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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

From: The Office of Consumer Services
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David Taylor, Regulation, Utah
The Division of Public Utilities
Philip Powlick, Director
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Date: June 28, 2010

Subject: In the Matter of Rocky Mountain Power's Demand-Side Management 2010 Semi-Annual Forecast. Docket No. 10-035-57

On April 29, 2010, in accordance with the Commission's August 25, 2009 Order Granting Approval of Phase I Stipulation in Docket No. 09-035-T08, Rocky Mountain Power filed its Demand-Side Management 2010 Semi-Annual Forecast. The Commission requested comments on the filing on or before June 28, 2010.

Background

Parties to the Stipulation filed in phase I of Docket No. 09-035-T08¹ agreed to support amortization of the deferred DSM balance over approximately 24 months (to end approximately in August 2011).

Based on the Company's projections of Utah DSM tariff rider revenues and program expenses the demand-side balancing account will reflect an over-collection of \$14.7 million as of August 2011. The Company proposes not to make an adjustment to the tariff rider at this time but to re-evaluate those projections in a subsequent report to be prepared once actual results through August 2010 are available. If that analysis still indicates an over collection in the balancing account as of August 2011 the Company will file with the Commission to implement a lower DSM tariff rider to be effective January 1, 2011.

Discussion

¹ Stipulation Regarding Phase I – Recovery of the Balance in the Demand-Side Management Deferred Account and the Company's Forecast of Future DSM Expenditures.

The forecasted over-collection in the balancing account is based in part on the Company's projection of increased loads due to economic recovery coupled with the rate increase resulting from the 2009 general rate case. The Company remarks "the revenue forecast is contingent upon the materialization of the economic recovery assumptions and expected summer load levels". The Company recognizes that projected over-collection of DSM revenue is subject to high variability.

The Office of Consumer Services evaluated the DSM tariff rider from the perspective of balancing the objectives of ensuring that ratepayers do not overpay and also ensuring the continued existence of DSM programs as well as the funding of new cost effective programs. Based on our analysis, the Office agrees with the Company's proposal to wait for additional results before proposing any changes to the tariff rider. First, the Company's projection of over-collection is based on its load forecast, which is in part based on assumptions about economic recovery. Depending on the degree of variation in its load forecast the Company's projected over-collection may not occur. Second, the Company's projections indicate a one month over-collection in September 2010 but not until February 2011 does the accumulated balance begin to remain over-collected.² If the DSM tariff rider is reduced now and the projected revenue collection falls short it may not be long before the Company would file to again increase the tariff rider. Third, the forecast analysis includes only current Commission approved programs.³ The Office remains hopeful that the Company will identify and propose new cost-effective DSM programs and would not want a premature decrease in the funding level to cause the Company to reject potential programs.

For these reasons, the Office supports the Company's proposal to provide actual results through August before considering proposed changes to the tariff rider. The Company has indicated its intent to provide the DSM balancing account analysis reflecting actual results through August 2010 no later than September 30, 2010. This should allow adequate time for parties to review the data and the Company's recommendation resulting from that data, provide comments and if appropriate a DSM tariff rider rate change could be implemented in January 2011.

Recommendations

The Office recommends that:

- 1) the Commission approve the Company's proposal to file a new forecast balancing account analysis once actual results through August 2010 are available; and
- 2) parties be given an opportunity to review and provide comments on any Company recommendations regarding adjustments to the DSM tariff rider based on the new forecast to be provided no later than September 30, 2010.

² The Utah DSM Balancing Account Analysis projection for September 2010 is (\$1,097,933) however, October 2010 is \$2,490,495. In February 2011 the accumulated balance is projected at (\$378,905) with the over-collection increasing each month through August 2011 to (\$14,725,222).

³ Program costs from April 2010 through August 2011 reflect proposed changes to the Home Energy Savings program anticipated to be effective July 1, 2010. The Office notes that the Commission's action request indicates a requested effective date of July 18, 2010.