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REPLY COMMENTS

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Charles Peterson, Technical Consultant

Jeff Einfeldt, Utility Analyst

Lane Mecham, Utility Analyst

Date: October 16, 2018

Re: **DPU Reply Comments Relating to the Sharing Band in the Energy Balancing Account.**

Docket No. 18-035-01 (As referenced by 09-035-15)

ISSUE

The Public Service Commission (Commission) has invited comments from interested parties by September 18, 2018 and reply comments on October 16, 2018,[1] regarding the Commission's report to the state legislature's Public Utilities and Technology Interim Committee. In its comments on September 18, 2018, the Division stated that it "continues to believe that the elimination of the sharing band in the PacifiCorp Energy Balancing Account (EBA) is not in the public interest." Further, the Division recommended that "the sharing band as originally set up by the Public Service Commission … in its order creating the EBA in Docket No. 09-035-15

[1] Public Service Commission, Docket No. 18-035-01, "Scheduling Order, Notice of Hearings, and Tariff Status", page 3.

should be reinstated at the earliest possible moment." In addition to the Division, Rocky Mountain Power (RMP, or, the Utility), the Utah Association of Energy Users (UAE), and the Utah Industrial Energy Consumers (UIEC) intervention group filed comments. UAE and UIEC filed comments that generally supported the Division's view regarding sharing bands.[2] RMP filed comments strongly supporting the continuance of having no sharing bands as part of its energy balancing account (EBA) program. The Division makes a few brief observations on RMP's comments below.

REPLY COMMENTS TO ROCKY MOUNTAIN POWER

Rocky Mountain Power in its September 18, 2018 comments briefly summarizes why it believes the EBA and, in particular, the elimination of the sharing band is in the public interest and good for customers. RMP attaches to its brief 2018 comments its relatively longer comments made in 2017. The Utility focuses on the idea that "customers pay the actual costs for the energy they consume, no more and no less"[3] as if that is essentially the sum total of the consideration in this matter. RMP continues to downplay or ignore the fact that RMP has succeeded in shifting all of the risk to its ratepayers for a large portion of the Utility's operating costs. Since the Utility is no longer at risk for these costs, there is little or no economic incentive for it to operate in the most efficient manner it can, except for the outside chance that it might "get caught" in a subsequent prudence review. In other words, given the lack of incentives, ratepayers may pay more for net

[2] The Office of Consumer Services (OCS) did not file comments this year. However, in its reply comments last year the OCS stated

"The Division cited its EBA Evaluation Report filed in May 2016 concurring with other parties that the 70/30 sharing band was in the public interest and that the changes made by SB 115 to allow 100% recovery of costs further shifted risks onto ratepayers and minimized the incentives for good decision making. The Division further argued that the volatility of customers' bills had increased significantly since the creation of the EBA, which is magnified by the removal of the 70/30 sharing band since it funnels more costs through the surcharge/credit on customers' bills. The Division stated in its initial comments that the elimination of the sharing band further benefits the Company and magnifies the problem of shifting risks onto ratepayers. The UAE outlined ten points supporting its recommendation that the sharing band can and should be reinstated after the EBA pilot's conclusion if the EBA continues. The Office is in general agreement with these positions of both the DPU and the UAE articulated in their respective initial comments in this proceeding." See Docket No. 17-035-01, Office of Consumer Services, page 3, October 16, 2017.

[3] See RMP 2017 attachment, page 2.

power costs, and in the operation of the EBA receive less refund than they otherwise would if the Utility were also at risk. As the UAE comments point out

> Although the Company may not control market prices, this does not mean it is a mere passive bystander when it comes to managing its power costs. It is in the overall management of its resources, as distinct from control over market prices, that incentives matter. Every hour of every day, RMP needs to be managing the dispatch of its system to achieve minimum costs, subject to the reliability constraints under which it operates. This requires a sophisticated approach to managing utility-owned resources, as well as conducting a large volume of transactions—purchases and sales—throughout the year.[4]

Furthermore, as UIEC also aptly points out "… [T]he Company has now been relieved of virtually all risk of efficiently forecasting and managing power costs. Ratepayers, have *no* means to control any of that risk, yet now bear *all* of it."[5] (Italics in original). Regulation works best when it properly aligns incentives. A sharing band in the EBA properly aligns incentives and encourages prudent utility behavior.

The Division requests that the Commission specifically note that no group or organization that represents various ratepayers' interests has supported the elimination of sharing bands in the EBA. Rocky Mountain Power is promoting its own self-interest as it continues to argue that the EBA with the lack of sharing bands is beneficial to ratepayers.

Finally, RMP in its attachment of last year's comments brings up the issue that Dominion Energy Utah receives a 100 percent pass-through on its 191 accounts.[6] The Division believes that there are significant differences between the two utilities:

1. QGC's acquisition of gas is much less complex.
2. The purchased gas is acquired through competitive bidding.
3. Wexpro Gas is acquired at cost.

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[4] Comments of UAE, Docket No. 18-035-01, September 18, 2018, page 4.
[5] Comments of UIEC Comments, Docket No. 18-035-01, September 18, 2018, page 5.
[6] See RMP 2017 attachment, page 5.

At the heart of the Wexpro gas are the Wexpro Agreements that grew out of Utility owned assets that the utility was planning on spinning off into an affiliate. With respect to items 2 and 3, the Division believes that there is nothing comparable in RMP's net power costs.

CONCLUSION

As stated in its prior comments the Division continues to believe that the EBA is beneficial to the Utility with little to no net benefit to ratepayers. The elimination of the sharing band further benefits the Utility and magnifies the problem of shifting risks onto ratepayers. The Division reiterates its earlier recommendations that the EBA be eliminated, but should it survive, a sharing band should be reinstated to maintain a reasonable level of incentives to the Utility to manage the risks it faces, and not simply pass those risks to ratepayers.

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