

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 194, Demand Side Management Credit	<u>DOCKET NO. 19-035-T18</u>
	<u>ORDER</u>

ISSUED: January 24, 2020

On December 30, 2019, Rocky Mountain Power (RMP), filed with the Public Service Commission (PSC) Advice No. 19-17 (“Application”) proposing revisions to Electric Service Schedule No. 194 Demand Side Management (DSM) Credit (“Schedule 194”) of its Tariff P.S.C.U. No. 50 (“Tariff”), effective February 1, 2020. The Application seeks approval for a \$22 million DSM-related customer credit. On January 2, 2020, the PSC issued a Notice of Filing and Comment Period. On January 13, 2020, the Division of Public Utilities (DPU), the Office of Consumer Services (OCS), and Southwest Energy Efficiency Project/Utah Clean Energy (SWEET/UCE) filed comments. On January 21, 2020, RMP filed reply comments.

THE APPLICATION

RMP’s Application seeks approval to implement a one-time DSM-related customer credit of \$22 million through Schedule 194 applicable to currently active retail Tariff customers who were subject to Electric Service Schedule No. 193, DSM Cost Adjustment (“Schedule 193”) anytime from January 2019 through December 2019.¹ RMP estimates the refund will result in an average credit per household of \$10.66 on customers’ February 2020 bills.

¹ As proposed, the \$22 million credit will be a single bill credit of 32.5 percent of each qualifying customer’s total Schedule No. 193 charges from January 2019 to December 2019, with bill credit processing commencing on February 1, 2020 and ending no later than March 31, 2020.

Based on its DSM Forecast Report² updated to account for November 2019 actuals, and at current DSM collection rates, RMP forecasts that by December 31, 2020, the DSM account balance will be \$17.9 million on an accrual basis and \$23.6 million on a cash basis. To address this over-collection issue, RMP proposes a one-time refund of \$22 million based on the cash-basis balance. Assuming Schedule 193 revenues at current rates and the one-time \$22 million customer refund to be implemented in February 2020, RMP forecasts a cash-basis DSM Account balance of -\$283,000 as of December 31, 2020. RMP states the intent of this refund is to bring the variance between DSM collections and expenditures to a more neutral level by December 31, 2020, taking into account the cash-based accumulated balance.

RMP provides a brief explanation of the history of DSM monthly accruals and the capitalization of DSM costs with an associated carrying charge equal to RMP's pretax weighted average cost of capital. RMP asserts that, given the historical accrual-based balance compared against the cash-based balance, managing the deferred account on an accrual basis will continue to leave millions of dollars in the cash-based balance.

RMP believes that because the carrying charge is applied to the cash-based balance, 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 and mitigate the perpetual over-collected balance that has been occurring since 2017. RMP states it discussed options to address the balancing account over-collection and forecast with the Utah DSM Steering Committee on October 29, 2019.

² The DSM Forecast Report was filed with the PSC on November 1, 2019 in Docket No. 19-035-28, *Rocky Mountain Power's Semi-Annual Demand-Side Management Forecast Reports*.

PARTIES' COMMENTS

The DPU recommends the PSC approve the Tariff revisions as filed. The DPU cites RMP's statement that the intent of this refund is to bring the variance between collections and expenditures to a more neutral level by December 31, 2020.

The OCS recommends the PSC approve RMP's request to provide a one-time \$22 million credit through Schedule 194. The OCS states it typically supports maintaining a lower balance in balancing accounts, although in Docket No. 18-035-T05³ where Schedule 194 was created, the OCS supported a smaller refund with the idea that having some additional DSM funding available was prudent, based on DSM Steering Committee discussions taking place at that time. Based on the continued nature and size of the over-collection amount, the OCS believes it is in the public interest to now return the excess funds to ratepayers.

SWEEP/UCE request the PSC approve a customer refund of approximately \$16.8 million based on the accrual-based balance of the DSM Account at the end of 2019, rather than \$22 million as requested by RMP for the following reasons: 1) RMP calculated the proposed credit based on the cash-based balance of the DSM Account instead of the accrual-based balance. Based on RMP's historic calculation of refunds and DSM Surcharge rates based on the accrual-based balance, SWEEP/UCE see no compelling reason to change from this precedent at this time; and 2) SWEEP/UCE believe it is prudent to maintain a modest balance in the DSM

³ *Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 193 (Demand Side Management Cost Adjustment) and Proposed Electric Service Schedule No. 194 (Demand Side Management Credit)*; Docket No. 18-035-T05.

balancing account to allow flexibility to respond to opportunities in the DSM market and provide examples of such opportunities.

SWEEP/UCE request the PSC to urge RMP to spend its full 2020 DSM budget delivering cost-effective DSM programs to its customers. According to SWEEP/UCE, the DSM balancing account has been consistently over-collected over the past few years because RMP has failed to meet its DSM spending and savings forecasts.

In reply, RMP: 1) explains its intent is to manage the DSM portfolio to achieve the savings recommended by the integrated resource plan (IRP) while prudently spending customer funds on cost-effective programs; 2) provides data showing that from 2015 through 2018 it achieved 34,672 MWh more than called for by the relevant IRPs and did so while spending \$20,138,885 less than budgeted; and 3) explains it is already working on the market opportunities presented in SWEEP/UCE's comments. Pertaining to the accrual- vs. cash-based balance issue, RMP "reiterates its position that since the capitalization of DSM costs in 2017, there has been a growing disparity between the balancing account carrying charge, which is based on the cash based balance, and rate adjustments and refunds, which have been based on the accrual based balance."⁴ RMP believes managing the deferred account on a cash basis at this time is prudent and will help to resolve the recurring process of significant over-collections and refunds. RMP states its quarterly balancing account reports will continue to show the accrual-based liability for transparency, but rate adjustments and refunds will be based on the cash-based balance going forward to align with carrying charges under the capitalization structure.

⁴ RMP January 21, 2020 Reply Comments at 2.

DISCUSSION, FINDINGS, AND CONCLUSIONS

We find that the Application supports regulatory efficiency by reducing the rate changes that would result from significant over- or under-collections. We conclude it is in the public interest for customers to pay the correct amount for utility programs, with neither customers nor RMP being subject to unnecessary interest payments. Accordingly, we find and conclude that RMP's proposal to grant a one-time refund of \$22 million based on the cash-basis account balance is reasonable and in the public interest.

We commend all parties for utilizing the Utah DSM Steering Committee to appropriately evaluate this program, including the implications of managing the deferred account on a cash basis or an accrual basis and a reasonable balance to maintain in the deferred account. These issues require continued evaluation and discussion. We have not ordered definitive, permanent outcomes to those issues in the past, and this filing demonstrates the ongoing need for organic discussions within the Utah DSM Steering Committee.

ORDER

The revisions to Schedule No. 194, Sheet No. 194.1 are approved as filed, effective February 1, 2020.

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DATED at Salt Lake City, Utah, January 24, 2020.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#311868

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on January 24, 2020, a true and correct copy of the foregoing was served upon the following as indicated below:

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