

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Rocky Mountain Power's)
Proposed Revisions to Electric Service) DOCKET NO. 14-035-T14
Schedule No. 193, Demand Side Management) ORDER CONFIRMING BENCH RULING
Cost Adjustment)

ISSUED: March 3, 2015

SYNOPSIS

The Commission approves PacifiCorp's request to increase the Electric Service Schedule No. 193 ("Schedule 193") Demand Side Management ("DSM") Cost Adjustment surcharge ("DSM Surcharge") collection rate from 3.3 percent to 3.62 percent, effective February 1, 2015. The average residential customer using about 700 kWh a month would see an annual increase of approximately \$4.56 (approximately 0.5 percent) on their bill, effective February 1, 2015.

PROCEDURAL HISTORY

On December 31, 2014, PacifiCorp, dba Rocky Mountain Power ("PacifiCorp"), filed Advice Letter No. 14-12 ("Initial Filing") proposing a two-step increase to the DSM Surcharge collection rate with the first step effective February 1, 2015. On January 2, 2015, the Public Service Commission of Utah ("Commission") issued an action request to the Utah Division of Public Utilities ("Division") for review of PacifiCorp's Initial Filing. On January 5, 2015, the Commission issued a notice of a scheduling conference set for January 13, 2015, and thereafter issued an order on January 14, 2015, setting the schedule for this docket, suspending PacifiCorp's proposed tariff revisions pending further action by the Commission, and providing notice of a hearing.

On January 21, 2015, the Division, the Utah Office of Consumer Services ("Office"), Utah Clean Energy ("UCE"), and Southwest Energy Efficiency Project ("SWEEP") (joining

UCE) filed comments on the Initial Filing. PacifiCorp filed reply comments on January 27, 2015, and filed a Revised Advice Letter 14-12 (“Revised Filing”) on January 28, 2015, modifying the DSM Surcharge collection rate proposed in its Initial Filing.

On January 29, 2015, the Commission’s designated Presiding Officer held a hearing to consider PacifiCorp’s Revised Filing. At the conclusion of the hearing, the Commission authorized its designated Presiding Officer to issue a bench ruling approving the Revised Filing, effective February 1, 2015. This written order memorializes that bench ruling.

DISCUSSION, FINDINGS, AND CONCLUSIONS

I. Parties’ Positions

A. PacifiCorp

1. Initial Filing

In support of its Initial Filing, PacifiCorp provides exhibits showing projected expenditures for its Utah DSM programs and Schedule 193 revenue for the balance of 2014 and the entirety of calendar year 2015. PacifiCorp’s analysis of the DSM balancing account shows an under collection of \$13.0 million as of October 31, 2014, and a projected under collection of \$13.7 million on December 31, 2014. PacifiCorp anticipated in the Initial Filing that, at current rates, the DSM Surcharge would collect approximately \$61.6 million during the twelve month period ending December 2015.

PacifiCorp’s Initial Filing proposes to set Schedule 193 rates at a level that would collect approximately \$65.9 million annually. PacifiCorp’s Initial Filing proposal would increase the collection rate from 3.3 percent currently, to approximately 3.51 percent of customer bills effective February 1, 2015. Based on PacifiCorp’s projections, a second step increase to 3.73

percent would be required to bring the DSM deferred account into balance by the end of 2016. According to the Initial Filing, the intent of the two-step increase is to return the DSM balancing account to a neutral position as of December 31, 2016, and then allow the DSM Surcharge collection rate to be adjusted to a level consistent with projected 2017 expenditures. The second step increase would be filed with the Commission under a separate request in November 2015.

PacifiCorp asserts the Utah DSM Steering Committee (“Steering Committee”) discussed the need to adjust the DSM Surcharge collection rate and in consideration of the rate impact to customers, the recommendation was made by PacifiCorp to recover the under-collected amount over two years with a two-step increase in rates. Based on feedback received from the Division, PacifiCorp provided an alternative DSM Surcharge collection rate of 3.62 percent that would collect the shortfall evenly over the two-year period starting in February 2015. PacifiCorp’s analysis shows the Division’s alternative rate increase would collect approximately \$67.9 million annually and based on program expense projections at the time, no further rate increase would be needed in 2016.

2. Revised Filing

After its Initial Filing, PacifiCorp represents it updated its DSM accrual balance to reflect actual results from November and December 2014. The results of this updated information showed the December 31, 2014, DSM accrual balance was under-collected by \$18.4 million, approximately \$4.3 million higher than originally forecasted. The increased expenditures were mainly due to an additional \$2.1 million in Home Energy Savings participation with lighting incentives, and \$1.6 million in the wattsmart Business program.

PacifiCorp met with the Steering Committee on January 13, 2015, to discuss the new information, and PacifiCorp asserts all members of the Steering Committee agreed PacifiCorp's Initial Filing would no longer be adequate to align projected expenditures with revenues by December 31, 2016. Subsequently, PacifiCorp submitted the Revised Filing proposing an alternative two-step approach with a first step increase to 3.62 percent effective February 1, 2015, and a second increase, estimated to be 3.94 percent, to be effective January 1, 2016.

PacifiCorp asserts the Steering Committee believes it is prudent and in the public interest to address the under collection balance by adjusting the DSM Surcharge collection rates to collect \$67.9 million on an annual basis with a February 1, 2015, effective date. These adjustments would bring the DSM balancing account to near zero by the end of 2016 based on current forecasts and currently approved programs. PacifiCorp states, with the first step increase to 3.62 percent, the average residential customer using 8,376 kWh a year would see a \$4.56 annual increase, or 0.5 percent on their monthly bill, effective February 1, 2015.

According to PacifiCorp, expenditures for programs, or program enhancements that may be launched or made in 2015, are not reflected in the latest forecast. PacifiCorp indicates it is not requesting approval of the 3.94 percent adjustment for January 1, 2016, as part of the Revised Filing. Rather, PacifiCorp agrees to provide updated DSM balancing account information to the Steering Committee at the next meeting.

B. Division

The Division agrees the DSM Surcharge collection rate proposed by PacifiCorp in its Initial Filing is no longer adequate to return the balancing account to zero. At hearing, the Division stated it analyzed PacifiCorp's Revised Filing and responses to data requests, and

recommended the Commission approve a DSM Surcharge collection rate of 3.62 percent for year 2015 with an effective date of February 1, 2015. Also at hearing, the Division testified it had reviewed the tariff sheets accompanying the Revised Filing and that the tariff sheets reflect PacifiCorp's proposed increase to the DSM Surcharge collection rate.

In its comments, the Division also expresses concern the allowance for funds used during construction 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 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 indicates it will discuss this with the Steering Committee and, if warranted, pursue appropriate recommendations in a future proceeding.

C. Office

The Office analyzed the materials filed by PacifiCorp, as well as supplemental materials provided in response to discovery requests from the Division and the Office. The Office also participated in numerous discussions with PacifiCorp and others regarding the DSM Surcharge collection rate. Several of these discussions were held through the Steering Committee and Advisory Group forums.

The Office generally supports cost recovery policy that results in a zero or near zero balance within one year, unless that recovery would require a surcharge rate the Office considers overly burdensome. The Office also advocates for surcharge rates that minimize the carrying charges that accrue on any balance. Initially, PacifiCorp proposed a two-step increase in the DSM Surcharge collection rate but also provided the option of a one-step increase at the request

of the Division. The Office states the merits of both of these proposals were discussed with the Steering Committee and the Office supports the proposal to recover the balance over approximately a two year period.

The Office recommends the Commission approve PacifiCorp's proposed alternative collection rate of 3.62 percent and allow these changes to be effective February 1, 2015. The Office believes this change will result in just and reasonable rates and will be in the public interest. The Office asserts this alternative rate will provide the best solution for cost recovery, while mitigating carrying charges and providing a sufficient rate of recovery in 2015 that may reduce the size of an additional increase for 2016. The Office states PacifiCorp has committed to further study this issue and will discuss it with the Steering Committee. At hearing, the Office acknowledged it reviews the DSM program annually and will continue to submit recommendations to the Commission as to the cost effectiveness of the various DSM programs.

At hearing, the Office testified that it had reviewed the tariff sheets accompanying the Revised Filing, filed on January 28, 2015, with an effective date of February 1, 2015, and testified they correctly reflect PacifiCorp's proposed increase to the DSM Surcharge collection rate.

D. UCE and SWEEP

UCE and SWEEP support PacifiCorp's proposal in the Initial Filing. Although UCE and SWEEP did not participate in the hearing, they filed no comments in opposition to the Revised Filing.

DISCUSSION, FINDINGS AND CONCLUSIONS

Based on our review, the recommendations of the Division, the Office, and the lack of opposition to the Revised Filing, we find increasing the Schedule 193 DSM Surcharge overall collection rate to 3.62 percent is just, reasonable, and in the public interest. We further find the tariff sheets accompanying the Revised Filing, filed on January 28, 2015, with an effective date of February 1, 2015, correctly reflect PacifiCorp's proposed increase to the DSM Surcharge collection rate.

ORDER

1. PacifiCorp's request to increase the Schedule 193 DSM Surcharge overall collection rate to 3.62 percent as set forth in the Revised Filing is approved, effective February 1, 2015.
2. The tariff sheets accompanying the Revised Filing, filed on January 28, 2015, with an effective date of February 1, 2015, are approved.

DATED at Salt Lake City, Utah, this 3rd day of March, 2015.

/s/ Jordan A. White
Presiding Officer

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Approved and confirmed this 3rd day of March, 2015, as the Order of the Public Service
Commission of Utah.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#264031

CERTIFICATE OF SERVICE

I CERTIFY that on the 3rd day of March, 2015, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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