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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

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Date: December 14, 2010

Subject: Demand Side Management (DSM) Cost Adjustment – Schedule 193.
Docket No. 10-035-T14

On December 9, 2010 Rocky Mountain Power filed proposed tariff sheets to reduce the collection rate currently applied to the DSM tariff rider – Schedule 193. The current DSM tariff rider is approximately 4.6 percent of customer bills. The Company proposes to reduce the collection rate to approximately 3.7 percent of customer bills effective January 1, 2011. Also on December 9, 2010 the Commission issued an Action Request seeking responses by December 23, 2010 with a requested effective date of January 1, 2011.

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).

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-

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.

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 followed on November 1, 2010 with its semi-annual analysis.

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.

Discussion

The Company has now made two semi-annual filings, April 30, 2010 and November 1, 2010, as well as a supplemental filing on September 30, 2010, all of which include analyses projecting that the DSM tariff rider will be over-collected by August 2011.²

The Office's perspective in evaluating and responding to the Company's filings was to balance the objectives of ensuring that ratepayers do not overpay for these programs and ensuring the continuation of existing DSM programs as well as the funding of new cost effective programs. We also did not want ratepayers to be exposed to a continually fluctuating DSM tariff rider rate.

In response to the April filing the Office recommended that the current rate continue until there was more certainty in the projection of over-collection. The subsequent filings in September and November continued to project an over collection and the Office recommended that the Company expedite its filing requesting a DSM tariff rate reduction so that if the analysis in that filing demonstrates that a reduction is in order it could be accomplished by January 1, 2011 to coincide with rate increases resulting from the Major Plant Addition cases. Based on our review and analysis of the current filing we concur that a DSM tariff rider rate reduction to approximately 3.7 percent is appropriate.

Beginning January 1, 2011 ratepayers will experience a significant increase in rates resulting from the Commission's approval of the costs associated with the Company's MPA 1 and MPA II, Dockets Number 10-035-13 and 10-035-89, respectively. Although the proposed DSM tariff rider decrease is small in comparison the Office believes that ratepayers should be afforded any opportunity to receive a reduction in rates to help offset increases from MPA I and MPA II. Therefore we recommend that the Commission order the revision to the DSM tariff rider effective as of January 1, 2011.

Recommendation

The Office recommends that the Commission approve the Company's request to reduce the DSM tariff rider to approximately 3.7 percent effective January 1, 2011.

² As noted above the projected over-collection varies in each report.