GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services
Michele Beck, Director
Dan Gimble, Special Projects Manager

Copies To: Rocky Mountain Power
Dave Taylor, Manager, Utah Regulatory Affairs

The Division of Public Utilities
Philip Powlick, Director
Artie Powell, Energy Section Manager

Date: December 9, 2009

Subject: Office of Consumer Services' Comments 2007 EISA; PURPA Standard 17, Rate Design Standard; Docket No. 08-999-05.

1 Background

On November 19, 2009, the Commission issued an order inviting interested parties to comment on the Division's recommendation that the Commission not adopt the EISA Rate Design Standard because current class rate design and DSM programs meet the requirements delineated in PURPA Standard 17. The Office submits comments and recommendations as requested by the Commission.

2 Comments

2.1 Rate Design. As discussed in the Division's memo, an inverted block rate structure for the summer peak months is presently in place for the residential class. All other retail classes have summer-winter rate differentials included in their respective rate designs. These rate structures were developed to reflect cost causation and send price signals to promote energy conservation.

Office Comments: The Office concurs with the Division's assessment that RMP's existing class rate designs already promote energy conservation and any proposed rate design changes should be examined in rate cases.

2.2 DSM Programs. An issue addressed in the Division's memo is whether RMP needs additional incentives or recovery mechanisms to encourage the Company to pursue cost-effective DSM programs. Despite noting that the Company has acquired a cost-effective mix of DSM programs absent additional incentives or recovery mechanisms, the Division believes that alternative mechanisms (3rd Party DSM management, revenue decoupling, etc.) merit further investigation.

Office Comments: The level of DSM activity in Utah has rapidly escalated over the past year, which resulted in the Commission recently approving a stipulation that increased the DSM Schedule 193 rate from 2.1% to 4.6%[1] to recover current and projected balances through August 2011. The Office submits the dramatic increase in DSM activity in Utah demonstrates that RMP is aggressively pursuing DSM investment in Utah and the investigation of additional incentives or alternative mechanisms would not be good use of regulatory time and resources. The Office believes the focus on DSM activity should be the appropriate rate of acquisition and funding of DSM programs, with consideration also given to rate stability.[2]

3 Recommendation

The Office agrees with the Division's primary recommendation that the current class rate design and level of DSM investment in Utah comport with the requirements of PURPA Standard 17 and that the Commission does not need to take further action regarding this standard. However, we do not support the Division's recommendation that alternative mechanisms such as 3rd Party DSM Management and Revenue Decoupling be further investigated. The Office recommends the DSM focus be on the appropriate rate of acquisition and funding of DSM programs, with consideration also given to rate stability.

---

[1] In its Application, RMP initially requested an increase from 2.1% to 6.16%. However, parties reached a settlement reducing the increase to 4.6% in trade for considerations relating to a net power cost adjustment (SMUD adjustment).

[2] See OCS Memo filed in connection with Schedule 193, DSM Cost Adjustment; Phase II Scope; Docket No. 09-035-T08.