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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission
From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Doug Wheelwright, Technical Consultant
Eric Orton, Utility Analyst

Date: March 23, 2016

Subject: Flowell Electric Association, Inc. Docket No. 16-027-T01

In the Matter of the Revisions to Flowell Electric Association, Inc.'s Retail Electric Rates

RECOMMENDATION

The Utah Division of Public Utilities (Division) recommends that the Utah Public Service Commission (Commission) acknowledge Flowell Electric Association, Inc.'s (Flowell) changes to its Electric Rates, and make them available for public inspection.

BACKGROUND

Flowell has submitted revised tariff sheets that reflect an 8% increase for all customer classes. The Flowell board approved these changes at its regular meeting on February 9, 2016. Flowell will give notice of this proposed rate change to its members in the same mailing containing the notification of its annual meeting that will be held on April 1, 2016. At this meeting the increase will be addressed and all attending members will be able to voice their opinions. Flowell's board made the rate change effective beginning in its April 2016 billing period. The Commission received notification of these changes on March 14, 2016 and issued an Action Request to the Division to investigate the notification the same day. This is the Division's response to that Action Request.

ISSUE

Flowell Electric Association is a non-profit, cooperative organized in 1943 with a service territory serving eastern Millard County. Effective January 1, 1999, the seven employees, with the exception of the manager, became employees of Dixie Escalante Rural Electric Association (Dixie). In addition to the employees, all of the inventory and other general assets were transferred to Dixie. Under the agreement between the two companies, Dixie provides Flowell with customer billing statements and plant maintenance services. Flowell provides a shop and yard facilities for Dixie equipment and inventory and is paid an annual fee to maintain relationships with the various communities. This arrangement allows the two companies to share resources and provides Flowell with access to engineering and other resources that were not available internally. This arrangement has worked well for the two companies and has been structured this way due to their mutual relationships with Deseret Generation and Transmission.

Flowell has roughly 225 members with approximately 80% of the load being used for irrigation purposes. Nearly one third of the meters and two thirds of the load and the corresponding revenue for the Co-op is provided to members who are also on the board of directors. Therefore, although not all of Flowell's customers were officially given 30 days notification of the proposed rate increase as specified in Utah Code 54-3-3 and 54-4-1.1, a good share were notified well before the required notification time. Additionally, the Commission should be notified at least 30 days prior to the proposed effective rate change as required by Commission Rule (R 746-405-2-E.2) and Utah Code 54-3-3 but it was not. The Division believes that Flowell should comply with Commission rule and Utah Code by officially notifying its members and the Commission at least 30 days prior to implementing any such rate change.

DISCUSSION

Flowell's letter to the Commission received on March 14, 2016, states that these increased rates reflect an 8% increase for all classes of customers and that the increase is necessary because of the increase in its costs for wholesale power from Deseret Power. This notification to the Commission was roughly two weeks prior to implementation of the new rate.

In a conversation with Mr. Robison, of Flowell, he stated that they have good participation from members in their Board meetings and a tight-knit community such that he believes that most members were aware of the proposed increase following the Board meeting held on February 9, 2016. Although member notification didn't strictly follow the statute, it appears that many of the members were aware of the rate increase after the board meeting.

The last time that the Division has record of Flowell adjusting rates was in in the spring of 2007. The time before that was in 2003. Therefore, Flowell's rates are adjusted so infrequently that it is not surprising that the statutes and rules specifying the notification period for members and Commission were not strictly adhered to.

CONCLUSION

The Division recommends that although Flowell's members were not given written notification as required and that the Commission was not notified as it should have been, the majority of Flowell's customers were likely aware of the proposed rate increase in sufficient time to object to the Board or Commission. Therefore, the Division's recommendation is for the Commission to acknowledge the revised tariff sheets effective for the April 2016 billing cycle and make them available for public inspection. The Division has advised Flowell of its obligation to officially notify its members and the Commission at least 30 days prior to implementing new rates.

Cc: Durand Robison CEO, Flowell Electric Association.

Maria Wright, DPU Customer Service

Michele Beck, Office of Consumer Services

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