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To: The Public Service Commission of Utah

From: The Office of Consumer Services

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Date: September 8, 2026

Subject: Docket No. 26-035-T11

In the Matter of: Application of Rocky Mountain Power for Approval of Proposed Revisions to the Schedule 193 Demand Side Management (DSM) Cost Adjustment Rates

BACKGROUND

On August 21, 2026, Rocky Mountain Power ("RMP" or "Company") filed with the Public Service Commission of Utah ("PSC" or "Commission") its Application for approval of proposed revisions to the Schedule 193 Demand Side Management ("DSM") cost adjustment rates ("Application"). On August 24, 2026, the PSC issued a Notice of Filing and Comment Period establishing that interested parties may submit comments on RMP's filing on or before September 8, 2026, and reply comments on or before September 15, 2026. The Office of Consumer Services ("OCS") provides the following comments on the filing pursuant to that schedule.

OCS ANALYSIS OF RMP'S SCHEDULE 193 PROPOSAL

RMP's core request in its Application is to increase the DSM Schedule 193 surcharge rate from 3.54% to 4.29%, effective January 1, 2027, to address the increasing balance of the DSM regulatory asset. According to the Company, the average residential customer using 720 kWh per month would see roughly a $0.81 or 0.89% increase to their monthly bill as a result of the proposed increase. The OCS reviewed the Company's Application, as well as accompanying exhibits, which provide the DSM accounting analysis at current rates (Exhibit A), DSM accounting analysis at proposed rates (Exhibit B), the redlined proposed Schedule 193 tariff (Exhibit C), and proposed rate design (Exhibit D). Upon review and analysis, the OCS supports an increase to the Schedule 193 surcharge and provides additional recommendations to address DSM spending. The basis for the OCS's recommendations is discussed below.

Schedule 193 Accounting Forecasts

In its Application, the Company provided 20-year accounting forecasts demonstrating the impact of keeping the DSM surcharge rate at 3.54%, as well as the impact of adjusting the surcharge rate to 4.29%, 5.04%, and 5.68% in 2027, 2028, and 2029, respectively, until 2046. The forecasts also assume that DSM spending is limited to $100 million annually and that no coal plant depreciation buydowns occur between 2026 and 2046. Table 1 of the Application represents the status quo scenario forecast, where the DSM surcharge rate remains at 3.54%, and demonstrates how this scenario leads to the regulatory asset balance ballooning to over $2.6 billion by 2046. On the other hand, Table 2 demonstrates how the regulatory asset balance could decrease over time by adjusting the surcharge rate to 4.29%, 5.04%, and 5.68% in 2027, 2028, and 2029, respectively, and how this approach would lower the balance to $3.1 million by 2046.

Based on these forecasts, it appears that increasing the surcharge is a necessary measure to mitigate and decrease the DSM regulatory asset balance. As the DSM regulatory asset is an accrued debt that ratepayers would owe to the Company, its growth should be minimized as much as possible to protect ratepayers from excessive liability. This is especially true considering that the Company receives a high return from the 8.42% carrying charge, which is the interest that ratepayers owe on the regulatory asset balance at the rate set by statute.

Adjusted Schedule 193 Rate Design

As described above, Table 2 of the Company's accounting forecast includes a gradual, three-step DSM surcharge rate increase over the first three years; however, RMP's Application is only requesting PSC approval for a single rate increase effective January 1, 2027. While the OCS agrees that, in general, an increase in the surcharge is necessary, the PSC and parties should consider how a larger surcharge rate adjustment effective January 2027 could more immediately stabilize the regulatory asset balance without causing rate shock. Using RMP's Application Exhibit B and D to model other scenarios, the OCS illustrates the impacts of increasing the surcharge to various degrees:

Table 1. Comparison of Various Surcharge Rate Increases in 2027

2027 Surcharge Rate	2027 Reg. Asset Balance Net Increase/decrease ($)	Residential Monthly Average Bill Impact	
		($)	(%)
4.29%	27,738,373	0.81	0.89
5.04%	7,424,535	1.46	1.61
5.32%	(159,298)	1.71	1.88
5.68%	(9,909,940)	2.02	2.23

While the OCS appreciates RMP's implied strategy to gradually increase the DSM surcharge over three years, it may be beneficial to ratepayers in the long-term by ensuring that the current proposed rate increase would at least stabilize the regulatory asset balance to stop its accumulation immediately. Based on the analysis above, all else equal, it appears that increasing the surcharge to near 5.32% would stabilize the regulatory asset balance in the first step without causing rate shock to customers.

ADDITIONAL MEASURES TO ADDRESS DSM SPENDING

In addition to supporting the proposed change to the collection rate, the OCS recommends that the PSC take further steps to address spending on the DSM program, perhaps by implementing the recommendations below or opening a second phase to this docket, as DSM costs have not been adequately contained. In an environment where stakeholders are actively working to reduce this growing balance, the OCS believes it is important to take extra steps to ensure that the balance does not continue to grow in ways that are not justified by the record.

The OCS recommends that the Commission take the following additional steps to address DSM spending:

1. Require that cost-benefit inputs reflect the actual costs of the measure to ratepayers, including the carrying charges accumulated over the recovery period.
2. Require that cost-benefit analysis be conducted at the individual measure level.
3. Establish a stricter cap on the DSM budget with a mid-year review requirement.

<u>Accurate Cost Inputs – Carrying Charges Must Be Reflected in Cost-Benefit Analysis</u>

The OCS recommends that RMP be required to use the true total ratepayer cost of a DSM measure, including carrying charges accumulated over the full recovery period, as the cost input in all cost-benefit analyses. When RMP recovers a DSM measure in a single year, ratepayers pay exactly the face value and nothing more. When recovery is amortized over multiple years, RMP applies its authorized carrying charge to the unamortized balance each year until the account is fully cleared. Ratepayers do not simply repay the principal over time;

they repay the principal plus the carrying charge on the outstanding balance every year throughout the recovery period. The longer the amortization, the greater the gap between the face value of the measure and what ratepayers ultimately pay. The current practice of using only face-value expenditure as the cost input understates that burden, and the gap is large enough to influence whether a measure passes or fails the Utility Cost Test ("UCT"). The following example uses RMP's current authorized carrying charge rate of 8.418% applied to a DSM measure costing $1,000,000 to show exactly what that difference looks like.

Example A: Single-Year Recovery

Program Cost	$ 1,000,000
Carrying Charge	$0
Total Ratepayer Cost	**$1,000,000**

Under single-year recovery, ratepayers pay exactly the face value and nothing more. The cost-benefit analysis can accurately use $1,000,000 as its cost input because that is precisely what ratepayers pay.

Example B: Ten-Year Amortization at 8.418% Carrying Charge

Year	Starting Balance	Principal (Amortized)	Carrying Charge (8.418%)	Total Collected	Ending Balance
1	$1,000,000	$100,000	$84,180	$184,180	$900,000
2	$900,000	$100,000	$75,762	$175,762	$800,000
3	$800,000	$100,000	$67,344	$167,344	$700,000
4	$700,000	$100,000	$58,926	$158,926	$600,000
5	$600,000	$100,000	$50,508	$150,508	$500,000
6	$500,000	$100,000	$42,090	$142,090	$400,000
7	$400,000	$100,000	$33,672	$133,672	$300,000
8	$300,000	$100,000	$25,254	$125,254	$200,000
9	$200,000	$100,000	$16,836	$116,836	$100,000
10	$100,000	$100,000	$8,418	$108,418	$0
Total		**$1,000,000**	**$462,990**	**$1,462,990**	

Under ten-year amortization, ratepayers pay $1,462,990 for a measure that costs $1,000,000. The additional $462,990 in carrying charges installs no equipment, saves no energy, and serves no efficiency purpose. It is the pure financial cost of spreading recovery across ten years rather than one.

Summary of the Difference

	Single-Year Recovery	Ten-Year Amortization
Face Value of Measure	$1,000,000	$1,000,000
Carrying Charges	$0	$462,990
True Total Ratepayer Cost	**$1,000,000**	**$1,462,990**
Premium Over Face Value	**$0**	**46.3%**

This matters for cost-benefit analyses because RMP currently inputs only the face-value expenditure into its UCT calculation. For a measure costing $1,000,000, RMP enters $1,000,000 as the cost, even when ratepayers will actually pay $1,462,990 over the ten-year recovery period. That $462,990 difference is not a minor accounting detail. It will often determine whether a measure passes or fails. Consider a measure with $1,200,000 in projected benefits:

Using Face Value as Cost Input

Benefits	$1,200,000
Cost Input (Face Value)	$1,000,000
UCT Result	**1.20 – Passes**

Using True Total Cost as Cost Input

Benefits	$1,200,000
True Cost Input	$1,462,990
UCT Result	**0.82 - Fails**

The same measure, with the same projected benefits, passes the UCT at 1.20 when face value is used as the cost input and fails at 0.82 when the true ratepayer cost is used. The difference is not a matter of interpretation. It is a matter of whether the cost-benefit test reflects what ratepayers will actually pay.

The carrying charge applied to the unamortized balance will vary from year to year as the balance changes, and OCS does not propose that those year-to-year fluctuations be built into the cost-benefit formula. What the OCS is proposing is more straightforward-- that the cost input reflects the total amount ratepayers will pay to recover a measure under the authorized amortization schedule, calculated at the authorized carrying charge rate. That figure is known at the time a measure is evaluated and should be captured in the cost-benefit analyses.

Cost-Benefit Analysis at the Individual Measure Level

The OCS recommends that the Commission require RMP to conduct and report cost-benefit analyses at the individual measure level using the UCT, and that those results serve as the basis for program design decisions. A measure that fails the UCT should not be included in the program unless RMP provides prior written justification demonstrating that its inclusion serves ratepayer interests. The OCS recognizes that there may be limited circumstances where a measure that does not pass the UCT on its own may appropriately be included; for example, where a set of measures must be installed together and the bundle as a whole is cost-effective and an overall superior approach. That exception should be made explicitly and approved prior to inclusion in the DSM portfolio. Reporting cost-benefit results only at the program level allows individual measure failures to remain invisible behind passing program averages. High-performing measures may be carrying underperforming ones, and ratepayers fund both without distinction. The OCS has been raising this issue in comments and in the DSM Steering Committee going back as far as 2014 in OCS Comments in Docket No. 14-035-50.[1] The Division has also raised this concern as recently as 2023, finding that RMP provided little to no explanation for measures that failed cost-effectiveness tests and recommended that the Commission require RMP to provide sufficient justification for any such program in its annual report.[2]

Enforceable DSM Budget Cap with Mid-Year Review

The OCS recommends that the Commission treat the annual DSM budget as a ceiling rather than a planning estimate. Under the current approach, RMP is not required to seek Commission approval before exceeding its authorized budget. Amounts spent beyond what the surcharge collects are added to the regulatory asset and begin compounding immediately at the authorized carrying charge rate, ultimately recovered from ratepayers without prior Commission review.

To be clear, the OCS is not proposing a cap that would require programs to stop abruptly when a spending limit is reached. Rather, the OCS recommends that RMP work with its program vendors to maintain a consistent and predictable pace of spending throughout the program year so that savings are accumulated steadily and programs maintain continuity.

If RMP's expenditures come within 20% of the authorized annual budget cap, RMP should be required to return to the Commission or the DSM Advisory Committee mid-year and present a formal plan. That plan should demonstrate either how RMP intends to stay within the authorized budget for the remainder of the year or provide a justification for going over budget and request PSC approval of the budget change.

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[1] OCS Comments, Docket No. 14-035-50, June 16, 2014, p.2
[2] DPU Comments, Docket No. 23-035-26, June 27, 2023, p.5

RECOMMENDATIONS

Based on the foregoing, the OCS respectfully submits the following recommendations:

1. The OCS supports an increase in the DSM collection rate, preferably at a rate that would immediately stabilize the regulatory asset balance.
2. OCS recommends that the Commission either implement additional steps to address DSM spending or open a second phase in this docket to evaluate the changes OCS has proposed to better address DSM cost-benefit analysis and spending. The specific OCS recommendations include:
   - Require that cost-benefit inputs reflect the actual costs of the measure to ratepayers, including the carrying charges accumulated over the recovery period.
   - Require that cost-benefit analysis be conducted at the individual measure level.
   - Establish a stricter cap on the DSM budget with a mid-year review requirement.