State of Utah
Department of Commerce
Division of Public Utilities

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Executive Director

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Deputy Director

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GREG BELL
Lieutenant Governor

MEMORANDUM

To: Utah Public Service Commission

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

Date: December 21, 2010

Re: Advice No. 10-13 - Utah Demand-Side Management (DSM) Cost Adjustment

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RECOMMENDATION (Approval)

The Division of Public Utilities (Division) recommends that the Commission approve the Company's proposed change in the Demand Side Management (DSM) tariff rider, Schedule 193 from approximately 4.6 percent to approximately 3.7 percent, as shown in the Company's Corrected Tariff Page filed on December 15, 2010, effective January 1, 2011.

ISSUE

On December 9, 2010, Rocky Mountain Power (RMP or Company) filed its proposed changes to Schedule 193. The proposed changes are to reduce Schedule 193 collection rates from approximately 4.6 percent to approximately 3.7 percent of customer bills. On December 9, 2010, the Commission issued an Action Request to the Division requesting comments by December 23, 2010. On December 15, 2010, the Company filed a corrected tariff page. The Company has requested approval of these changes effective January 1, 2011.

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DISCUSSION

On August 25, 2009, the Commission issued an Order approving the 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 approximately the end of August 2011. On April 29, 2010, the Company filed its 2010 Demand-Side Management Semi-Annual Forecast Report. This report showed that, based on 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. The Company explained that this over-collection is primarily due to 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 that 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. This proposal was subsequently approved by the Commission in its August 2, 2010 Order. On September 30, 2010, the Company filed with the Commission an updated report, as directed by the August 2, 2010 Order, using actual data through August 2010. The analysis in this report indicated that the account balance will show an over-collection in the amount of approximately $10.2 million by August 2011.

On November 1, 2010, the Company filed its 2010 Demand-Side Management Semi-Annual Forecast Report, which provided actual data through September 2010. The report contains an analysis of the balancing account. The results of this analysis show that the account balance will again show an over-collection, this time in an amount of approximately $10.8 million. Consequently, the Company indicated that it plans to file a proposal to reduce the Utah DSM tariff rider collection rate to become effective January 1, 2011.

On December 9, 2010, the Company filed with the Commission its proposed Tariff Sheets along with supporting analysis. On December 15, 2010, the Company filed a corrected tariff page which included references to Schedules 40, 97, and 98 and corrected markings of the proposed changes to the tariff sheet. The analysis showed that if the tariff rider is reduced from 4.6 percent to 3.7 percent of the customer bills, the account balance would be approximately $6.2 million by August 2011. However, the account balance would be approximately in balance by December 2011. The Division believes that this in compliance with the terms of the stipulation, which required the account to be in balance by approximately August 2011. The Company explained that, though August 2011 was the target month to bring the balancing account into balance, the fourth quarter of 2011 is the quarter in which load control credits are paid to participating customers and most of the customers are completing their energy efficiency projects. Leaving some money in the account in August 2011 to cover the fourth quarter expenses and bringing the account into balance by December 2011 is reasonable. It would prevent unnecessary fluctuations of the tariff rider while bringing the balancing account into balance by the effective date of the proposed tariff changes.

Therefore, based on its review and analysis, the Division concludes that the proposed tariff rider changes (from 4.6 percent to 3.7 percent of the customer bills) are reasonable and recommends that the Commission approve the requested decrease in the DSM tariff rider.

CC: Michele Beck, OCS
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Jeff Larsen, RMP
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