



State of Utah
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Division of Public Utilities

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MEMORANDUM

To: Utah Public Service Commission

From: Division of Public Utilities
Phil Powlick, Director
Energy Section
Artie Powell, Manager
Thomas Brill, Technical Consultant
Abdinasir M. Abdulle, Technical Consultant

Date: June 29, 2010

Re: 10-035-57 – Utah Demand-Side Management Semi-Annual forecast for 2010

RECOMMENDATION (Approval)

The Division of Public Utilities (Division) recommends that the Commission approve the 2010 Semi-Annual Forecast Report filed by Rocky Mountain Power (RMP or Company) as being in compliance with the Commission Order in Docket No. 09-035-T08 approving the Phase I stipulation in the above referenced Docket. The Division also recommends that the Commission approve the Company's proposal to file another balancing account forecast and analysis once the actual results through August 2010 become available.

ISSUE

In Compliance with the Commission Order in Docket No. 09-035-T08 issued in August 25, 2009, On April 29, 2010, the Company filed its 2010 Demand-Side Management Semi-Annual forecast containing an analysis of the balancing account. On May 3, 2010, the Commission issued a request for comments on the Utah Demand-Side Management Semi-Annual Forecast.

This memorandum is the Division's comments of Utah Demand-Side Management Semi-Annual Forecast to the Commission.

DISCUSSION

On August 25, 2009, the Commission issued an Order approving Phase I Stipulation in Docket No. 09-035-T08. The Phase I Stipulation required the Company to file semi-annually an analysis and forecast of the balancing account similar to that provided by the Company in Advice No. 09-08. The Stipulation required, among other things, that the account be in balance by the end of August 2011.

The Company's projections of the revenues and expenses of the Demand-Side tariff rider, the account balance will result in over-collection in the amount of approximately \$14.7 million by August 2011. In its filing, the Company indicated that this over-collection is based on the Company's projection of increased loads due to projected economic recovery and the rate increase resulting from the 2009 general rate case. Because the forecasted over-collection depends on the forecasted economic recovery which may or may not materialize, the Company proposed to re-evaluate the projected account balance using actual data through August 2010 as it becomes available and file a report with the Commission. If the account balance based on the actual results still reflects an over-collection, the Company proposes to file with the Commission a proposal to lower the DSM tariff rider effective January 1, 2011.

The Division notes that the recovery is uncertain at this time. For example, in a timely Associated Press article, the authors indicate that stocks and interest rate fell based on worries that economies around the world are not recovering as some had expected.¹ Therefore, the Division believes that Company's re-evaluation proposal is reasonable. If, based on the current projected over-collection, the collection rate is lowered and the assumptions on the revenues

¹ Stephen Bernard and Tim Paradis, "Stocks Skid on Renewed Fears of Global Slowdown," Associated Press, <http://finance.yahoo.com/news/Stocks-skid-on-renewed-fears-apf-3481581188.html?x=0&sec=topStories&pos=main&asset=&ccode=>, June 29, 2010.

forecast do not materialize, then there could be a need for an upward re-adjustment of the collection rate to bring the account into balance. In such circumstances, a failure to readjust the tariff rider could negatively impact the Company's ability to finance ongoing or newly identified cost-effective DSM projects.

Therefore, the Division recommends that the Commission acknowledge the Company's 2010 Semi-Annual Forecast and the proposal to file another balancing account forecast and analysis once the actual results through August 2010 become available.

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