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UTAH DEPARTMENT OF COMMERCE

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To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director

Alex Ware, Utility Analyst

Asami Kobayashi, Utility Analyst

Date: December 5, 2025

Subject: Docket 25-035-41

In the Matter of: Rocky Mountain Power's Semi-Annual Demand-Side Management Forecast Report

INTRODUCTION

On October 31, 2025, Rocky Mountain Power ("RMP or Company") filed with the Public Service Commission of Utah ("PSC") its Semi-Annual Demand Side Management ("DSM") Forecast Report. On November 7, 2025, the PSC issued a Notice of Filing and Comment Period establishing that interested parties may submit comments on RMP's filing on or before December 5, 2025 and reply comments on or before December 22, 2025. The Office of Consumer Services ("OCS") provides the following comments on the filing pursuant to that schedule.

BACKGROUND

The purpose of RMP's semi-annual DSM forecast report is to inform the PSC and stakeholders of its estimated DSM expenditures and energy savings for the upcoming calendar year.

OCS REVIEW OF RMP'S SEMI-ANNUAL DSM FORECAST REPORT

The OCS reviewed RMP's 2026 report and all pages of Exhibit A that contain spreadsheets of the energy savings forecast, accounting analysis, DSM expenditures, and irrigation load peak impact data. During our review, the OCS also compared this information to RMP's 2025 report from the prior year, as well as reviewed trends across the past five years.

RMP proposes a total DSM expenditure budget for 2026 of about $110.1 million, which is a 13.8% increase from the 2025 beginning budget and a 22.8% increase from expected 2025 year-end expenditures. The OCS points out the following notable changes that impact the budget forecast for 2026:

- The 2025 DSM portfolio experienced both program areas of overspending and areas of underspending, resulting in net overall expenses $7 million lower than budgeted in the November 1, 2024 forecast. Areas of higher costs than originally forecasted include: Wattsmart Homes Program almost $4 million over budget, Home Energy Reports about $1 million over budget, and the A/C load control program about $300,000 over budget. The overspending in these areas was mitigated by the underspending of about $9 million in the Wattsmart Business program, about $1 million each in the C&I Load Control and Wattsmart Batteries programs, and small underspends in other minor areas.

- *A/C Load Control Program*. RMP anticipates greater participation in this program in 2026 and proposes a budget of $17 million, or about $5.7 million more than 2025 year-end results.

  The OCS believes that this large of an increased budget warranted additional explanation and requests more supporting detail from RMP in its reply comments.

- *Wattsmart Homes Program.* The OCS notes that RMP appears to anticipate greater participation in this program in 2026, as the energy savings are forecasted to be 24,460 MWh greater than what was forecasted for 2025. However, the 2026 budget forecast is about $2.4 million less than the 2025 total year-end amount for this program.

- *Wattsmart Business Program*. RMP estimates slightly greater energy savings in the 2026 forecast compared to the 2025 forecast, and proposes a budget of $42.5 million, or about $6 million more than 2025 year-end results.

- *C&I Load Control Program.* RMP proposes a budget increase to $5 million for the 2026 program year, or a bit over double the 2025 year end results. However, the 2026 forecasted energy savings for this program are 4 MW less than the 2025 forecast, while the budget forecast for 2026 is $1.5 million higher than the initial forecast for 2025.

  The OCS notes that RMP's DSM budget filings, such as the present docket, do not contain written explanations of proposed budgetary changes. However, we reviewed the Company's last annual report for the program-year end of 2024 and RMP explains that the enrollment process is a significant commitment and has slowed down the growth of the program. We also note RMP reported this program passed all cost/benefit tests in 2024. The OCS plans to take a close look at 2025 outcomes when they are filed with the PSC in the next few months to see if the trend of lower participation at the same time as rising costs continues and if corrective recommendations are needed.

- *Wattsmart Batteries Program*. The OCS notes that RMP forecasts similar levels of energy savings in 2026 as the 2025 forecast. However, RMP anticipates greater costs in this program in 2026 and proposes a budget of $15 million, or about $7.5 million more than 2025 year-end results.

  The increases in this area are concerning to the OCS as the Company indicated in the most recent DSM Steering Committee meeting (October 28, 2025) that the budget increase in this area is primarily in anticipation of implementing sizeable rebates for commercial / industrial-sized batteries. Stakeholders asked what size rebates the Company is considering, but the response was that these batteries are large custom projects that aren't yet completed so the total cost and thus the rebate size are unknown at this time. These unknowns for such expensive commercial equipment raise concerns about budget overspend as well as questions of whether cost-benefit results will actually be worthwhile to the DSM program. These concerns are heightened further when considering how budget overspend from recent years now leaves ratepayers facing a large net regulatory liability – as will be discussed further in the next section.

In summary, the OCS notes that it would be helpful for RMP to provide more supporting evidence explaining these current budget adjustments, as well as provide similar details on a going-forward basis, especially for any large budget increases and changes that do not appear to align with energy savings forecasts. The OCS notes that Enbridge Gas Utah includes explanations in their DSM budget proposals for each program, providing helpful context for review, and recommends that RMP do the same.

DSM NET REGULATORY ASSET AND SCHEDULE 193 SURCHARGE RATE

During the most recent RMP DSM Steering Committee meeting on October 28, 2025, the Company also hosted a discussion of the concerning growth in the DSM program's Net Regulatory Asset. In short, even while obtaining PSC approval for annual DSM budget increases over the past decade, the Company states it has experienced either greater participation rates or rising costs beyond what was expected, resulting in expenses greater than DSM surcharge collections from ratepayers and a growing Net Regulatory Asset of unrecovered costs. The Company also stated that it has not petitioned to increase the Schedule 193 DSM surcharge rate since 2018, when it was set at 3.54%. That meeting ended with an expectation that RMP would include the issue in this 2026 DSM budget forecast report, while the discussion of the issue and decision of a solution would likely continue into 2026 at the Q1 Steering Committee meeting.

In this 2026 DSM budget forecast report, RMP states:

> As illustrated in the Accounting Analysis, if the Schedule 193 surcharge rate remains at 3.54 percent, the Net Regulatory Asset/Liability balance is projected to be over

> $650m by December 2030 under current assumptions… While additional discussion and analysis is still needed, the Company intends to submit a filing by Mid-2026 to adjust Schedule 193 rates.

The OCS reviewed the Accounting Analysis included in the 2026 DSM Forecast Report and concurs with the Company's projection that the Net Regulatory Asset balance will grow significantly by the end of 2030. Consequently, corrective measures must be taken to mitigate this growth and stabilize the balance. The Net Regulatory Assets/Liabilities is the net of Regulatory Assets minus Regulatory Liabilities. The Regulatory Asset tracks program spending and carrying charges, while the Regulatory Liability tracks customer collections via the Schedule 193 surcharge, and amortization and offsets, including the coal plant accelerated depreciation.

The OCS analyzed the DSM Accounting Report to identify the drivers of Net Regulatory Asset growth and whether each of these drivers can be controlled. To illustrate the impacts of each of the drivers of Net Regulatory Asset growth, OCS provides the following:

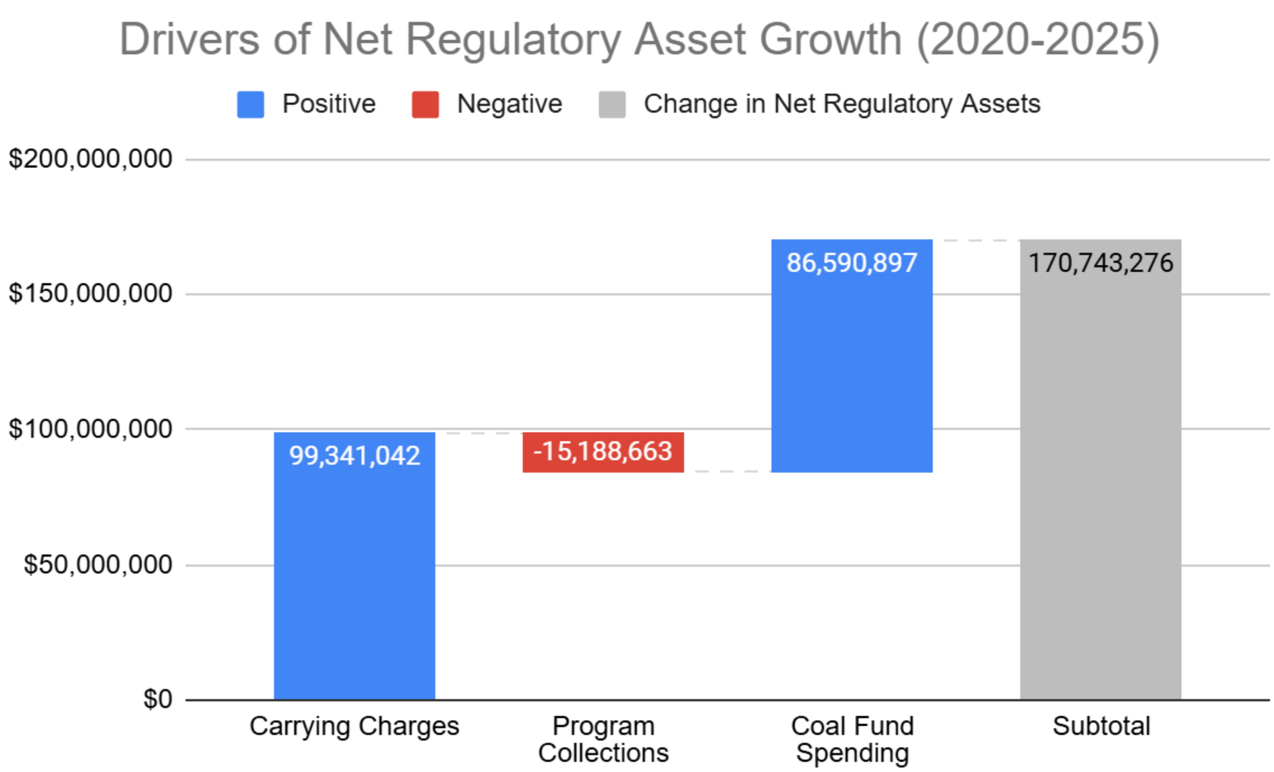

Figure 1. Drivers of Net Regulatory Asset Growth (2020-2025). Source: OCS analysis of Rocky Mountain Power's November DSM Forecast Report, Exhibit A (Accounting Analysis).

The OCS finds that, during the last five years from the end of 2020 to 2025, the total change in Net Regulatory Assets is approximately $170.7 million, with 58.2% of that growth attributable to Carrying Charges, 50.7% due to the one-time Coal Fund Spending in 2025, and 8.9% mitigated by a surplus of DSM Program Collections.

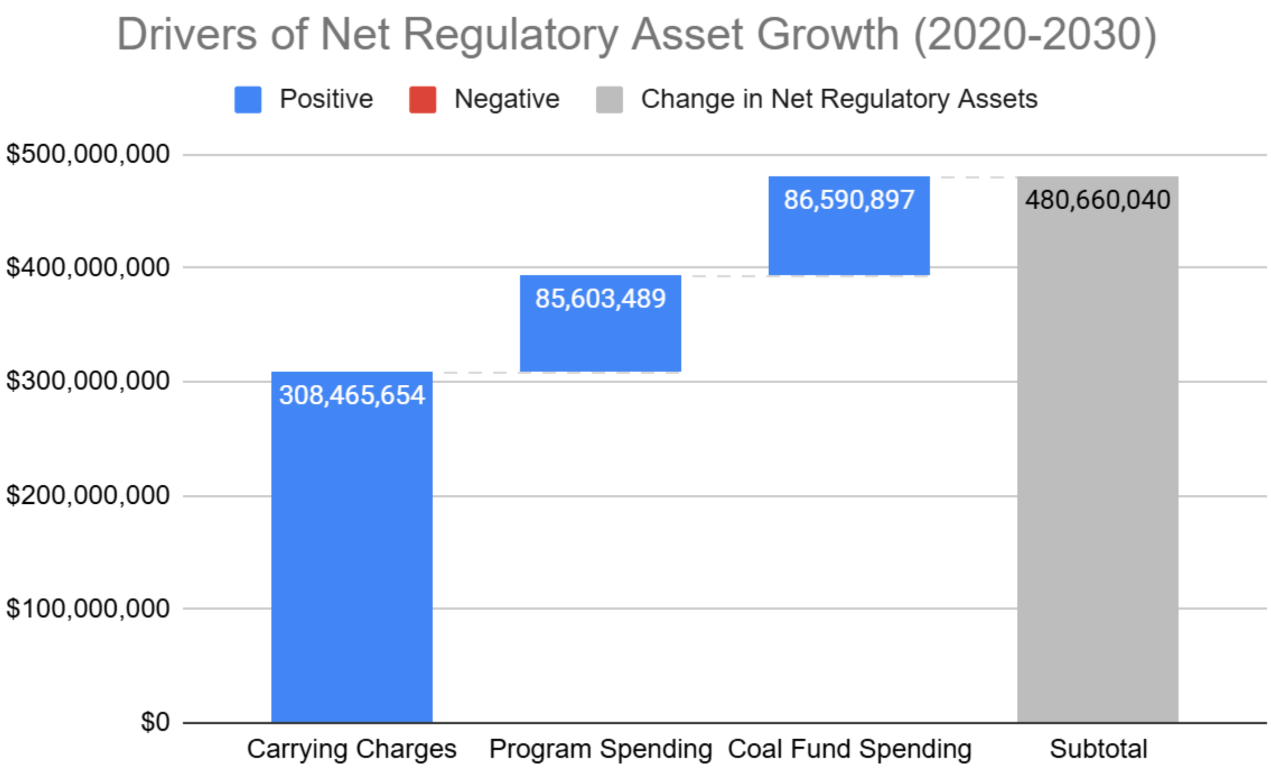

Figure 2. Drivers of Net Regulatory Asset Growth (2020-2030). Source: OCS analysis of Rocky Mountain Power's November DSM Forecast Report, Exhibit A (Accounting Analysis).

Based on RMP's 2020-2025 actual and forecasted 2026-2030 figures, Net Regulatory Assets are projected to increase by approximately $480 million. This is assuming that DSM program spending remains at $108 million, no additional Coal Fund Depreciation Spending, no future General Rate Case increases, and no adjustments to the Schedule 193 Surcharge. Of this amount, 64.2% would be due to Carrying Charges, 17.8% due to DSM Program Spending, and 18% due to the one-time Coal Fund Spending in 2025.

Based on the analyses above, it appears that the largest driver of the ballooning Net Regulatory Asset is the compounding Carrying Charge, which was 8.99% in 2021-2024 and is set to be 8.42% in 2025-2030. The OCS observes that, unlike the Carrying Charge for RMP's Energy Balancing Account, which is determined by the Commission, the Carrying Charge on the DSM Program is hard coded into Utah State Law. Specifically, the Utah Code § 54-7-12.8(5)(c) states:

> The commission shall allow the large-scale electric utility to apply a carrying charge to the regulatory liability described in Subsection (5)(a)(ii) in an amount equal to the large-scale electric utility's *pretax average weighted cost of capital* approved by the commission in the large-scale electric utility's most recent general rate proceeding.

Provided that the Carrying Charge is not a controllable variable, the primary levers available more immediately to manage Net Regulatory Asset growth appear to be: 1) increase the Schedule 193 Surcharge Rate, 2) cap certain program spending, and 3) suspend the paydown of accelerated depreciation for coal plants until the Net Regulatory Asset balance is stabilized. In the October 28, 2025 DSM Steering Committee Meeting, RMP presented options to mitigate the growing Net Regulatory Assets issue but no specific proposals or details were discussed as of yet. As previously stated, it is the OCS's understanding that RMP intends to have further discussion on the issue with DSM Steering Committee members in the upcoming Q1 2026 Meeting and submit a filing with the Commission in 2026 to formally address this issue with more detailed and updated information. As such, the OCS will plan on evaluating the various options available based on the forthcoming filing and Steering Committee discussions.

RECOMMENDATIONS

The OCS remains supportive of RMP's DSM Programs to the extent that they remain cost-effective; however, it is unclear why certain programs, such as the Wattsmart Batteries Program, C&I Load Control Program, and Wattsmart Homes Program, have proposed budget increases that do not align with their energy savings forecasts. Accordingly, the OCS recommends that RMP provide explanations for these discrepancies and for all program budget adjustments in future DSM forecast reports.

Regarding the budget increase for the Wattsmart Batteries Program, the OCS recommends that the Commission require RMP to justify the cost-effectiveness of anticipated large custom commercial battery projects. Given that the Company has indicated that the rebate sizes and total costs for these projects are currently unknown, ratepayers should not be exposed to open-ended costs, especially while now carrying a large regulatory liability.

Further, the OCS recognizes that the ballooning Net Regulatory Asset balance is currently on an unsustainable financial trajectory that will be better addressed sooner rather than later to mitigate the compounding Carrying Charges that are burdening ratepayers. Thus, the OCS looks forward to upcoming DSM Steering Committee discussions and filings on specific options available to address this issue.

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