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DEPARTMENT OF COMMERCE
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To: The Public Service Commission of Utah

From: The Office of Consumer Services
Michele Beck, Director
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Copies to: Service List

Date: October 16, 2017

Subject: Docket No. 17-035-01, In the Matter of the Application of Rocky Mountain Power to Decrease the Deferred EBA Rate through the Energy Balancing Account Mechanism

Docket No. 09-035-15, In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism

Background

The Office of Consumer Services (“Office”) filed initial comments in the annual Energy Balancing Account (“EBA”) Docket, 17-035-01 as ordered in the EBA Evaluation Docket, 09-035-15 regarding the statutory responsibility of the Public Service Commission of Utah (“Commission”) cited in Utah Code Ann. Section 54-7-13.5(6) to report on the EBA before the Public Utility and Technology Interim Committee (“PUTIC”) of the Utah Legislature. These reply comments will address comments made by Rocky Mountain Power (“Company” or “RMP”), the Division of Public Utilities (“Division”), and the Utah Association of Energy Users (“UAE”).

Comments

Response to the Company’s Comments

In section 2 of its comments the Company outlines its views of how removing the sharing band benefits customers in a variety of ways. For example, the Company

states, “Customers simply pay the actual costs of the energy they consume, and the EBA sends customers an accurate price signal upon which they can base their consumption decisions.” While it is true to say that the EBA provides the Company a mechanism to recover variances from its forecasted base NPC, it does not provide the price signal that customers can modify their consumption behavior. The Company has not demonstrated with evidence that there are any changes to customer consumption as a result of the EBA. This is simply an inaccurate depiction of what the EBA does for customers.

Next the Company claims that rates are more stable as a result of the EBA due to less general rate cases being filed by the Company. The Company highlights how they haven’t been in a general rate case since 2014 in Utah and as far back as 2009 in other jurisdictions. General rate cases with future test years provide the Company and ratepayers the way to update the Company’s NPC forecast which in turn reduces NPC forecast risk.¹ Since the Company has not been in a rate case for 3 years, the Company’s NPC forecast reflects less of the current economic environment and potentially increases NPC forecast risk. The Company does not have an incentive to come in for a general rate case to adjust its forecast since it recovers any variance from the NPC forecast in the EBA especially with the removal of the sharing band. The Office does not agree with the characterization that the EBA results in more stable rates or that having fewer rate cases have resulted in benefits to customers.

Lastly, the Company claims that the sharing band adversely affected customers by not fully refunding overages in the EBA. RMP highlights the only refund year reflected in Docket 17-035-01 that the EBA was in a refund position as if this was the norm. However, over the life of the EBA, the norm has been no refunds to customers as shown below:

¹ Forecast risk is represented by the frequency and magnitude of error terms from the calculated forecast.

| 70/30 Sharing Band | | | |
|------------------------|------------------|--------------------|-----------------------|
| Docket | Total Deferrable | Deferral using 70% | Residual ² |
| 12-035-67 | \$ 12,862,824 | \$ 9,003,977 | \$ 3,858,847 |
| 13-035-32 | \$ 24,300,033 | \$ 17,010,023 | \$ 7,290,010 |
| 14-035-31 | \$ 39,454,809 | \$ 27,618,366 | \$ 11,836,443 |
| 15-035-03 | \$ 41,477,596 | \$ 29,034,318 | \$ 12,443,278 |
| 16-035-01 | \$ 16,157,578 | \$ 11,310,305 | \$ 4,847,273 |
| 17-035-01 ³ | \$ (4,666,611) | \$ (3,266,628) | \$ (1,399,983) |

The Company conveniently omits that for five years prior to Docket 17-035-01 the sharing band provided relief to customer bills, specifically at the level of \$40.276 million since the EBA’s inception.

Response to DPU and UAE

The Division cited its EBA Evaluation Report filed in May 2016 concurring with other parties that the 70/30 sharing band was in the public interest and that the changes made by SB 115 to allow 100% recovery of costs further shifted risks onto ratepayers and minimized the incentives for good decision making.⁴ The Division further argued that the volatility of customers’ bills had increased significantly since the creation of the EBA, which is magnified by the removal of the 70/30 sharing band since it funnels more costs through the surcharge/credit on customers’ bills.⁵ The Division stated in its initial comments that the elimination of the sharing band further benefits the Company and magnifies the problem of shifting risks onto ratepayers. The UAE outlined ten points supporting its recommendation that the sharing band can and should be reinstated after the EBA pilot’s conclusion if the EBA continues. The Office is in general agreement with these positions of both the DPU and the UAE articulated in their respective initial comments in this proceeding.

² Positive numbers represent net power costs that were or would have been born by RMP under a sharing band and negative numbers are refunds to customers that were or would have been retained by RMP under a sharing band.

³ Note that this calculation reflects deferrals from January 2016 through May 2016 when the sharing band was in place. See Exhibit RMP_(MGW-1)

⁴ See Division of Public Utilities Comments in this Docket, 17-035-01, dated September 15, 2017, p. 3.

⁵ Ibid.

Recommendation

After reviewing other parties' comments in this proceeding, in particular the Company's comments, the Office reiterates its recommendation offered in its initial comments. The evidence of the effects of removing the sharing band is currently insufficient to evaluate whether or not removal of the sharing band is in the public interest. The Legislature would be best served by a Commission Report that can provide perspective and background to further evaluate the current EBA and in particular removal of the sharing band.