



State of Utah
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Division of Public Utilities

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REQUEST FOR EXTENSION

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Abdinasir Abdulle, Utility Analyst

Date: March 16, 2017

Re: 17-035-T03. RMP Proposed Tariff Revisions to Electric Service Schedule No. 91, Surcharge to Fund Low Income Residential Lifeline Program

Recommendation (Approve)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) approve Rocky Mountain Power’s (“Company”) proposed revisions to Schedule 91, Surcharge to Fund Low Income Residential Lifeline Program, after the “Estimated Account “Balance” tab of the “Surcharge Revision Workpapers” is replaced with the corrected version attached here. It is anticipated that the proposed revisions will successfully eliminate the excess balance over time.

ISSUE

On February 24, 2017, the Company filed with the Commission its Advice No. 17-03 - Proposed Revisions to Schedule 91, Surcharge to Fund Low Income Residential Lifeline Program. In this filing the Company requested the Commission to approve a proposed reduction of the rates on

Schedule 91 that are not subject to the \$50 per month cap. On February 24, 2017, the Commission issued an Action Request to the Division asking the Division to investigate the Company's request and to make recommendations. The Commission asked the Division to report its findings and recommendations by March 13, 2017. On February 28, 2017, the Commission issued a Notice of Filing and Comments Period in which the Commission stated that "Any interested party may submit comments on PacifiCorp's proposed tariff revision on or before **Thursday, March 16, 2017**, and reply comments may be submitted on or before **Tuesday, March 21, 2017**. On March 8, 2017, the Commission issued a Supplemental Action Request in which it asked for an evaluation of the use of certain interest rate. This memorandum represents the Division's response to the Commission's Action Request and comments to the Company's proposed tariff revisions.

Discussion

On January 25, 2017, in Docket No. 00-035-T07, the Company filed with the Commission its fourth quarter Low Income Lifeline Program report. This report showed an ending balance of about \$1.6 million. To eliminate the excess ending balance, the Company proposed in its Advice No. 17-03, a reduction of the rates on Schedule 91, Surcharge to Fund Low Income Residential Lifeline Program, that are not subject to the \$50 per month cap. This reduction in surcharge, if adopted will put us on a path to eliminate the excess ending balance. This can be seen in the estimated Account Impact tab of the Company's work papers attached to its application. This tab shows that the ending balance will be reduced to approximately \$600,000 in two years and probably less than that as time progresses.

The Company estimated its proposed surcharge for a given schedule s as the product of the current revenue from schedule s and the quotient of the proposed revenues from those schedules that are not subject to the \$50 monthly cap and the current revenues of those schedules that are not subject to the \$50 monthly cap, divided by the average annual number of customers for schedule s . The Division reviewed the Company's calculations and believes they are reasonable.

In its supplemental Action Request, the Commission asked the Division to comment on the following observation:

Please refer to cells N180:N196 of the tab labeled “Estimated Account Impact” of the “Surcharge Revision Workpapers” excel spreadsheet included in RMP’s February 24, 2017 filing. It appears the formulas in these cells use an annual interest rate of 7.57% (i.e., 0.0063083×12) to determine the monthly interest charge for the months of October 2014 through February 2016.

Please include in your action request response an evaluation of whether the interest rate used in cells N10:N196 is consistent with the PSC’s October 9, 2014 letter in Docket No. 13-035-190 and the RMP’s “Exhibit B – Carrying Charges” filed on October 21, 2015 in Docket No. 15-035-69. If any change is necessary, please provide an updated spreadsheet.

The Division reviewed the documents indicated in the Commission’s observation and determined that the Company inadvertently used the wrong interest rate (7.57%). The correct annual interest rate for the period between October 2014 and March 2016 is 5.20%. The Division discussed this issue with the Company. The Company revised its calculations using the correct interest rate. It provided a corrected version of the “Estimated Account Impact” tab. The Division reviewed this tab and determined that it is properly updated. The impact of this update is that the ending account balance declined about \$54,000 by the end of December 2016 and about \$60,042 by the end of April 2019.

However, since the proposed surcharges were estimates intended to eliminate the excess account balance within a reasonable time period, the Division does not believe that the change in the ending account balance brought about by the use of the correct interest rate is sufficient to revise the proposed surcharges. Therefore, the Division recommends the Commission approve the Company’s proposed tariff revision after the “Estimated Account “Balance” tab of the “Surcharge Revision Workpapers” is replaced with the corrected version attached here.

CC: Bob Lively, RMP
Michele Beck, OCS