

DOCKETED

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Ratemaking)	
Treatment of Demand-Side)	<u>DOCKET NO. 92-2035-04</u>
Resources and the Analysis of)	
Regulatory Changes to Encourage)	<u>REPORT AND ORDER</u>
Implementation of Integrated)	
Resource Planning.)	

ISSUED: February 10, 1994

SYNOPSIS

By this Order, the Public Service Commission of Utah approves a Joint Recommendation which establishes an interim policy for the regulatory treatment of PacifiCorp's demand-side resource activities.

Appearances:

Edward A. Hunter	For	PacifiCorp
Michael Ginsberg Assistant Attorney General	"	Division of Public Utilities
Kent Walgren Assistant Attorney General	"	Committee of Consumer Services
Steven F. Alder Assistant Attorney General	"	Office of Energy Resource Planning, Department of Natural Resources
Eric Blank	"	Land and Water Fund of the Rockies
William Evans	"	Utah Industrial Energy Consumers

By the Commission:

PROCEDURAL HISTORY

On February 12, 1993 the Commission issued an Order which closed Docket No. 92-2035-07 and accepted the Company's withdrawal of its petition for an accounting order authorizing its proposed accounting treatment for demand-side resources (DSR). New petitions for DSR cost recovery were ordered to be filed under this present docket. The order expressed the Commission's desire that this docket be investigative in nature. A collaborative process was initiated to analyze the relevant issues surrounding DSR and the implementation of the Company's IRP and to report findings and recommendations to the Commission. On March 8, 1993, a scheduling conference was held to discuss organizational issues. A series of eight collaborative technical conferences was held and a final report was submitted to the Commission on August 31, 1993.

On October 19, 1993, the Division of Public Utilities ("Division"), the Committee of Consumer Services ("Committee"), PacifiCorp, the Office of Energy and Resource Planning ("OER"), and the Environmental Intervenors filed an application with the Utah Public Service Commission ("Commission") seeking approval of a joint recommendation ("Joint Recommendation"). On November 17, 1993, the Utah Industrial Energy Consumer's ("UIEC") filed comments on the Joint Recommendation.

On November 23, 1993, a Technical Conference was held to provide interested parties with an opportunity to obtain information regarding the Joint Recommendation. On December 1, 1993, a hearing

was held to consider the application for approval of the Joint Recommendation.

At the hearing, the Division, the Committee, PacifiCorp, OER and the Land and Water Fund for the Rockies presented testimony in support of the Joint Recommendation. No testimony was presented in opposition to the Joint Recommendation.

DISCUSSION WITH FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. PacifiCorp provides retail electric service in the states of California, Idaho, Montana, Oregon, Utah Washington and Wyoming. PacifiCorp operates as a public utility in the state of Utah and is subject to the Commission's jurisdiction.
2. The Commission has jurisdiction over the accounts and records of PacifiCorp pursuant to Utah Code Ann. Sect. 54-4-23 (1990).
3. The Joint Recommendation provides an interim approach for the regulatory treatment of PacifiCorp's demand-side resource ("DSR") activities in Utah. That interim approach involves: (a) the establishment of an accounting mechanism for the costs, including net lost revenues, incurred by PacifiCorp during calendar year 1994 for DSR activities in Utah; (b) the establishment of a formula and a procedure for the determination of net lost revenues ("NLR"); and (c) the establishment of a framework for the evaluation of the results of the interim approach and other DSR issues.

4. Under the Joint Recommendation's proposed accounting mechanism, the costs PacifiCorp incurs in 1994 for the evaluation, monitoring, and reporting of its DSR programs will be expensed as incurred, as will non-program specific advertising costs. PacifiCorp's remaining 1994 DSR program costs, including NLR, will be capitalized and will accrue carrying charges at PacifiCorp's current AFUDC rate until the amortization of those costs begins on January 1, 1995.
5. The Commission finds that the provisions of the Joint Recommendation's proposed accounting mechanism, including the carrying charge and amortization provisions of the proposed mechanism, are a reasonable and proper way to account for PacifiCorp's 1994 DSR costs, including its NLR, and the energy service charge payments it receives from customers during 1994. The proposed accounting mechanism provides PacifiCorp with appropriate direction regarding the accounting treatment for its 1994 DSR activities, while reserving prudence and rate recovery decisions for an appropriate case.
6. Under the NLR provisions of the Joint Recommendation, the Commission will determine, using the formula included in the Joint Recommendation, the amount of NLR incurred by PacifiCorp as a result of its DSR activities during 1994. That determination will be subject to a potential future adjustment by the Commission, based on evaluation and measurement results, of no more than 25

percent. The maximum amount of NLR cannot exceed \$2,000,000.

7. The Commission has previously recognized that regulatory policy for DSR is in the formative stages in Utah. In our June 18, 1992, Order in Docket No. 90-2035-01, we stated:

The Commission finds that currently there is no approved ratemaking treatment for DSR. Given the asymmetry of ratemaking treatment for DSR and the resulting uncertainty of cost recovery, the Commission questions whether the Company has sufficient financial incentive to pursue its IRP. Given the Commission's directive that DSR and SSR be treated on a comparable basis, the Commission finds that clarification of the regulatory treatment of DSR is necessary.

8. The NLR provisions of the Joint Recommendation provide the Commission and other interested parties with an opportunity to acquire data and experience which can be used to develop long-term DSR policy for this jurisdiction. The NLR provisions limit the dollar amount of NLR, provide for Commission determination of the amount of NLR and otherwise address, in a just and reasonable way, concerns regarding the regulatory treatment of PacifiCorp's 1994 NLR. The Commission finds that the Joint Recommendation's NLR provisions, including the NLR formula and 25 percent adjustment limit, are just, reasonable and in the public interest. The initial determination of PacifiCorp's 1994 NLR will be made by the Commission prior to January 18, 1995, the date on which PacifiCorp closes its books for 1994.

9. The Joint Recommendation provides for the establishment of a new DSR cost-recovery collaborative ("Collaborative") to examine the results, both during and after calendar year 1994, of this interim cost-recovery approach to DSR. This Collaborative will replace the DSR Evaluation Task Force and the DSR Technical Conference/Collaborative. While the primary focus of this new Collaborative will be to examine the interim approach for regulatory treatment of PacifiCorp's Utah DSR programs, it will also address the other issues described in the Joint Recommendation.
10. The Joint Recommendation also provides for the retention, at PacifiCorp's expense, of a qualified consultant to provide an impartial review of PacifiCorp's measurement and evaluation of its DSR activities. The costs incurred by PacifiCorp for that consultant will, under the terms of the Joint Recommendation, be capitalized and will accrue a carrying charge at PacifiCorp's current AFUDC rate until amortization, over a five year period, beginning on January 1, 1995.
11. The Commission finds that the Collaborative task force and consultant approach proposed in the Joint Recommendation provides an appropriate way in which to proceed with the evaluation and analysis of the DSR issues identified in the Joint Recommendation. The Commission also finds that the Joint Recommendation's

proposed accounting treatment for consultant costs is reasonable and proper.

12. The Commission adopts the following schedule for the Collaborative reports identified in paragraph 4.4 of the Joint Recommendation:

- (a) The Collaborative will submit a report to the Commission by November 30, 1994, which quantifies the dollar amount of NLR for 1994 and identifies the inputs which resulted in that dollar amount. The report will also identify the appropriate DSR measure lives for amortization purposes. If the Collaborative participants are unable to reach agreement on those issues, the report should identify the areas of agreement and disagreement.
- (b) The Collaborative will submit a report to the Commission by March 31, 1995, which describes the results of the statistical recoupling experiment, the options regarding shared-savings and total factor productivity incentive programs, the price impact of DSR programs on non-participants, the development of performance standards and the results of the interim approach. The report will also make recommendations regarding the appropriate regulatory treatment for the DSR costs, including NLR, incurred by PacifiCorp in 1995. To the extent that the Collaborative participants are unable to reach agreement on those issues, the

report should identify areas of agreement and disagreement.


- (c) The Collaborative will submit a report to the Commission by December 31, 1995, which quantifies its final determination of the amount of NLR for 1994. That report may, of course, be submitted prior to that date and, to the extent that there are disagreements regarding the quantification, the areas of agreement and disagreement should be identified in the report.
13. In its comments, the UIEC requested that the Commission adopt its cost allocation proposal. The UIEC did not present any evidence to support its proposal. The Commission will defer cost allocation issues to a future appropriate case.
14. The Commission finds that the Joint Recommendation is just, reasonable and in the public interest and should be approved in its entirety.

ORDER

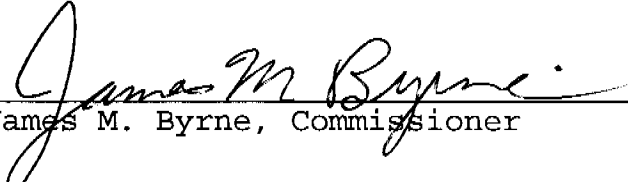
NOW, THEREFORE, IT IS HEREBY ORDERED that:

1. The Joint Recommendation is approved in its entirety.
2. The Division is directed to convene, no later than January 31, 1994, a new DSR cost-recovery Collaborative, as described in the Joint Recommendation, to examine the issues described in the Joint Recommendation and to submit reports, as described in this Order, regarding the results of their work to the Commission .


DATED at Salt Lake City, Utah, this 10th day of February,
1994.



Stephen F. Mecham, Chairman

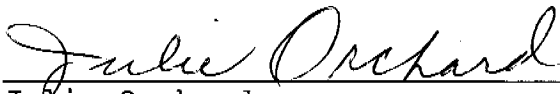


James M. Byrne, Commissioner



Stephen C. Hewlett, Commissioner

Attest:



Julie Orchard
Commission Secretary

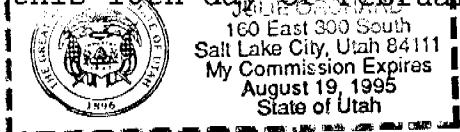
Glen Davies
310 South Main Street, Ste. 1100
SLC, UT 84101

Raymond W. Gee
Kirton McConkie & Poelman
60 East So. Temple, Ste. 1800
SLC, UT 84111

Joe Duke-Rosatti
Salt Lake Community Action Program
764 South 200 West
SLC, UT 84101

See attached mailing list

Subscribed and sworn to before me
this 10th day of February, 1994.



My Commission Expires
August 19, 1996

Beverly P. Grossaint
Secretary

Julie Orchard
Notary Public
Residing at Salt Lake City, Utah

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BRIGHAM CITY, UT 84302

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MOUNTAIN FUEL SUPPLY CO.
P O BOX 11368
SLC, UT 84139

JOE BAUMAN
DESERET NEWS
P O BOX 1257
SLC, UT 84110

F. ROBERT REEDER, ESQ
PARSONS BEHLE & LATIMER
P O BOX 11898
SLC, UT 84147-0898

THE ENTERPRISE
ATTN: LARA BRINGARD
P O BOX 11778
SLC, UT 84147

THOMAS M. ZARR, ESQ.
RANDLE, DEAMER, ZARR & LEE, P.C.
139 EAST SOUTH TEMPLE, STE 330
SLC, UT 84111-1169

KUTV, INC
2185 SOUTH 3600 WEST
SLC, UT 84119

OLOF E. ZUNDEL
UTILITY SHAREHOLDERS ASSOC. OF UTAH
36 SOUTH STATE #1200
SLC, UT 84111

OGDEN STANDARD EXAMINER
ATTN: SUZANNE CARTER
P O BOX 951
OGDEN, UT 84402

RAYANNA WASHBURN
UP&L
1407 W. NORTH TEMPLE
SLC, UT 84140-0001

JOHN KEAHEY
CITY DESK--SALT LAKE TRIBUNE
P O BOX 867
SLC, UT 84110

TED D. SMITH, SENIOR ATTORNEY
U S WEST COMMUNICATIONS
P. O. BOX 45205
SLC, UT 84111

UNITED PRESS INTERNATIONAL
P O BOX 16005
SLC, UT 84111

GARY A DODGE, ESQ.
185 SOUTH STATE, #1300
P O BOX 11019
SLC, UT 84147-0019

KALL RADIO NEWS
KRISTIE SNOW
312 EAST SOUTH TEMPLE
SLC, UT 84111

CLIFF C. MICHAELIS, DIRECTOR
BOUNTIFUL CITY LIGHT & POWER
198 SOUTH 200 WEST
BOUNTIFUL, UT 84010

KSL RADIO
TAMMY KIKUCHI
BROADCAST HOUSE
SLC, UT 84180-1160

PETER J MATTHEIS, PARTNER
BRICKFIELD BURCHETTE & RITTS
1025 THOMAS JEFFERSON ST N W
8TH FLOOR - WEST TOWER
WASHINGTON D C 20007-0805

LEE R BROWN
AMAX MAGNESIUM CORPORATION
238 NORTH 2200 WEST
SLC, UT 84116

SCOTT GUTTING, PRESIDENT
ENERGY STRATEGIES, INC.
39 WEST MARKET STREET, STE 200
SLC, UT 84101

**EATON MAESER
BUSINESS & ECONOMIC DEVELOPMENT
324 SOUTH STATE STE 500
SLC UT 84111**

**NANCY MOORE
INSIDE FERC
P.O. BOX 6880
DENVER CO 80206**

**CHARLIE MITCHELL
ELECTRIC POWER ALERT, #1400
1225 JEFERSONN DAVIS HIGHWAY
ARLINGTON VA 22202**

**TERRY ROSS
ENERGY & ECONOMIC DEVELOPMENT
ARCO TOWER 707 17TH STREET #2956
DENVER CO 80202**

**RICHARD ANDERSON
DIV. OF NATURAL RESOURCES
OFFICE OF ENERGY & RESOURCE
PLANNING
BUILDING MAIL**

**MICHAEL GINSBERG
OFFICE OF ATTORNEY GENERAL
BUILDING MAIL**

**LAURIE NODA
OFFICE OF ATTORNEY GENERAL
BUILDING MAIL**

**KENT WALGREN
OFFICE OF ATTORNEY GENERAL
BUILDING MAIL**