BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF UTAH

Rulemaking for Service Reliability and Continuity Requirements for Electric Public Utilities	Rulemaking 11-999-005

COMMENTS OF ROCKY MOUNTAIN POWER ON PROPOSED RULES for SERVICE RELIABILITY AND CONTINUITY REQUIREMENTS FOR ELECTRIC PUBLIC UTILITIES

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I. INTRODUCTION

On May 15, 2012, the Public Service Commission of Utah filed proposed rule R756-313 with the Utah Division of Administrative Rules (DAR). The Commission also opened DOCKET NO. 11-999-05 to take comments on the proposed rule. Rocky Mountain Power ("Rocky Mountain Power" or "Company") hereby provides its comments regarding the proposed rules. The Company supports developing clear, complete reliability rules, and has been an active participant during the technical sessions conducted by Utah Public Service Commission ("Commission") Staff. However, the Company has significant concerns with a number of the provisions of the proposed rule. Rocky Mountain Power's primary concerns are that:

1. The proposed rules greatly exceed both the initial draft proposed rules (referred to as the "Straw Man Model") that was initially circulated by the Commission and the draft service continuity rule developed and recommend by the Rule Development Work Group.
2. Certain elements of the proposed rules duplicate processes, reports or requirements that are already adopted as administrative rules or that have otherwise been approved by the Commission.
3. The proposed rules place the Commission in a position of directly overseeing the details of Rocky Mountain Power's service reliability program and limit the company's ability to proactively respond to reliability issues and implement improvement processes.

II. THE PROPOSED RULES EXCEED BOTH THE SCOPE AS OUTLINED IN THE STRAWMAN MODEL SUPPLIED TO INITIATE THE TECHNICAL WORKSHOPS AND THE DRAFT RULE DEVELOPED AND RECOMMENDED BY THE RULE DEVELOPMENT WORK GROUP

A. The Commission instituted a series of Technical Workshops and provided a Straw Man as a model to establish Utah service reliability rules.

On April 19, 2011, the Commission issued a notice of Technical Workshop initiating a rulemaking investigation pertaining to electric public utility service reliability, slated to be initiated on April 27, 2011. In that notice it outlined a straw man proposal to be considered as a model for Utah reliability rules. The Commission staff, Rocky Mountain Power, the Division of Public Utilities, Office of Consumer Services and representatives of affected utilities, which became referred to as the Rule Development Work Group, participated in the development of rules from April 2011 through April 2012.

The Company, along with the other members of the Rule Development Work Group, expended substantial effort and was an active and supportive participant to the Technical Workshops. The primary goal of the workshops was to ensure that the Commission was given certainty that efforts it had undertaken to have an ongoing dialogue with the Company about reliability after the expiration of its Service Standards Program. Thus the Service Quality Report, which is provided to and reviewed with the Commission twice a year, formed a framework for the Commission's view of the components required within a service reliability program and outlined in a rule. During the Technical Workshops the Company provided comments to create further understanding of technical terms in the report, which areas of the report related to satisfied or expired Company commitments, and noted areas of the report that should not be part of the rule due to their irrelevance to service reliability or to reliability reporting.

B. The proposed rules significantly expanded the recommendations of the Rule Development Work Group.

On May 15, 2012 the Commission filed a proposed service reliability rule. The proposed rules greatly expanded both the original Straw Man and the proposed rules that were jointly developed by the Commission Staff, Division of Public Utilities, Office of Consumer Services and participating utilities. The Technical Workshops and subsequent independent work by the Commission Staff appear to have led to substantial expansion of the proposed rules and modified the agreed upon intent, rather than offer greater clarity. This expansion adds confusion and cost for compliance with the rules.

To show how the proposed rule expanded from the recommendations of the Rule Development Work Group, the company prepared the attached Appendix A which provides, on a rule section by rule section basis, a comparison between:

1. The original Straw Man circulated by the Commission,
2. The draft serviced reliability rules that were developed and recommended by the Rule Development Work Group,
3. The proposed rules filed by the Commission on May 15, 2012, and
4. Rocky Mountain Power's recommended edits to the proposed rules.

C. The rule changes result in increased incremental costs.

During technical workshop discussions the utilities highlighted the issue of cost to deliver higher reliability to customers and proper recognition of those costs in customer rates. The rule analysis appears to dismiss this issue completely, provides no benefit vs. cost analysis, and infers that reliability and reliability improvement do not increase costs which is incorrect and needs to be addressed. The expansion of the proposed rule from that recommended by the Rule

Development Work Group will result in greater cost to customers with no clear reason or justification for the expansion.

D. The proposed rules include penalty provisions that will negatively impact the management of the Company's reliability program.

In the ScottishPower merger (Docket No. 98-2035-004) the Company offered up a penalty to demonstrate its commitment to deliver improved reliability. In Bob Moir's Direct Testimony at Page 8 Line 23 through Page 9 Line 5, Mr. Moir stated that "In principle we do not believe that large-scale financial penalties directed to the company are appropriate…nonetheless, as an act of goodwill and in order to demonstrate our commitment to achieve the standards as set out, we propose financial penalties be payable by the company in the event we do not achieve the five Performance Standards relating to the network (SAIDI, SAIFI, MAIFI, five worst performing circuits and restoration of power) within the five-year period following approval of the transaction." This gesture of goodwill was not a part of the Service Standards Program and the penalties expired March 31, 2005. Subsequent to this commitment the Company voluntarily extended the Service Quality Program in Advice Filing 04-13 – Docket No. 98-2035-04.

At that time Division of Public Utilities Staff questioned about the quarterly service quality monitoring report that was provided to the Division of Public Utilities Staff on DPU Data Request No. 7.6. The Company's response was that "…if the Company is not meeting a particular standard, the report will include detailed information as described in the [direct testimony of Bob Moir on] Page 21, lines 23 and 26 and Page 22, line 1." This section stated that if the company is not meeting a standard, target, or guarantee, the report will:

- provide an analysis of relevant patterns and trends;
- describe the cause or causes of the unacceptable performance;
- describe the corrective measures undertaken by the company;

- set a target date for completion of the corrective measures;
- provide details of any penalty payments due.

Subsequently, the subject of penalties arose again at the time of the MidAmerican transaction to which the Company reiterated that penalty provisions were no longer relevant since all commitments had been delivered. Currently, as the previous agreed upon penalty provision have expired there are no penalty obligations in place. However, the inclusion of penalty provision as a part of a reliability program component in the rules suggests that penalty obligations currently exist and should be explicitly identified for investigation of compliance as an ongoing obligation. Not only will the inclusion of penalty provision in the rules increase costs, but it will incent the Company to set conservative reliability targets and to manage its reliability program to the penalty provisions, both of which will deter innovation when creating plans to improve system reliability.

E. All electric utilities should have the same general requirements for reliability reporting responsibility.

The Company believes the proposed rules are highly imbalanced against utilities whose rates are set by the Public Service Commission. Substantial details, including reliability program elements, reliability performance targets, reliability comparisons, filing, reporting and approval processes as well as a wide array of other elements are required of the Company, while minimal program elements are required of an electric company governed by any other governing board. See Appendix C for a comparison of differences between these public utilities.

III. RULES ALREADY EXIST THAT GOVERN SAFE, RELIABLE AND REASONABLE SERVICE

A. Rules already exist that govern safe, reliable and reasonable service

Requirements to provide information and material that is not reliability related should be eliminated from the proposed rules. Also, certain elements of the proposed rules duplicate processes, report or requirements already adopted as administrative codes and should be eliminated from the proposed rules. Finally, substantial administrative hurdles have been proposed, which make this proposed rule unworkable.

Utah Code 54-3-1 requires that every public utility shall provide and maintain just and reasonable service. The stated purpose of the proposed service quality rules is to develop a general guideline to ensure customers receive just and reasonable service. However, many elements proscribed in the proposed rules mandate elements far in excess of information required to evaluate service reliability.

B. The proposed rules extend beyond those required to provide safe, reliable and reasonable service

The Company currently provides, and reviews with the Commission and other interested parties, semi-annual Service Quality Review Reports. The Service Quality Review Report includes material that is not necessarily reliability-related but that the Company committed to include as a means to accommodate various key stakeholder requests. These non-reliability elements have historically included service connections, capital and maintenance expenditures, and vegetation management information. While at this time the Company is willing to provide this information, this material is well beyond the scope of a reliability reporting rule and it is not appropriate to include these elements as part of a required reliability program. An approach already exists for the Commission to request and receive this data from the Company. Attached is Appendix B which includes the most recently filed Service Quality Review Report with the those sections of the report not considered reliability related highlighted. Rocky Mountain Power recommends that the highlighted sections be removed from future Service Quality Reports.

IV. THE LEVEL OF SPECIFICITY OUTLINED IN THE RULES LIMITS INNOVATION AND MODFICATIONS TO RELIABILITY MANAGEMENT

The proposed rules include a concept of detailed management of the Company by the Commission which is contrary to what was discussed throughout the development of the proposed rules. The Commission has repeatedly stated that management and day to day operations of the Company is the responsibility of the Company's management team, and is neither the role nor the intent of the Commission. The Company has demonstrated through present reporting requirements to the Commission its commitment to improving reliability while responsibly balancing costs for customers. The Company has a proven track record to implement improvement processes focused on maximizing reliability for its customers. We support reliability rulemaking using a similar approach going forward.

Within the current proposed rule substantial details are outlined as either requirements or proposed sections of the Company's reliability program. Such detailed oversight by the Commission limits the company's ability to proactively respond to reliability issues and implement improvement processes. Also, administrative approval processes are set out in the rule that further hamper any such changes.

CONCLUSION:

Rocky Mountain Power appreciates this opportunity to provide comments on the proposed service reliability and continuity rules. The Company supports developing clear, complete reliability rules. However, the Company has significant concerns with a number of the provisions of the proposed rules and respectfully requests that the Commission carefully consider these comments and make appropriate modification to the proposed rules.

Respectfully submitted this July 2, 2012 at Salt Lake City, Utah.

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