

November 19, 2015

UTAH PUBLIC SERVICE COMMISSION  
Heber M. Wells Building  
160 East 300 South, 4<sup>th</sup> Floor  
Salt Lake City, Utah 84111

**RE: Docket No. 15-035-69 – In the Matter of a Request for Agency Action to Review the Carrying Charges Applied to Various Rocky Mountain Power Account Balances**

Dear Public Service Commission,

On August 11, 2015 the Division of Public Utilities (the Division) filed a request for agency action requesting that the Public Service Commission of Utah (the Commission) open a docket to review and possibly modify the annual carrying charge on various Rocky Mountain Power (Company) accounts within various Company tariffs.

At a technical conference on September 29, 2015 the Company presented information on the carrying charges applied to each of its account balances. The Company also provided information on the historic dockets under which each of these carrying charges was established. On October 27, 2015 the Division issued comments with a recommendation to reset these carrying charges on annual basis, consistent with the average of the annual Aaa and Baa Corporate interest rates for the preceding calendar year as published by the Federal Reserve Board of Governors.

Utah Clean Energy and SWEEP support the Division's recommendation. Utah Clean Energy concurs with the Division that updating carrying charges will keep them more in-line with market rates and current economic conditions. Further, with regard to the DSM balancing account, a relatively low rate is appropriate given that the company bears very little risk that prudent expenditures on approved DSM programs will not be recovered. Utah Clean Energy is also supportive of the Division's recommendation that the first update to the current carrying charges take place on March 1, 2016.

With specific regard to DSM programs—Utah Clean Energy and SWEEP's primary interest in this docket—we believe that revision of the carrying charge on the DSM balancing account be



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viewed in a broader context by the Commission. The Company has a proven track record of strong DSM program performance and there is little or no risk to the company of not recovering its prudent DSM expenditures. DSM programs are funded in a different manner as investments in new power plants and transmission lines; likewise, the utility's recovery of its investment in DSM programs is different than its recovery of supply-side investment costs. DSM program expenditures are recovered on a contemporaneous basis (i.e., without regulatory lag) for the most part.

Thus, we believe it is appropriate to use the same relatively low interest rate for both the carrying charge applied to the DSM balancing account as well as for evaluating the cost effectiveness of potential DSM programs. Because the Company bears so little risk of cost recovery of its DSM program expenses, and because the utility recovers DSM program expenditures on a contemporaneous basis, there is no sound basis for using the utility's weighted-average cost of capital for either the carrying charge on the balancing account or as the discount rate in DSM program cost effectiveness analysis. For these reasons, we urge the Commission to modify the discount rate used for evaluating the cost effectiveness of DSM programs at the same time it revises the interest rate used for the computing the carrying charge on the DSM balancing account. In particular, we urge the Commission to make these two rates consistent.

Sincerely,

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Sarah Wright  
Executive Director  
Utah Clean Energy

A handwritten signature in black ink that reads "Howard Geller".

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Howard Geller  
Executive Director  
Southwest Energy Efficiency Project (SWEET)



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## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 19<sup>th</sup> day of November, 2015 on the following:

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/s/ Sophie Hayes