rates and refund amounts based on the accrual-based balance, a value that recognizes the liability associated with DSM programs. The Company does not provide any evidence to support this deviation from precedent, merely stating that since carrying charges are calculated based on the cash-based balance "it is more appropriate at this time to manage the deferred account on a cash basis rather than an accrual basis."

SWEEP and UCE oppose this change. The use of accruals is a common accounting method to address the disconnect between the timing of revenues and liabilities and has been used by the Company in its accounting of DSM programs since 2011. SWEEP and UCE see no compelling reason to change the method at this time, and RMP has provided no basis to support the change.

Instead, we propose a one-time customer refund of approximately $16.8 million based on the accrual-based balance at the end of 2019. A refund of this magnitude will address the

[1] Docket 19-035-T18, RMP Exhibit C filed on December 30, 2019, found at https://psc.utah.gov/2019/12/30/docket-no-19-035-t18/.
[2] Id., RMP Advice No. 19-17, at page 2, found at https://pscdocs.utah.gov/electric/19docs/19035T18/311583Tariff12-30-2019.pdf.

significant over-collection in the DSM balancing account while maintaining a modest balance in the DSM balancing account that will provide RMP flexibility around implementation of its existing DSM program, while also providing resources for the deployment of new cost-effective initiatives.

In addition, SWEEP and UCE ask the Commission to urge RMP to spend its full 2020 DSM budget. RMP projects that monies collected through Schedule 193 in 2020 will adequately cover its 2020 budget of $64.9 million.[3] We believe customers are better served by the timely spending of collected Schedule 193 funds to benefit customers, rather than a recurring process of over-collections and refunds. Assuming RMP maintains similar cost-effectiveness, spending this full budget will provide over $155 million in benefits to customers, far greater than any benefit customers will receive through a refund of collected monies in 2021.

New DSM Initiatives

As members of the DSM Steering Committee, SWEEP and UCE stand ready to work with RMP to identify new initiatives and DSM opportunities to fully spend the Company's 2020 DSM budget. We ask the Commission to encourage RMP to continue to invest in new cost-effective DSM initiatives. Over the past year, our organizations have presented RMP with a range of potential new opportunities and while RMP has shown interest in many of these opportunities the Company has been slow to implement them.

The following are examples of new DSM initiatives that SWEEP, UCE and the Steering Committee have been discussing with RMP, but which RMP has yet to move forward with.

1. For the past year RMP and Dominion Energy have worked to develop an inter-utility agreement to jointly offer DSM programs. This type of arrangement is common among natural gas and electric utilities that share services territories, and we are pleased to see that a master agreement has been developed between RMP and Dominion Energy. However, as far as we are aware RMP and Dominion Energy have yet to execute sub-agreements on specific programs, let alone begin collaboration on program delivery. We believe that collaboration between RMP and Dominion Energy is in the best interest of customers of both companies as it will increase their opportunities to save money through DSM programs and lower overhead costs to deliver DSM. RMP must execute sub-agreements for specific programs and work to collaborate with Dominion Energy whenever possible.
2. Beginning in 2018 RMP began operating its load control programs in a different manner that significantly increased the number of MWs available for control by RMP and increased the benefits of this program to customers. In 2018 the Company was able to

[3] Id. at page 1.

reduce 258 MW of load.[4] Yet the Company's 2020 DSM Forecast Report does not account for the increased benefits of this program or the program changes instituted by RMP, forecasting only 139 MW among the two load control programs. RMP should prioritize increasing participation in the load control programs to maximize customer benefits and further leverage its leadership creating new value streams through its load control programs. Further, consistent with the change RMP requested in docket 19-035-T05, the Company should begin exploring alternative cost-effective load control programs.[5]

3. As noted above, SWEEP and UCE proposed several new DSM initiatives at a DSM Steering Committee phone meeting on November 21, 2019. The proposed initiatives that we recommended to RMP either leverage other utility or government programs, or involve more targeted approaches to DSM delivery, and therefore are likely to improve DSM program cost-effectiveness and result in increased electricity savings. Our recommended initiatives include:
   - Targeted re-commissioning of existing commercial buildings with below-average ENERGY STAR Scores in Salt Lake City[6];
   - Targeted outreach and bonus incentives to important commercial and industrial sectors that have under-participated in RMP's DSM programs;
   - Collaboration with Dominion Energy to add electricity-saving measures to Dominion Energy's residential direct-install pilot program through the master inter-utility agreement; and
   - Targeted DSM program marketing to homes that have electric-resistance heating to encourage building weatherization upgrades and installation of more efficient heating systems.

Conclusions

RMP's DSM programs continue to provide significant benefits to customers, while also reducing costs to the utility. Yet, RMP has regularly underspent its DSM budget over the past

[4] Docket 19-035-22, Rocky Mountain Power's Utah Demand-Side Management 2018 Annual Energy Efficiency and Peak Load Reduction Report, page 7, found at https://pscdocs.utah.gov/electric/19docs/1903522/308805RedRMPDmdSideMngnt2018AnEngyEffPLoadRedReport6-18-2019.pdf.

[5] Docket 19-035-T05, Proposed Changes to Schedule 114, Cool Keeper Program Advice Letter filed on March 22, 2019, page 2, found at https://pscdocs.utah.gov/electric/19docs/19035T05/307266RedactTariff3-22-2019.pdf ("…the proposed tariff structure will be set up to allow for the addition of future demand response offerings").

[6] Through an ordinance adopted in 2017 by the Salt Lake City Council, Salt Lake City collects energy performance data for non-residential buildings located in the City. The building energy data is reported through the ENERGY STAR Portfolio Manager program and could be utilized to implement targeted marketing of DSM programs to buildings that have below-average ENERGY STAR scores and are therefore good candidates for efficiency program participation. Utilizing this list of buildings reduces marketing costs and improves DSM program cost-effectiveness. More information: https://www.slc.gov/sustainability/elevate-buildings/.

two years, resulting in a significant over-collection of funds through Schedule 193 rates. SWEEP and UCE ask the Commission to approve a customer refund of approximately $16.8 million of over-collected funds, instead of the $22 million refund proposed by RMP. A refund of this magnitude, calculated using the accrual-based balance of the DSM balancing account, maintains precedent on this matter and appropriately balances customer interests and RMP's flexibility to offer DSM programs moving forward.

In addition, SWEEP and UCE ask the Commission to urge RMP to spend its full DSM budget collected through Schedule 193 rates in 2020 through the establishment of new cost-effective DSM initiatives, including those identified above. Our organizations stand ready to work collaboratively with RMP to implement these programs in order to maximize benefits to customers.

Sincerely,

/s/ Kevin Emerson
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/s/ Justin Brant
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CC:

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