



# State of Utah

## Department of Commerce Division of Public Utilities

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### **Action Request Response**

**To:** Utah Public Service Commission

**From:** Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Paul Hicken, Technical Consultant

Mark Long, Utility Analyst

**Date:** January 13, 2020

**Re:** **Docket No. 19-035-T18**, Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 194, Demand Side Management Credit.

### **Recommendation (Approval)**

The Division of Public Utilities (Division or DPU) has reviewed the application and recommends the Public Service Commission (Commission or PSC) approve Rocky Mountain Power's (Company or RMP) Proposed Tariff Revisions to Electric Service Schedule No. 194, Demand Side Management Credit. The Division has reviewed the Company exhibits filed with the application and recommends the Commission approve the tariff revisions as filed on or before February 1, 2020.

### **Issue**

On December 30, 2019, Rocky Mountain Power filed Advice No. 19-17, proposing revisions to Electric Service Schedule No. 194, Demand Side Management Credit. The Commission issued a Notice of Filing for this docket on January 2, 2020, with a comment period no later than January

13, 2020. The Division received an Action Request on December 30, 2019, to review the application and make recommendations. This memorandum responds to the Commission's Action Request.

## **Background**

With this filing the Company proposes to implement a one-time customer refund of \$22 million, effective February 1, 2020. At the current Schedule 193 rates, it is anticipated that the DSM Surcharge will collect approximately \$63.8 million during the twelve month period ending December 2020, which will adequately cover anticipated 2020 expenditures of \$64.9 million. Accordingly, the Company is not proposing an adjustment of the current Schedule 193 rates. However, the Company is proposing a one-time customer refund of \$22 million in order to address the over-collected balancing account. The one-time refund is to be implemented through Schedule 194 on customers' February/March 2020 bill as verified through the Company. The average credit per household will be \$10.66 on the customers' February 2020 bill.<sup>1</sup>

## **Discussion**

On November 1, 2019, in Docket No. 19-035-28, the Company submitted a "Forecast Report" which projected savings and expenditures for its DSM programs for 2020 and a DSM Surcharge balancing account analysis projecting activity in the deferred account through December 2020. The analysis reflected an accrual based over collection of \$18.1 million in the deferred account as of September 30, 2019. More recent updates to the balancing account analysis which include November actuals, forecast an accrual based over collection of \$17.9 million by December 31, 2020 at the current collection rate. In addition, the updated forecasts reflect the cash based balance will be over-collected by \$23.6 million.

Since December 2011, the Company has included monthly accruals in the balancing account to recognize the liability associated with DSM programs. In January 2017, the Commission approved the capitalization of DSM costs with an associated carrying charge. Since the capitalization of DSM costs, the Company has lowered and suspended the surcharge rate, and

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<sup>1</sup> Rocky Mountain Power Advice No. 19-17, pages 1-2.

also offered one-time refunds in efforts to manage over-collected balance, which were all based on the accrual balance for expenditures. Given the accrual based balance is always lower than the cash based balance, managing the deferred account on an accrual basis will continue to leave millions of dollars in the cash based balance. Because the cash based balance is what the carrying charge is also based on, the Company believes it is more appropriate at this time to manage the deferred account on a cash basis rather than an accrual basis, which will better align carrying charges and rate adjustments. Managing the deferred account on a cash basis will help mitigate the perpetual over-collected balance that has been occurring since 2017. Accordingly, the Company's proposed \$22 million refund is based on the cash basis balance. The intent of this refund is to bring the variance between collections and expenditures to a more neutral level by December 31, 2020, taking into account the cash based accumulated balance as discussed above.

## **Conclusion**

The Division has reviewed the Application, the Advice letter, and Exhibits A-E filed by the Company. The Division recommends the Commission approve the proposed revisions to Electric Service Schedule No. 194, Demand Side Management Credit.

Cc: Michael Snow, Rocky Mountain Power  
Michele Beck, Office of Consumer Services