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DEPARTMENT OF COMMERCE  
Office of Consumer Services

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To: Utah Public Service Commission

From: Office of Consumer Service  
Michele Beck, Director  
Cheryl Murray, Utility Analyst

Date: March 16, 2017

Subject: Advice No. 17-03 – Proposed Revisions to Schedule 91, Surcharge to Fund Low Income Residential Lifeline Program. Docket No. 17-035-T03.

## Background

On February 24, 2017 Rocky Mountain Power (Company or RMP) filed with the Public Service Commission (Commission) Advice No. 17-03 – proposed revisions to Schedule 91, Surcharge to Fund Low Income Residential Lifeline Program (Schedule 91 Surcharge). The Company requests an effective date of May 1, 2017, for the proposed tariff changes.

On February 28, 2017 the Commission issued a notice of filing and comment period allowing interested parties to submit comments regarding the proposed changes on or before March 16, 2017, and reply comments on or before March 21, 2017. The Office responds to that notice herein.

## Discussion

The Low Income Residential Lifeline Program (Program) as approved by the Commission authorizes Rocky Mountain Power to collect, through customer electric bills, funds to provide assistance to residential low-income customers who meet specified guidelines.

Authority for the Program and Schedule 91 Surcharge comes from Utah Code Ann. § 54-7-13.6. Low-income assistance program, which gives authority to the Commission to approve a low-income assistance program to provide bill payment assistance to low-income residential customers. The statute:

- 1) sets guidelines for customer eligibility to receive funds from the program;

- 2) establishes that the collection rate may not exceed 0.5% of the rate class's retail revenues;
- 3) requires that the rate/surcharge shall be calculated as an equal percentage of revenues from all rate schedules; and
- 4) provides that the monthly surcharge may not exceed \$50 per month for any customer.<sup>1</sup>

In its February 24, 2017 filing the Company requests that it be allowed to reduce the current collection rate of Schedule 91 for all customer classes, except customers that are subject to the \$50.00 per month cap. The Company explains that Schedule 91 is currently overfunded with a balance of approximately \$1.6 million of collections in excess of credits for calendar year 2016 and without the requested reduction in the collection rate the fund will continue to grow. The Company's analysis indicates that with the proposed changes the over collection balance will be reduced to approximately \$600,000 by April 2019 with collections better matched to credits provided. Further, the Company will continue to monitor the account and request additional adjustments as necessary.

### **OCS Comments**

The Office has reviewed the Company's filing and analysis and agrees that the current balance in the Schedule 91 Surcharge fund is excessive and should be reduced. Reducing the balance can be accomplished through an immediate refund to customers who have paid into the fund or as the Company suggests by reducing the amount collected from customers.

The Company's proposal will maintain a balance of approximately \$600,000. In discussions the Company indicated that this amount represents approximately two months of funding based on average payouts to recipients over 2015 – 2016<sup>2</sup>. The Office believes that the goal for these types of accounts should be to have collections and payouts close to equal, however, because of the somewhat fluid nature of both the amount of collections as well as the number of ratepayers requesting assistance the Office asserts it is reasonable to initially plan to approximately that level of over collection. Thus, the Office believes that reducing the collection amount rather than providing a very minimal credit to customers is the better option for reducing the balance in the account.

Based on our review of the Company's analysis the Office determined that the proposed changes are within the guidelines for calculation established by Utah Code Ann. § 54-7-13.6(5) because:

- Collections remain capped at \$50.00 per month for any customer, and

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<sup>1</sup> The \$50 monthly surcharge cap may be adjusted periodically as the Commission determines appropriate for inflation.

<sup>2</sup> The Company's analysis supports this assertion.

- Targeted revenue for all customer classes not subject to the \$50.00 per month cap are at 0.2% which is an equal percentage of revenue per customer class and below the 0.5% maximum collection amount allowed.

### **Supplemental Action Request**

On March 8, 2017 the Commission issued a supplemental action request requesting that parties “include in responses an evaluation of whether the interest rate use in cells N180:N196 is consistent with the PSC’s October 9, 2016 letter in Docket No. 13-035-190 and the RMP’s “Exhibit B – Carry Charges: filed on October 21, 2015 in Docket No. 150035-69. If any change is necessary, please provide an updated spreadsheet.”

The two documents referenced in the Commission’s supplemental action request, the PSC’s October 9, 2016 letter and RMP’s Exhibit B filed on October 21, 2015, both indicate that the carrying charge to be applied to the Program will be the Commission-approved cost of debt as ordered in the most current general rate case. For the period in question, October 2014 through February 2016, the Commission-approved cost of debt was 5.20% as ordered in Docket No. 13-035-184.<sup>3</sup> In RMP’s initial filing, the cells referenced in the Commission’s supplemental action request, N180:N196 did not contain the correct interest rate. Incorporating this change in the Company’s “Surcharge Revision Workpapers” excel spreadsheet reduces the projected balance at April 2019 from \$600,630.28 to \$540,598.95.<sup>4</sup> The Office asserts that the lower projection is still within a reasonable planning range and a reduction to Schedule 91 Surcharge collections is in order.

### **Recommendation**

The Office recommends that the Commission approve the Company’s Application to reduce the Schedule 91 Surcharge effective May 1, 2017. The Office further recommends that the Commission order that RMP modify its filing using 5.20% as the applicable interest rate for the aforementioned time period.

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<sup>3</sup> The Commission’s order for Rocky Mountain Power’s General Rate Case in Docket No. 13-035-184 was issued August 29, 2014 with an effective date of September 1, 2014.

<sup>4</sup> In compliance with the Commission’s supplemental action request the Office provides with these comments an “updated spreadsheet” incorporating our revisions.