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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

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Date: December 2, 2010

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

In its August 25, 2009 Order Granting Approval of the Phase I Stipulation in Docket No. 09-035-T08, the Commission ordered Rocky Mountain Power to provide, on a semi-annual basis, to the Commission and Advisory Group a Utah DSM tariff rider balancing account analysis. Rocky Mountain Power filed the required analyses on November 2009 and April 2010. Additionally, on September 30, 2010 Rocky Mountain Power provided a supplemental tariff rider analysis. On October 4, 2010 the Commission issued an Action Request regarding the September 30 filing with a due date of December 2, 2010. Subsequently the Company has provided its November 2010 semi-annual analysis. The Office provides these comments in response to the Action Request but they are similarly relevant to the November filing.

Background

Parties to the Stipulation filed in Phase I of Docket No. 09-035-T08¹ agreed to support increasing the DSM tariff rider to an average collection rate of 4.6 percent and amortizing the deferred DSM balance over approximately 24 months (to end approximately in August 2011).

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.

In the April 30, 2010 semi-annual filing, based on the Company's projections of Utah DSM tariff rider revenues and program expenses the demand-side balancing account was expected to have over-collected \$14.7 million as of August 2011. The updated analysis in the supplemental filing made on September 30, 2010, showed an expected over-collection of \$10.2 million as of August 2011. A further filing and updated analysis made on November 1, 2010, indicated an expected over-collection in the DSM balancing account of \$10.8 million as of August 2011. Due to the expected over-collection in the DSM balancing account the Company proposes to reduce the Utah DSM tariff rider collection rate effective January 1, 2011².

Discussion

In its analysis submitted in April 2010 the Company explained that the forecasted over-collection in the balancing account was 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 stated "the revenue forecast is contingent upon the materialization of the economic recovery assumptions and expected summer load levels". The Company recognized that projected over-collection of DSM revenue is subject to high variability.

In both the September 30 supplemental filing and the November 1, 2010 semi-annual analysis the Company continues to reflect an expected over-collection in the DSM balancing account as of August 2011. Although the projected over-collection is less in both of these analyses than in the April 2010 analysis, it is still significant.

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 continuation of existing DSM programs as well as the funding of new cost effective programs. In its June 28, 2010 comments, the Office proposed to wait for the actual results through August 2010 before making any adjustment to the DSM tariff rider. Since the balancing account projections continue to indicate an over-collection balance, the Office agrees that the tariff rate should be reduced. Based on our evaluation, the Office agrees with the Company's proposal to reduce the tariff effective January 1, 2011. In light of the potential increase in rates resulting from the MPA I and MPA II dockets any countervailing decrease in rates will benefit customers. The Office recommends that the Company expedite the proposed filing in order to obtain Commission approval to meet the January 1st effective date.

Recommendation

The Office would like to support a January 1, 2011 effective date for a change in the tariff rate. With less than one month until January 1st, the Office recommends that the Company expedite its DSM tariff rider filing while there is still a possibility that the January 1st implementation date may be met. Regardless of the filing date the Office expects that parties will be allowed adequate time to evaluate and make recommendations regarding the filing to ensure that the public interest is met.

² The September 30, 2010 filing indicates the Company intends for new rates to take effect January 1, 2010.