



Rich Collins
4/20/93

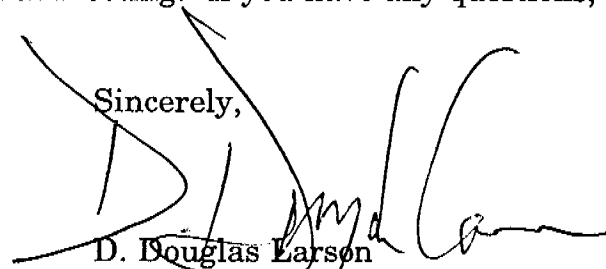
April 12, 1993

**TO: ALL ATTENDEES
AT DSR TECHNICAL CONFERENCE
HELD MARCH 30, 1993**

Enclosed is a Draft copy of the March 30th DSR Technical Conference Minutes, together with attachments. Would you please see that copies are distributed to appropriate members of your group.

The next Technical Conference is scheduled for Tuesday, April 20, at 9:00 a.m., in the northwest conference room on the 24th Floor of the One Utah Center. Enclosed is a Draft copy of the Agenda for that meeting. If you have any questions, please feel free to call.

Sincerely,



D. Douglas Larson
Director, Economic Regulation

lfs

Enclosures

**DSR TECHNICAL CONFERENCE #4
AGENDA**

April 20, 1993

- | | | | |
|-----|--|--------------------|--|
| I | Issues Surrounding Lost Revenues | 9:00 - 9:30 a.m. | E. Hirst |
| | A. Discussion on Issues Surrounding Lost Revenues | 9:30 - 10:30 a.m. | |
| | <i>Break</i> | 10:30 - 10:45 a.m. | |
| II | Potential Company Cost Recovery Solution to DSR | 10:45 - 11:15 a.m. | D. Larson/
B. McKay/
G. McDonald |
| | A. Discussion on Potential Company Cost Recovery Solution to DSR | 11:15 - 12:15 p.m. | |
| | <i>Lunch</i> | 12:15 - 1:00 p.m. | |
| III | Decoupling | 1:00 - 1:30 p.m. | |
| | A. Discussion on Decoupling | 1:30 - 2:30 p.m. | E. Hirst |
| | B. Company Concerns With Decoupling | 2:30 - 2:40 p.m. | D. Peterson |
| | <i>Break</i> | 2:40 - 2:50 p.m. | |
| IV | General Discussion | 2:50 - 4:00 p.m. | |

Adjourn

**DSR TECHNICAL CONFERENCE #3
MINUTES**

March 30, 1993

This meeting was held at the One Utah Center (OUC) on the 24th floor. *Attachment 1* is a list of all those who attended the meeting. *Attachment 2* is the agenda that was followed during the meeting.

PRESENTATION

Dr. Robert Ciliano, Senior Vice-President of RCG/Hagler, Bailly Inc., was the guest speaker. His presentation was entitled: "Regulatory Treatment of Demand-Side Resources: Approaches, Policies, and Incentives." A copy of his slide presentation can be obtained by contacting the DPU. *Attachment 3* is a copy of a handout used to illustrate a Revenue-Per-Customer (RPC) adjustment/decoupling mechanism.

During the presentation, as Dr Ciliano was explaining the benefits that DSR had provided many industrial customers within Duke Power's service territory, Commissioner Byrne suggested that this collaborative/technical conference process develop a sub-group to meet with the Utah industrial customers to discuss what has worked and what could be done to help "improve" their business.

QUESTIONS AND ANSWERS

Following his presentation, Dr. Ciliano opened the rest of the meeting for questions and answers. One of the first questions asked was whether Dr. Ciliano felt that rate design was an alternative to DSR. He responded that in his opinion rate design was a form of DSR rather than an alternative to it. He indicated that rate design should be considered a DSR option.

Dr. Ciliano was also asked what approach he would choose if he were charged with implementing the "optimal" or "best" approach for recovering the costs associated with DSR. Dr. Ciliano first explained that he would not choose decoupling. He stated that in his opinion decoupling was an artificial mechanism that would become increasingly difficult to administer over time. He felt there were better approaches that would assure rapid and complete rate recovery, as well as providing the Company the "right" signals to implement its least cost plan.. He would recommend:

- Rate Basing program costs and amortizing them over a reasonable period.
- Recovering lost revenues as an element of DSR program cost. Dr. Ciliano stated that "lost revenues" was a poor description for an issue which really relates to fixed cost recovery. He characterized the issue as one of applying the same amount of fixed costs against fewer kwh. Regardless of prior decisions, fixed costs needed to be collected from customers who required the investment. If the kwh usage goes down, then naturally the fixed cost portion of a customer's bill would go up.

DSR TECHNICAL CONFERENCE #3
ATTENDEES
March 30, 1993

NAME	ORGANIZATION	TELEPHONE	FAX
F. Elgin Ward	Deseret G&T	801-566-1238	801-562-6302
Kenneth Wilson	Deseret G&T	801-566-1238	801-562-6302
Bill Evans	Kennecott, et al	801-532-1234	801-536-6111
Eric Blank	Law Fund	303-444-1188	303-786-8054
Brad Markus	Mountain Fuel	801-534-5631	801-534-5166
Anne Eakin	PacifiCorp - Portland	503-464-5065	503-275-2636
Gordon McDonald	PacifiCorp - Portland	503-464-5986	503-275-2896
Doug Larson	PacifiCorp - Utah	801-220-2190	801-220-2422
Barrie L. McKay	PacifiCorp - Utah	801-220-4160	801-220-2422
Dan Peterson	PacifiCorp - Utah	801-220-4014	801-220-2422
Verl Topham	PacifiCorp - Utah	801-220-4200	801-220-4028
Dan Gimble *	Utah CCS	801-530-6798	801-530-7655
Margo Hovingh	Utah CCS	801-530-6646	801-530-7655
Joe Ingles	Utah CCS		801-530-7655
Constance White	Utah Dept. of Commerce		
Steve Alder	Utah Division of Energy-A.G.	801-538-1017	801-538-3442
Rebecca Wilson	Utah Division of Energy	801-538-5428	801-521-0657
Lowell Alt	Utah DPU		801-530-6512
Ron Burrup	Utah DPU	801-530-6686	801-530-6512
George Compton	Utah DPU	801-530-6950	801-530-6512
Ralph Creer	Utah DPU		801-530-6512
Audrey J. Curtiss	Utah DPU	801-530-6672	801-530-6512
Mark V. Flandro	Utah DPU	801-530-6788	801-530-6512
Dal Hawks	Utah DPU		801-530-6512
Frank Johnson	Utah DPU	801-530-6675	801-530-6512
Judith Johnson	Utah DPU	801-530-6776	801-530-6512
Ken Powell *	Utah DPU	801-530-6664	801-530-6512
Chet Sullivant	Utah DPU		801-530-6512
Lee Zenger	Utah DPU		801-530-6512
Jim Byrne	Utah PSC	801-530-6716	801-530-6796
Rich Collins *	Utah PSC	801-530-6770	801-530-6796
Stephen Hewlett	Utah PSC	801-530-6716	801-530-6796
Doug Kirk	Utah PSC	801-530-6716	801-530-6796
Steve Mecham	Utah PSC	801-530-6716	801-530-6796
Julie Orchard	Utah PSC	801-530-6716	801-530-6796

AGENDA
DEMAND-SIDE RESOURCE TECHNICAL CONFERENCE
March 30, 1993

REGULATORY TREATMENT OF
DEMAND-SIDE RESOURCES:
Approaches, Policies and Incentives

Dr. Robert Ciliano

- 9:00am - 10:30am Session I DSM Status, Trends, and Efficiency
Potential Implications;
Comparability to Supply-Side Options
- 10:30am - 10:45am Break
- 10:45am - 12:15pm Session II Regulatory Incentives for DSM:
Why, What, and How
- 12:15pm - 1:15pm Lunch
- 1:15pm - 2:15pm Session III Regulatory Incentives: Comparative
Summary of Alternative Approaches
Pricing
- 2:15pm - 2:30pm Break
- 2:30pm - 4:30pm Discussion of the Issues

ILLUSTRATIVE EXAMPLE OF RPC ADJUSTMENTS

More customers
less

ACTIVITY	YEAR 1		YEAR 2		C
	A	B	A	B	
(1) EST. CUSTOMERS	206,000	213,000	213,000	213,000	213,000
(2) EST KWH/CUSTOMER (EUC)	18,000	18,000	18,000	18,000	18,000
(3) EST SALES (GWH)	3,708	3,834	3,834	3,834	3,834
(4) EST REVENUES (10 ⁶ \$)	233.6	241.5	241.5	241.5	241.5
(5) BASE RATES (\$/KWH)	6.3	6.3	6.3	6.3	6.3
(6) ACTUAL CUSTOMERS	204,000	209,000	209,000	209,000	217,000
(7) ACTUAL KWH/CUSTOMER (EUC)	17,000	17,500	19,000	19,000	17,000
(8) ACTUAL SALES (GWH)	3,468	3,658	3,971	3,689	3,689
(9) ACTUAL REVENUES (10 ⁶ \$)	218.5	230.5	250.2	232.4	232.4
(10) ALLOWED X REVENUES (10 ⁶ \$)	220.3	225.7	225.7	225.7	234.4
(11) BALANCING FUND VALUE (10 ⁶ \$)	1.80	(2.93)	(22.63)	3.87	3.87

Notes:

$$\text{Allowed RPC} = \frac{\text{HTY RR (EXCL OF FUEL)}}{\text{HTY CUSTOMER COUNT}} = \frac{216 \times 10^6 \$}{200,000 \text{ RES. CUSTOM.}} = \$1,080 \text{ PER CUSTOMER}$$