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ACTION REQUEST RESPONSE

To: Utah Public Service Commission
From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager
Doug Wheelwright, Technical Consultant
Date: May 30, 2013
Re: **Action Request**
Docket No. 13-2508-T01

RECOMMENDATION- ACKNOWLEDGE REVISED TARIFF SHEETS

The Division has reviewed the tariff sheets, meeting minutes of the April 29, 2013 Ticaboo Utility Improvement District (District) and electric service schedules No. 1 through 12 as originally filed. The Utah Division of Public Utilities (Division) recommends the Utah Public Service Commission (Commission) acknowledge the attached tariff sheets as revised and make them available for public inspection.

ISSUE

On May 7, 2013, the District filed revised tariff sheets and rate schedules. On May 7, 2013, the Commission issued an Action Request to the Division of Public Utilities (Division) to investigate the tariff and schedule filing. This is the Division response to that Action Request.

DISCUSSION

The Ticaboo Utility Improvement District is faced with a unique and challenging situation of high operating costs combined with a small customer base to pay for the expense of generating electric service. Since the last application before the Commission, the local mining operation has closed and several customers have installed individual solar power facilities and have left the District. As of the date of this application there are 43 individual households, 1 small commercial customer (church), and 1 large commercial customer receiving service. The large commercial customer is actually several individual businesses that are owned by the same individual. The individual commercial properties are being classified as one commercial account due to the common ownership. The large commercial account represented approximately 46% of the kWh usage in 2012 and this rate class is receiving the largest portion of the rate increase. In addition to the external billing customers, the District utilizes a portion of the energy generated to power the pumps necessary to provide culinary water to the community. In addition to providing electric service, the district provides water, waste water and solid waste management to the residents.

Electric service is generated from diesel powered generators that were originally owned and maintained by local mining companies. The mines have subsequently closed and support staff has moved away. The nearest power line is over 40 miles away in Hanksville, Utah. This line is connected to Garkane, however, the power line is inadequate for extension to Ticaboo. Rocky Mountain Power estimated that it would cost over \$65 Million for Rocky Mountain Power to bring power to Ticaboo. For all practical purposes, Ticaboo is an isolated island off the grid when it comes to electrical services.

The District is governed by the Improvement District Act §17B-2a-406.¹ Subsection 6(a) of the Code identifies the requirements for the District to implement a change to the current rate structure. In compliance with the Code, the new rate schedule was approved by the board of trustees on April 11, 2013. A public meeting was held on April 29, 2013 regarding the rate

¹ Section 17B-2(a)-406(6)(b) exempts the Improvement district from the rate making process found in § 54-7-12 so long as each requirement is satisfied. The Division's review is therefore limited. The Division expresses no opinion on rate design or rates in the revised rate schedules.

increase. The District has provided the existing customers with a Frequently Asked Questions brochure and provided a summary of the actual kWh usage for 2012 to each customer.

The existing rate schedule is divided into three rate classifications. Schedule 1 - Residential service has a \$60 monthly charge plus a \$.34 per kWh billed for actual energy usage. Schedule 2 - Small Commercial has a \$260 monthly charge plus a \$.34 per kWh energy charge. Schedule 3 - Large Commercial has a \$2,000 monthly charge plus a \$.34 per kWh energy charge.

The new rate structure represents a significant increase for the residents and a new rate design. The new schedules are dramatically different with 11 schedules which will allow the customer the opportunity to choose the appropriate schedule based on their individual usage. Since this is a significant change from the current rate structure, Exhibit 1 has been prepared to compare the impact of the change to future District revenue and to individual customer bills. It is anticipated that the majority of the residential customers will select from schedules 5 through 8 which will provide an annual power allocation for a fixed monthly charge. Low usage customers will likely stay on the Schedule 1 rate. Residential customers that use less than 1,320 kWh per year would pay less under Schedule 1 than under the block rate Schedule 5.

Schedule 1 through Schedule 3 are similar to the current rate structure. Schedule 1 - Residential service has an increase in the monthly charge to \$75 plus a \$.70 per kWh billed for actual energy usage. Schedule 2 - Small Commercial has a \$260 monthly charge plus a \$.70 per kWh energy charge. Schedule 3 - Large Commercial has a \$2,000 monthly charge plus a \$.70 per kWh energy charge. Schedules 5 through 9 are residential classes with a fixed month charge that include a specific annual power allocation. The structure of the power block schedules is similar to the services provided by a water company. For example, if a customer selects schedule 5, they will be billed \$152 per month and will be allowed to use up to 2,400 kWh per year. Any actual usage in excess of the 2,400 allocation will be billed at \$.70 per kWh. Block rate usage is reset to zero every 12 months and there is no carryover from year to year of unused kWh. The actual kWh usage can fluctuate from month to month as long as the annual total does not exceed the allocated amount and it is responsibility of each customer to monitor the usage throughout the

year. Schedule 10 – is a Small Commercial block. There is only business that will qualify for this block is the local church. Schedule 11 – is the Large Commercial block.

There will be an open enrollment period each year and customers will select the appropriate power block for their individual needs. Customers will be allowed to move to a higher block if the usage is approaching the maximum but will be required to stay on the higher block rate for the remainder of the current year and the following 12 month period. The Service agreement period will run from June 1 to May 31 each year.

Exhibit 1 shows the impact of the new rate structure on the existing customers. Historical usage and bills have been calculated to provide a comparison to the new rates. The District has estimated that the new rate structure represents an increase of over 30% for the average customer. The largest increase has been allocated to the one large commercial customer in the District and represents a 94.8% increase. While this is a significant increase, the commercial usage block will allow for greater electric usage by the businesses which could potentially improve economic opportunities. Columns J through M of Exhibit 1 calculate the dollar amount and the percentage change to the existing customer bills.

The Division has had discussions with representatives from the District and with several residents concerning the rate increase. While some individuals are opposed to the increase and the new block rates, other residents like the fixed monthly charge and specific usage amounts. During the selection of the usage blocks, some residents are choosing to purchase a higher usage block for 2013 to allow for greater use of air conditioning or other consumption needs.

The original tariff sheets as filed with the commission have been modified for typographical errors and to make other corrective changes. In addition, the original application included Schedule 12 for a Demand Side Management program. Since the proposed DSM program applied only to schedules 1, 2, and 3 and the remaining schedules do not encourage conservation, Schedule 12 had been removed.

CONCLUSION

The Utah Division of Public Utilities (Division) recommends the Public Service Commission of Utah (Commission) acknowledge the revised tariff sheets of the Ticaboo Electric Improvement District and make them available for public inspection.

CC Chip Shortreed, Ticaboo Utility Improvement District
Michelle Beck, Office of Consumer Services
Marialie Martinez, DPU Customer Service