



State of Utah
Department of Commerce
Division of Public Utilities

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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

Brenda Salter, Technical Consultant

Date: January 21, 2015

Re: **RMP Advice No. 14-12, Proposed changes to Schedule 193 – Demand Side Management (DSM) Cost Adjustment**

Docket No. 14-035-T14

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission (Commission) approve Rocky Mountain Power's (Company) Schedule 193 alternative rate change of 3.62% for the 2015 program year.

ISSUE

On December 31, 2014, the Company filed proposed tariff changes to Utah Tariff Schedule 193 Demand Side Management Cost Adjustment with a requested effective date of February 1, 2015. On January 2, 2015, the Commission issued an Action Request for the Division to investigate the proposed changes to Schedule 193 and report its findings and recommendation to the Commission by January 15, 2015. On January 5, 2015, the Commission issued a Notice of Scheduling Conference to be conducted by the Commission on January 13, 2015. The Division provides these comments in response to the Scheduling Order issued on January 14, 2015.

DISCUSSION

In their initial filing, the Company proposed to increase the Schedule 193 DSM collection rate through a two-step process with the 1st step increasing from the current rate of approximately 3.30 percent to approximately 3.51 percent beginning February 1, 2015. Exhibit C to the Company's filing provides the 1st step increase projections for 2015. The average residential customer using approximately 8,276 kWh a year would see a \$3.53 annual increase, or 0.4 percent on their monthly bill beginning February 1, 2015. Given the Company's initial filing projections through 2016, the 2nd step increase would require an approximate change in the collection rate to 3.71 percent for the 2016 year to bring the account balance to zero.

At the Division's request the Company provided with their initial filing an alternative Schedule 193 rate increase that would split the under recovered balance evenly between 2015 and 2016. Exhibit F provides the alternative proposal that would increase the collection rate to approximately 3.62 percent of customer bills. The average residential customer using approximately 8,276 kWh a year would see a \$4.56 annual increase, or 0.5 percent on their monthly bill beginning February 1, 2015.

The original purpose of the increase to Schedule 193 was to recover the under collected balance as of October 31, 2014 of approximately \$13.0 million over a two year period. At the end of 2016 the collection rate would be adjusted to a level consistent with projected 2017 expenses.

On December 29, 2014, the Company provided the Commission and the Steering Committee with its monthly DSM Balancing Account Report that included November 2014 costs and revenue. The DSM Balancing Account Report showed the under collected balance increased to approximately \$16.0 million at the end of November.

On December 31, 2014, the Division submitted data requests to the Company asking that November actuals be incorporated into Exhibits C and F. The Division also requested that if the updated forecast including November actuals did not result in a zero balance by the end of 2016 then provide the collection rate and the updated Exhibits C and F estimating a zero accrual balance by the end of 2016. On January 9, 2015 the Division received Exhibits C and F

incorporating November and December 2014 actuals. The result of the update showed the December 31, 2014 DSM accrual balance was under collected by \$18.4 million. The Company explained this was mainly due to an additional \$2.1 million in Home Energy Savings and \$1.6 million in *wattsmart* Business.

The DSM Steering Committee met on January 13, 2015 to discuss the changes to the DSM account balance. The Steering Committee agreed that the Company's initial proposal would no longer be adequate to return the balancing account to zero. In order to possibly meet the Company's requested February 1, 2015 effective date, the Company recommended moving to the collection rate of 3.62 percent for 2015. A 2nd step increase of approximately 3.94 percent for 2016 would be needed to bring the balancing account to zero by the end of 2016.

The Company stated it would provide the DSM Steering Committee with updated DSM balancing account information at the March 2015 Steering Committee meeting and a decision could be reached at that time whether rates should be adjusted mid-year or if a second review in November would be adequate. The Office of Consumer Services (Office) and the Division agreed with this proposal.

The Division has been concerned for some time now that the AFUDC rate for the DSM carrying charge is no longer the appropriate rate for an account with little to no risk of recovery. The Division notes that using the current Utah approved long term debt rate of 5.20 percent for the DSM carrying charge in Exhibit F (December 2014 actuals) reduces the 2015 carrying charge by approximately \$268,478. The Division will discuss this with the Steering Committee and, if warranted, pursue appropriate recommendations in a future proceeding.

CONCLUSION

The Division has reviewed the Company's filing and recommends that the Commission approve the Schedule 193 rate change of 3.62 for the 2015 year with an effective date of February 1, 2015.

The DSM balance will be reviewed in the DSM Steering Committee Meeting in March 2015 to determine if additional rate adjustments are required prior to a November 2015 review of the account. The Division will also discuss with the Steering Committee an appropriate interest rate for the Company's DSM account.

CC Kathryn Hymas, Rocky Mountain Power
Bob Lively, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List