ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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December 15, 2015

VIA ELECTRONIC FILING
AND HAND DELIVERY

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

Re: Reply Comments
In the Matter of Rocky Mountain Power's Proposed Revisions to Electric Service Schedule No. 193, Demand Side Management (DSM) Cost Adjustment – Docket No. 15-035-T15

On December 2, 2015, the Public Service Commission of Utah ("Commission") issued a Scheduling Order and Notice of Hearing in the above referenced matter, allowing parties to file comments by December 8, 2015, and reply comments by December 15, 2015. The Division of Public Utilities ("DPU"), Office of Consumer Services ("OCS"), Utah Association of Energy Users ("UAE"), Utah Clean Energy ("UCE"), and Southwest Energy Efficiency Project ("SWEEP") (collectively, the "Parties"), filed comments on December 8, 2015. Rocky Mountain Power ("Company") provides these reply comments in response to the Parties' comments.

BACKGROUND

In Advice No. 14-12 filed December 31, 2014 in Docket No. 14-035-T14, the Company proposed a phased two-step increase to the DSM Surcharge that would bring the DSM deferred account balance to near zero by the end of 2016.The Company met with the Steering Committee on January 13, 2015 to discuss current information. Agreement was made among Steering Committee members that the DSM Surcharge increase would be 3.62 percent with a second increase to approximately 3.94 percent at the end of 2015, to bring the balance to near zero by the end of 2016.

On January 21, 2015, DPU, OCS, UCE, and SWEEP filed comments in support of a first-step increase of 3.62 percent, knowing and expecting a second-step increase to approximately 3.94 to be implemented beginning January 1, 2016. There were no objections to this approach or the proposed increases during Steering Committee meetings or through party comments. The Company filed a Revised Advice No. 14-12 on January 28, 2015, requesting approval of the revised first-step increase of 3.62 percent, which was approved effective February 1, 2015, pursuant to the Commission's Order Confirming Bench Ruling issued March 3, 2015.

In addition to parties agreeing to the two-step approach, it was also agreed that the DSM balancing account would be reviewed with the Steering Committee in March of 2015 to determine if a mid-year adjustment to the DSM Surcharge would be necessary prior to filing for the second-step increase in November 2015. The Company reviewed the DSM balancing account with the Steering Committee and discussed options for a mid-year DSM Surcharge adjustment at a meeting held March 5, 2015. At that time, the forecast for 2015 remained unchanged. The Company discussed with the Steering Committee the option of a mid-year increase adjustment to the DSM Surcharge, which would lower the second-step increase necessary through 2016 to bring the balance to near zero. It was decided during the Steering Committee meeting that a mid-year adjustment to the DSM Surcharge should not be pursued since forecasts were not indicating a change to the second-step increase to 3.94 percent at the end of 2015.

Pursuant to the Commission’s Order issued August 25, 2009, in Docket No. 09-035-T08 approving the Phase I Stipulation filed August 3, 2009, in the event that expenditures for the Company’s DSM programs reach 90 percent of the forecasted level prior to December 1st of the current year, the Company must notify the Steering Committee and Commission. In the second quarter of 2015, acquisition levels indicated that the Small Business Lighting (“SBL”) program was forecasted to be at 200 percent by July 1, 2015 and over budget by approximately $1.78m. If left unaltered, the SBL program would have resulted in a budget overage of approximately $6.9m. The Company brought three options to the Steering Committee’s attention at a meeting held May 19, 2015. The options included forecasted impacts for suspending the program, reducing incentives, and continuing with no changes. The Company recommended suspending and after a thoughtful discussion, the Steering Committee agreed to support the suspension.

Accordingly, the Company filed Advice No. 15-09 on May 22, 2015 in Docket No. 15-035-T08, requesting approval to suspend the SBL program to stabilize costs and for re-evaluation through a request for proposal process. On June 8, 2015, DPU and UCE filed comments in support of the suspension. On June 15, 2015, OCS filed reply comments also in support of the suspension. Both UCE and OCS expressed in their comments that they wanted the Company to reinstate the SBL program as soon as was practicable. The Commission approved the SBL suspension in its Order issued June 19, 2015. There were no other programs in 2015 that met the required notification due to the 90 percent program budget requirement.

The Company met with the Steering Committee on October 23, 2015, to review the DSM balancing account before the Company filed to request approval of the second-step increase as described above. The Company discussed budget forecasts to achieve the increased 2016 DSM IRP targets and reduce the DSM surcharge under collection. During discussion with the Steering Committee there was general direction for the Company to evaluate programs to identify and implement cost savings measures, which the Company agreed to do. As an alternative to an option to increase the surcharge to 4.13 percent, it was agreed with the Steering Committee that the Company should file for a second-step increase at 4.0 percent.

ARGUMENT

The Company has a requirement to meet with the Steering Committee quarterly.[1] The DSM surcharge, program budgets, and forecasts are continually discussed with the DSM Steering Committee, and the outcomes of these discussions are typically a result of guidance and compromises by all parties.

The DSM Surcharge and balancing account have been continually discussed at length with the Steering Committee. The Steering Committee, including OCS and UAE, were instrumental in the strategy to have a two-step increase. The Company has altered its filings based upon these agreements and decisions with the Steering Committee in an attempt to find balanced outcomes for all parties and customers.

UAE requested in its comments that an investigation should be opened into current and proposed DSM programs, the DSM surcharge level, appropriate DSM cost controls, appropriate means of recovering DSM expenditures and appropriate cost-effectiveness measures.

The Company does not believe that such an investigation outside of the current process is warranted. The current DSM process involves substantial reporting, auditing, and collaboration with the Commission and DSM Steering Committee.[2] The DPU also conducts an annual audit of the DSM program to ensure it is in compliance with the rules and regulations set forth by the Commission, as well as following good business practices with accounting and controls that are adequate and practical.

UAE also mentioned in its comments concerns over the increased DSM Surcharge level. Increased DSM Surcharge levels, however, are mainly a result of the Cool Keeper equipment replacement in 2014 and increasing levels of cost-effective DSM acquisition, not cost overruns in 2015 DSM programs.

[1] Report and Order issued May 23, 2012 in Docket No. 12-035-69.
[2] Pursuant to the Commission's Order issued January 15, 2013 in Docket No. 12-035-116, the Company is required to file an annual DSM Report on May 1. The annual report contains an abundance of Commission-ordered requirements from various orders in Docket Nos. 09-035-27, 11-035-74, 12-035-57, 12-035-117, 13-035-20, 13-035-71, and 13-035-198. Pursuant to the Commission's Order issued May 5, 2009 in Docket No. 09-035-36, the Company is required to report annually on the effectiveness of its Strategic Communications and Outreach Program. Pursuant to the Commission's Order issued May 23, 2012, the Company must meet with the DSM Advisory Group semi-annually and with the Steering Committee quarterly. Pursuant to Commission orders issued August 25, 2009, December 21, 2011, and September 27, 2013 in Docket Nos. 09-035-T08, 10-035-57, and 13-035-130, respectively, and the Acknowledgement Letter issued February 10, 2012 in Docket No. 10-035-57, the Company is required to file a semi-annual report on the Schedule 193 deferred account balance and an annual report on DSM program expenditures and forecast. Pursuant to the Commission's Order issued January 29, 2015, the Company is required to provide quarterly reports to the Steering Committee detailing the amounts charged to the Schedule 193 DSM Surcharge. DSM programs are subject to periodic third-party evaluations, typically on a 2-year schedule.

CONCLUSION

In light of the above history and actions taken and agreed to by the Steering Committee, the Company respectfully requests the Commission evaluates UAE's investigation request separate from the DSM Cost Adjustment – Docket No. 15-035-T15 and approve the second-step DSM Surcharge increase to 4.0 percent. The Company believes the items identified by UAE and supported by OCS for an investigation lack specific information and purpose. The Company requests the Commission either deny the investigation request or require parties to provide support and elaborate on their specific issues and objectives prior to opening any investigation of DSM and allow the Company to comment prior to making a final decision.

Informal inquiries regarding this filing may be directed to Michael Snow, DSM Regulatory Projects Manager, at (801) 220-4214.

Sincerely,

Bill Comeau
Director, Demand Side Management

cc: Division of Public Utilities
Office of Consumer Services
Utah Association of Energy Users
Utah Clean Energy
Southwest Energy Efficiency Project