UTAH CLEAN ENERGY
We Partner to Build the New Clean Energy Economy

December 2, 2015

UTAH PUBLIC SERVICE COMMISSION
Heber M. Wells Building
160 East 300 South, 4th 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 – ***Response Comments of Utah Clean Energy and SWEEP***

Dear Public Service Commission,

On November 19, Utah Clean Energy and SWEEP filed initial comments in this docket, supporting the Division's recommendation to set a consistent carrying charge for various Rocky Mountain Power (Company) account balances by using 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. The Office of Consumer Services (Office) and the Company also filed initial comments on this matter. Utah Clean Energy and SWEEP are submitting these comments in response to the Office and Company's initial comments.

Office comments. The Office also supports the Division's recommendation. Primarily, the Office recommends that "the carrying charge should be consistent with the underlying risk the Company or ratepayers incur resulting from over-collection or under-collection in the balancing accounts." Office Comments, page 1. Utah Clean Energy and SWEEP concur with the Office's recommendation.

As mentioned in our initial comments, it is appropriate to reduce the carrying charge applied to the DSM account balance because the Company bears very little risk that its DSM program expenditures will not be recovered. 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. Furthermore, DSM programs are funded in a different manner from 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. That is, DSM program expenditures are recovered on a contemporaneous basis (i.e., without regulatory lag) for the most part. Therefore, using a carrying charge that is updated annually to reflect market conditions is appropriate.

Company comments. The Company concurs that routinely updating carrying charges in a predictable manner may be beneficial to customers. Unlike all other parties, however, the Company proposes that the carrying charge for account balances be the cost of debt authorized by the Commission in the most recently concluded general rate case, currently 5.2%.[1] Company comments, pages 2-3. The Company also argues that carrying charges that were agreed to as part of a Commission approved stipulation or agreement should not be changed. Company comments, page 5. Of the eight accounts at issue in this docket, the Company proposes not modifying four of them, including the DSM balancing account, the REC balancing account, the Energy Balancing Account, and the Blue Sky account. Company comments, pages 5-7.

The current docket is an appropriate proceeding for modifying the carrying charges applicable to all eight accounts. Consistent with its statutory obligation to investigate matters within the jurisdiction of the Commission, the Division of Public Utilities filed the request for agency action that initiated the current proceeding because the Division was concerned that the carrying charges applicable to the eight accounts were not necessarily reflective of current market conditions or the risk associated with the balances in the accounts. Since the beginning of the proceeding, all eight accounts have been identified in filings and technical conferences, alerting stakeholders to the scope of this proceeding. The existence of prior stipulations or agreements, some well over 10 years old, should not preclude the Division from investigating, nor the Commission from acting upon, in appropriately noticed public proceedings, issues that may no longer serve the public interest.

Discount rate. In our initial comments, Utah Clean Energy and SWEEP recommended that the same relatively low interest rate be used for both the carrying charge applied to

[1] The company explains that what it prefers is setting a carrying charge equal to its pre-tax cost of capital (currently 10.65%) because it "matches how all *rate base* items are financed." Company comments, page 3 (emphasis added). However, the Company is "willing to agree to" setting a carrying charge rate equal to its authorized cost of debt, but only for accounts whose carrying charges were not set by stipulation/ agreement. As discussed above, however, correlating the carrying charge with the risk associated with financing rate base investments is not appropriate for DSM programs.

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, it is not appropriate to use the Company's weighted average cost of capital as a discount rate for DSM program cost effectiveness analysis.

As the Commission considers the carrying charges applicable to the Company's balancing accounts, including the DSM balancing account, we recommend the Commission also consider the discount rate used in DSM cost-effectiveness analysis. Specifically, we recommend that if the Commission approves the Division's recommendation, the Commission should also reduce the discount rate used in DSM cost effectiveness analysis—to make it consistent with the carrying charge applied to the DSM balancing account.

Sincerely,

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Sarah Wright
Executive Director
Utah Clean Energy

Howard Geller
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Howard Geller
Executive Director
Southwest Energy Efficiency Project (SWEEP)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 2nd day of December, 2015, on the following:

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