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Division of Public Utilities
UTAH DEPARTMENT OF COMMERCE

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Savannah Torman, Utility Analyst
Arika Abrahamson, Analyst Intern

Date: September 8, 2026

Re: **Docket No. 26-035-T11,** Application of Rocky Mountain Power for Approval of Proposed Revisions to the Schedule 193 Demand Side Management (DSM) Cost Adjustment Rates.

Recommendation (Approval with Recommendations)

The Division of Public Utilities (Division) has reviewed the tariff filing and recommends the Public Service Commission (Commission) approve Rocky Mountain Power's (RMP or Company) proposed revisions to the Schedule 193 Demand Side Management (DSM) Cost Adjustment Rates. The Division also provides the following recommendations: (1) the surcharge amount should be increased to 5.32%; (2) the annual DSM spending forecasts should remain consistent year-over-year; (3) the carrying charge should be categorized as a supplemental program cost; and (4) the Company should submit an annual rate adjustment.

Issue

On August 21, 2026, RMP filed with the Commission proposed tariff revisions to the Schedule No. 193 DSM Cost Adjustment Rates, with a requested effective date of January 1, 2027. On August 21, 2026, the Commission issued an Action Request for the Division to investigate RMP's filing and make recommendations by September 4, 2026. Subsequently, the Commission issued a Notice of Filing and Comment Period, requesting comments by

September 8, 2026, with reply comments by September 15, 2026. These are the Division's comments on the proposed revisions to the Schedule 193 DSM Cost Adjustment rates.

Background

The DSM Cost Adjustment Rates are administered through Electric Service Schedule 193 of RMP's Electric Service Tariff. Docket No. 04-035-T03 established Electric Service Schedule No. 193 as the Demand Side Management (DSM) Cost Adjustment rider to recover Commission-approved DSM costs incurred since August 1, 2001, with an effective term beginning April 1, 2004. In the Order issued in 2016,[1] the Sustainable Transportation and Energy Plan (STEP) capitalized and amortized Schedule 193 rates beginning January 1, 2017, and created a DSM regulatory asset. The 2018 Settlement Stipulation[2] contained provisions for RMP to use the STEP regulatory liability to buy down Utah's share of undepreciated coal plant balances. In 2020, RMP added $185.1 million to the regulatory liability for coal plant buy downs;[3] and in 2024, RMP added $86.6 million for additional coal plant buy downs.[4] The DSM surcharge rate has remained at 3.54% since 2018, despite large plant buy downs added to the regulatory liability, leading to a large imbalance in the net regulatory asset/liability balance. In this docket, the Company proposes revisions to the Schedule 193 adjustment factors to align collection rates with updated forecasted expenditures and deferred account balance requirements.

Discussion

This filing proposes adjusting the Schedule No. 193 surcharge rate from 3.54% to 4.29% in 2027, with additional incremental increases in future years. As the Division discussed in previous dockets,[5] this upward adjustment is necessary to begin rectifying the ballooning

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[1] *Application of Rocky Mountain Power to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act,* Docket No. 16-035-36, Phase I Report at Order, at 15 (Dec. 19, 2016).
[2] *Investigation of Revenue Requirement Impacts,* Docket No. 17-035-69, Order Approving Settlement Stipulation at 6 (Nov. 9, 2018).
[3] *Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 20-035-04, Order at 95 (Dec. 30, 2020).
[4] *Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations,* Docket No. 24-035-04, Order at 172 (April 25, 2025).
[5] *Rocky Mountain Power's Semi-Annual Demand Side Management (DSM) Forecast Reports*, Docket No. 26-035-30, Comments from the Division of Public Utilities (July 22, 2026).

DSM net regulatory asset/liability account balance and associated carrying charge. The Company's accounting spreadsheets provided in RMP Exhibit A and RMP Exhibit B demonstrate the benefit of increasing the surcharge rate. RMP Exhibit A - DSM Accounting at Current Rate shows that the net regulatory asset/liability balance (ending balance) will continue to increase in perpetuity at the current 3.54% surcharge rate, while RMP Exhibit B - DSM Accounting at Proposed Rate shows that the ending balance will begin to decline in 2030 and will be paid off after 2046. RMP Exhibit B shows that the total carrying charges paid from 2027 until 2046 will be $488,445,278. The surcharge rate adjustment to 4.29% will increase the average residential customer's monthly bill by $0.81 or 0.89%.[6]

Surcharge Adjustment

The Division provides DPU Exhibit 1.1 as an alternative to the accounting model in RMP Exhibit B. In DPU Exhibit 1.1, the Division suggests a surcharge rate of 5.32%, which immediately stabilizes the ending balance and reduces the total carrying charge paid in 2027. Additionally, using RMP Exhibit D, the Division calculates that if the Company were to increase the surcharge in 2027 to 5.32%, instead of 4.29%, the average residential customer's monthly bill would increase by 1.88%, or $1.71 from the current rate. This begins reducing the ending balance immediately and reduces the total carrying charge paid in 2027 by approximately $1.15 million. Table 1 compares the differences between these two rates solely for 2027.

[6] RMP Exhibit D - Rate Design

Table 1 - RMP vs DPU Surcharge Rate			
	RMP (2027)	DPU (2027)	Difference
	4.29%	5.32%	1.03%
Surcharge Revenue (Program Collections)	$ 111,389,250	$ 138,133,056	$ 26,743,806
Program Spend	$ 100,000,000	$ 100,000,000	$ -
Carrying Charge	$ 35,524,993	$ 34,371,128	$ (1,153,865)
Carrying Charge (% of Program Collections)	32%	25%	-7%
Program Spend + Carrying Charge	$ 135,524,993	$ 134,371,128	$ (1,153,865)
Net Regulatory Asset/Liability Balance	$ 435,727,882	$ 407,830,211	$ (27,897,671)
Impact to Residential Customers' Bill ($)	$0.81	$1.71	$0.90
Impact to Residential Customers' Bill (%)	0.89%	1.88%	0.99%

Similarly to RMP's Accounting Analysis, the Division concludes that RMP will need to introduce additional upward rate adjustments in subsequent years to pay the total ending balance off in a timely manner. As such, the Division also included an upward rate adjustment in 2029, aligning with the Company's current projected rate forecast. If the Company adjusts the rate to 5.32% in 2027 and 2028, with a further adjustment to 5.68% in 2029, the ending balance would be paid off by November 2043, with lifetime carrying charges of $371,786,548. The Company's current projections expect the ending balance to be paid off after 2046, with lifetime carrying charges of $488,445,278. Table 2 compares the lifetime differences.

Table 2 - RMP vs DPU Surcharge Rate (Lifetime)			
	RMP	DPU	Difference
Carrying Charge	$ 488,445,278	$ 371,786,548	$ (116,658,730)
Net Regulatory Asset/Liability Balance Sunset Date	After 2046	November, 2043	~3 yrs

The Division finds value in immediately reducing the ending balance and associated carrying charge to reduce the proportion of carrying charges paid from the total amount of program collections, as demonstrated in Table 1. For 2027 alone, 25% or more of total program collections in both scenarios are paid towards the carrying charge, rather than the program's goal of energy efficiency or load management. The sooner the ending balance and associated carrying charges are reduced, the higher the proportion of program collections can be attributed to program goals.

Budget Stabilization and Reporting

To accurately predict future accounting, it is necessary to maintain a stable budget. The Division therefore recommends that the Company maintain consistent year-over-year spending forecasts until the ending balance and associated carrying charges are significantly reduced. Additionally, given the significant annual carrying charge, the Division recommends that the carrying charge be categorized as a supplemental program cost. Classifying the carrying charge as a supplemental program cost alongside other administrative costs ensures full transparency in annual DSM reports. This provides stakeholders with a complete view of the total annual revenue requirement associated with the DSM portfolio, allowing for clearer tracking of program delivery and financing costs.

Annual Rate Adjustment

An important caveat in the accounting forecast is that the Company provides forecasted revenues of approximately $2.6 billion indefinitely in this filing; however, accounting analyses submitted by the Company in previous filings show future revenues between approximately $2.7 and $2.8 billion.[7] The Division therefore assumes that forecasted revenues will likely change as a result of the Company's next general rate case, which may occur as soon as 2029.[8] An increase or decrease in revenues will naturally impact the Company's program collections, which could have a significant impact on long term accounting forecasting. It also appears that the Company's accounting does not incorporate any sort of inflation factor, which will have increasing impacts in later years, especially if the ending balance is not paid off for several decades. For these reasons, the Division

[7] Docket No. 26-035-30, RMP Exhibit A – UT DSM Accounting Analysis (June 26, 2026).
[8] Docket No. 24-035-04, Order Approving Settlement Stipulation at 7 (July 31, 2026).

recommends that the Company file annual surcharge adjustments that incorporate accurate inputs for each given year.

Conclusion

The Division concludes that RMP's filing is reasonable and appropriate to adjust the Schedule No. 193 DSM Cost Adjustment Rates and recommends the Commission grant approval of RMP's revised Tariff, with an effective date of January 1, 2027. The Division also recommends the following: (1) the surcharge amount should be increased to 5.32%; (2) the annual DSM spending forecasts should remain consistent year-over-year; (3) the carrying charge should be categorized as a supplemental program cost; and (4) the Company should submit an annual rate adjustment.

cc: Michael Snow, RMP
Michele Beck, OCS