

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: June 14, 1995

SYNOPSIS

By this Order, the Public Service Commission of Utah approves a Joint Agreement which establishes a policy for the regulatory accounting treatment of PacifiCorp's demand-side resource activities during calendar years 1995 and 1996.

Appearances:

Edward A. Hunter	For	PacifiCorp
Michael Ginsberg Assistant Attorney General	"	Division of Public Utilities
Kent Walgren Assistant Attorney General	"	Committee of Consumer Services
Eric Blank	"	Environmental Intervenors

By the Commission:

PROCEDURAL HISTORY

On February 10, 1994, the Commission issued a Report and Order adopting a joint recommendation which provided an interim approach for the regulatory treatment of PacifiCorp's demand-side resource ("DSR") activities in Utah for 1994. In that order, the Commission directed the Division to convene a new DSR cost-recovery collaborative (CRC) to study various issues as described in the

joint recommendation and report back to the Commission with its findings by March 31, 1995. Throughout 1994, this new DSR collaborative met, discussed issues and performed the studies assigned to them.

On February 15, 1995, the Division of Public Utilities ("Division"), PacifiCorp, the Office of Energy Resource Planning ("OERP"), and the Environmental Intervenors filed an application with the Commission seeking approval of a new joint agreement ("Joint Agreement"), a copy of which is attached to this Order (See attachment 1). The new Joint Agreement establishes a framework for the regulatory treatment of PacifiCorp's DSR activities in Utah during the period from January 1, 1995 through December 31, 1996.

On February 23, 1995, a hearing was held to consider the application for approval of the Joint Agreement. At the hearing, the Division and PacifiCorp presented testimony in support of the Joint Agreement. The parties testified that a draft of the CRC's final report and the resultant policy recommendations from the year-long study had been reviewed by participating parties. Testimony was presented indicating the final report would not differ substantively from the draft and the policy recommendations would remain the same. No testimony was presented at the hearing in opposition to the Joint Agreement.

In written comments filed February 21, 1995, the Utah Industrial Energy Consumers (UIEC) stated that the petition was

premature because the final report from the CRC was not available for Commission review. The UIEC expressed concern that an order on DSR accounting treatment would tend to establish a presumption that DSR is used and useful, that it is a prudent investment, that there are net lost revenues associated with DSR or that the Company ought to be able to recover from ratepayers any DSR costs at all.

On March 31, 1995, the Division submitted the Demand Side Resource Cost Recovery Collaborative Report to the Commission. The report discussed the collaborative's formation, the use of its consultant, the results of the 1994 Joint Recommendation Interim Policy, and the results of its various subcommittees which investigated assorted DSR issues as directed by past Commission orders, most notably, the February 10, 1994 order. In addition, the report makes recommendations for 1995 and 1996 regulatory accounting treatment for DSR in Utah for PacifiCorp.

The final report concludes that the cost recovery treatment and inclusion of net lost revenues (NLR) for 1994 was instrumental in encouraging PacifiCorp to acquire the amount of DSR set as a goal in Resource and Marketing Planning Program (RAMPP) III. 65,000 MWh (annualized) and 10.3 MWh of conservation were achieved during 1994. Certain changes to the calculation of NLR were discussed and agreed upon. The CRC believes that these changes, which are incorporated into the Joint Agreement, better protect the interests of the ratepayer. The statistical recoupling

experiment demonstrated that the method may be a workable method to address the problem of eliminating many of the disincentives associated with DSR investment. However, given the current level of DSR investment by PacifiCorp, the potential size of the revenue transfer created by this methodology remains a concern and thus, the method is not recommended for adoption. Neither the shared savings nor the total factor productivity plan is recommended as a viable option to encourage the implementation of the Company's Integrated Resource Plan (IRP).

The non-participant impact study recommends that participants' contributions to DSR investments should be maximized. It also concludes that the choice of cost allocation method for spreading DSR cost among customer classes is immaterial for 1993 DSR investment levels; only the hypothetical studies where DSR investments are increased 100 times show a measurable difference between the allocation methods. The performance standards study recommends the use of five cost-effectiveness tests to judge DSR acquisitions. The CRC recommends that the five tests described in the study be included in all Company submissions for DSR program approval, program evaluation and other DSR submissions.

The report also makes several recommendations on issues raised by the Commission. Specifically, the report recommends the adoption of the Joint Agreement and the adoption of a series of reporting requirements. The Company is to report all DSR

activities in its Semi-Annual report filed with the Commission. The Company will inform regulators of its tracking and monitoring of DSR activities through Quarterly Update meetings and prepare DSR benefit/cost analyses utilizing the five DSR cost-effectiveness tests outlined in the report. The Company will review the possible implementation of DSR activities for Schedule 5 customers when the Company contemplates eliminating such schedule. Regulatory review of the Company's DSR programs will include an analysis of the Company's implementation of its IRP. This will be performed by the OERP and the Division. In addition, an analysis of Statistical Recoupling will be performed and presented at the Quarterly DSR Update Conferences.

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 § 54-4-23, UCA 1953.
3. The Commission has the authority to engage in long-range planning regarding public utility regulatory policy in order to facilitate the well-planned development and

- conservation of utility resources pursuant to § 54-1-10, UCA 1953.
4. Pursuant to § 54-3-1, UCA 1953, the scope of the definition of "just and reasonable" may include means of encouraging conservation of resources and energy.
 5. The Joint Agreement provides a framework for the regulatory treatment of PacifiCorp's DSR activities in Utah. That framework involves: (a) the establishment of an accounting mechanism for the costs, including NLR, incurred by PacifiCorp during calendar years 1995 and 1996 for DSR activities in Utah; (b) the establishment of a formula and a procedure for the determination of NLR; and provisions for continuing regulatory oversight of PacifiCorp's DSR activities in Utah.
 6. Under the Joint Agreement's proposed accounting mechanism, the costs PacifiCorp incurs in calendar years 1995 and 1996 for the evaluation, monitoring, and reporting of its DSR programs will be expensed in the year incurred, as will non-program-specific advertising costs. PacifiCorp's remaining 1995 and 1996 DSR program costs, including NLR, will be capitalized with amortization beginning January of the year following installation. The capitalized costs will accrue carrying charges at PacifiCorp's current Allowance for Funds used

- during Construction (AFUDC) rate, currently at 4.7%, until the amortization of those costs begins.
7. Under the NLR provisions of the Joint Agreement, the Commission will determine, using the formula included in the Joint Agreement, the amount of NLR incurred by PacifiCorp as a result of its DSR activities during 1995 and 1996. The total amount of NLR cannot exceed \$2,000,000 in either of the two calendar years.
 8. The Commission finds that the provisions of the Joint Agreement's proposed accounting mechanism, including the carrying charge and amortization provisions of the proposed mechanism, attempts to treat demand-side resources in a way that is comparable and consistent with the cost recovery treatment of supply-side resources. Thus, the provisions in the Joint Agreement are consistent with the Commission's Standards and Guidelines for Integrated Resource Planning. The Joint Agreement provides a reasonable and proper way to account for PacifiCorp's 1995 and 1996 DSR costs, including NLR, where applicable.
 9. The proposed accounting mechanism provides PacifiCorp with appropriate direction regarding the accounting treatment for its 1995 and 1996 DSR activities. There is nothing in this agreement that judges the prudence of DSR

- acquisitions or determines the cost allocation of DSR expenditures among rate classes or determines the ultimate rates that ratepayers will be charged.
10. The NLR provisions of the Joint Agreement are similar to the NLR provisions previously approved by the Commission. However, the new NLR provisions incorporate improvements that reflect the experience gained during 1994. The NLR provisions limit the dollar amount of NLR and the time period over which NLR will accrue, 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 1995 and 1996 NLR. The Commission finds that the Joint Agreement's NLR, including the NLR formula, provide a reasonable accounting treatment for NLR.
 11. The Joint Agreement provides for continuing regulatory oversight of PacifiCorp's DSR activities through quarterly conferences, semi-annual reporting and annual analysis by the Division and the OERP. In addition, the Joint Agreement provides for the retention, at PacifiCorp's expense, of a qualified consultant to review PacifiCorp's evaluations and monitoring activities and reports.

12. The Commission finds that the quarterly conference and reporting approach proposed in the Joint Agreement provides an appropriate way in which to proceed with the evaluation and analysis of DSR issues for PacifiCorp.
13. The Joint Agreement also establishes Utah DSR acquisition targets for PacifiCorp based on PacifiCorp's RAMPP DSR Acquisition Plans. The Commission emphasizes that these targets were established voluntarily by the parties and that the Commission will address the prudence of PacifiCorp's Utah DSR activities in an appropriate case.
14. The Commission finds that the Joint Agreement is just, reasonable and in the public interest and should be approved in its entirety retroactive to January 1, 1995.
15. The Commission finds that the recommendations of the Demand-Side Resource Cost Recovery Collaborative listed on pages 22 and 23 of the March 31, 1995 report be incorporated into this order. (See attachment 2)


ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED that the Joint Agreement is approved in its entirety retroactive to January 1, 1995.

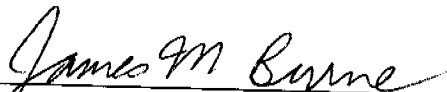
Any person aggrieved by this Order may petition the Commission for review within 20 days of the date of the Order.

Failure so to do will forfeit the right to such review as well as the right to appeal to the Utah Supreme Court.

DATED at Salt Lake City, Utah, this 14th day of June, 1995.

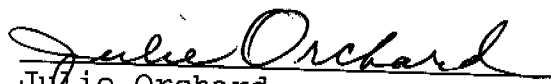


Stephen F. Mecham, Chairman



James M. Byrne, Commissioner
Pro Tempore

Attest:



Julie Orchard
Commission Secretary

DISSENT OF COMMISSIONER PRO TEMPORE
STEPHEN C. HEWLETT

I respectfully dissent from the decision of my honorable colleagues approving PacifiCorp's application of the Joint Agreement for Demand Side Resource (DSR) regulatory treatment for 1995 and 1996. I clearly recognize this docket will not determine the rates customers are charged and that cost allocation and rate recovery issues are determined in general rate proceedings. Nonetheless, under this Joint Agreement, captive Utah residential and small business ratepayers could be left to pay for DSR programs which, may or may not be prudent, may or may not be overvalued, and primarily benefit only large commercial and industrial customers,

who may eventually avail themselves of competitive generation options and leave the system in the near future.

I had no problem in adopting a 1 year interim program in February, 1994, which established an interim approach for the regulatory treatment of DSR activities in Utah for 1994. Interim to me means short-term, not longer than 18 months. To continue the program for 2 more years (1995 & 1996) without analyzing and evaluating the prudence of PacifiCorp's DSR programs and the proposed accounting mechanisms is not in the public interest, as I see it; especially with the anticipated restructure of the electric industry looming on the horizon. Perhaps the Commission should reconsider the Integrated Resource Planning (IRP) Standards and Guidelines it approved back in 1992. I believe the Commission's finding in our June 18, 1992 Order in Docket No. 90-2035-01 which states that Demand Side Resources and Supply Side Resources be treated on a comparable basis needs to be reconsidered, re-analyzed, and re-evaluated because of the anticipated restructure of the electric industry. I think the prudence of PacifiCorp's DSR programs should be analyzed and approved by this Commission before it allows DSR program costs to be capitalized, passed on and paid for by future captive PacifiCorp ratepayers.

If PacifiCorp wants an approved DSR accounting mechanism, perhaps they ought to file a general rate proceeding so that both Demand Side Resources and Supply Side Resources, which have been

acquired since their last general rate case in 1990, can be analyzed and evaluated for prudence and cost recovery. Until that time, I believe all DSR program costs should be expensed in the year incurred and not capitalized.



Stephen C. Hewlett, Commissioner
Pro Tempore

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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UTAH PUBLIC
SERVICE COMMISSION

IN THE MATTER OF RATE MAKING TREAT-)	<u>DOCKET NO. 92-2035-04</u>
MENT OF DEMAND SIDE RESOURCES AND)	<u>JOINT AGREEMENT</u>
THE ANALYSIS OF REGULATORY CHANGES)	<u>FOR DEMAND SIDE RESOURCE</u>
TO ENCOURAGE IMPLEMENTATION OF)	<u>REGULATORY TREATMENT -</u>
INTEGRATED RESOURCE PLANNING.)	<u>1995 AND 1996</u>

PacifiCorp, state regulators, and other interested parties have met each month in 1994 in a collaborative setting made up of subcommittees and the central collaborative to implement the 1994 Demand Side Resource Interim Policy and to develop a mutually agreeable and ongoing regulatory policy (this Joint Agreement) to be used in 1995 and 1996 regarding demand side resource investments. Prior to the fourth quarter of 1996, any interested party can request that the Utah Public Service Commission evaluate the appropriateness of continuing this 1995 - 1996 Joint Agreement (once it is approved and implemented) for application to 1997 and beyond. Absent such action, this Joint Agreement will expire on January 1, 1997.

The Division of Public Utilities (DPU), PacifiCorp dba Utah Power (Company), Department of Natural Resources, Office of Energy and Resource Planning (OE&RP), and Environmental Intervenors (EI) desire to move ahead with Commission approved demand side resource programs (DSR) in 1995 and 1996. The 1994 Interim Policy has given all parties

experience in most aspects of demand side resources and has led to this Joint Agreement (Agreement) for DSR regulatory treatment starting with 1995 DSR projects.

The undersigned parties (Parties) propose a new agreement for the regulatory treatment of DSR programs in Utah. This new agreement will be in effect when approved by the Utah Commission, but the Parties agree that it should be retroactive to January 1, 1995. The Parties agree that the Utah 1995 - 1996 DSR Regulatory Treatment Agreement detailed below is a reasonable approach for addressing DSR cost recovery and program review issues for the next two years in the State of Utah. This Agreement represents a compromise among the DSR Cost Recovery Collaborative (Collaborative) members signing this Agreement. The Agreement represents an effort to remove disincentives to DSR implementation and thus Integrated Resource Plan (IRP) implementation by the Company, and the Agreement attempts to equalize and simplify cost recovery treatment of DSR, and make it comparable, to the extent possible, with treatment of Supply Side Resource acquisitions. The Parties agree that this Joint Agreement is a continuation of the DSR experiment in Utah, and as such, neither explicitly or implicitly includes any rewards or penalties regarding success or failure of the Company's accomplishment of DSR savings levels and acquisitions.

UTAH 1995 - 1996 DSR REGULATORY TREATMENT AGREEMENT

This agreement establishes an accounting treatment for Utah Public Service Commission approved DSR programs and calculation and recording of Net Lost Revenues (NLR). Recovery

of booked costs and NLR's will be addressed in a future rate case.¹ Nothing in this Agreement precludes or prohibits any Party from challenging the recovery of PacifiCorp's DSR costs in a future rate case proceeding.

During the term of this Agreement, the Parties agree that the Company should be allowed to record all DSR costs for Commission approved programs per the accounting treatment specified in this Agreement. The Parties also agree that the Company should be allowed to record an amount of Net Lost Revenue (NLR) associated with Commission approved DSR programs. This Agreement specifies the terms, conditions and formula to compute the amount of NLR associated with Commission approved DSR acquisitions. Additionally, the Agreement specifies goals and expectations for the amount of DSR to be acquired by PacifiCorp in 1995 and 1996, provides for DSR reporting to regulators and the Commission and allows for further analysis of other future options for cost recovery.

1. DEMAND SIDE RESOURCE PROGRAM COSTS

- 1.1 For 1995 and 1996, the Parties agree that program evaluation, monitoring, and reporting costs for Commission approved programs will be expensed in the year incurred. Non-program specific advertising costs will also be expensed in the

¹ The Performance Standards Subcommittee of the Cost Recovery Collaborative will present the Commission with recommended guidelines to be used by regulators and PacifiCorp to assess cost effectiveness associated with the Company's DSR acquisitions. The guidelines include definition of cost effectiveness tests and how such tests should be used in determining cost effectiveness. The recommended guidelines will be provided to the Commission in the March, 1995, final report of the Cost Recovery Collaborative.

year incurred. All other DSR program costs and associated carrying charges for Commission approved DSR programs, including costs associated with conservation contracts resulting from bidding processes or from bilateral conservation contracts, will be capitalized with amortization beginning January of the year following installation, and continuing over a period no longer than the life of the programs.

1.2 Capitalized program costs will accrue a carrying charge from the date incurred to the end of each calendar year, at the current Allowance For Funds Used During Construction (AFUDC) rate.

1.3 Capitalization of program costs and NLR will be booked to account 182.3 (Other Regulatory Assets). Amortization of these amounts will be booked to account 456 (Other Electric Revenue). Customer payments resulting from Energy Service Charge (ESC) will be recorded in accounts 124 (Other Investments, For Loan Principal) and 451 (Miscellaneous Service Revenues, For Interest Income). It is expected that the ESC will be approximately 40-50% of the total program costs. Total program costs in 1995 are expected to be approximately \$15 million for the DSR target established.

2. NET LOST REVENUE

- 2.1 Attached as Exhibit 1 is a description of the Net Lost Revenue Formula (Formula) which Parties agree will be used by the Company to calculate NLR starting with new DSR installations from Commission approved DSR programs which occurred after January 1, 1995. The Parties agree that the Commission should adopt the Formula for purposes of calculating NLR for 1995 and 1996. The burden to show that the inputs to the Formula are reasonable rests with PacifiCorp.
- 2.2 The annual amount of NLR calculated under the Formula in Exhibit 1, available to the Company to offset DSR disincentives, will be based upon energy savings obtained from DSR projects installed during each calendar year starting with 1995 and will be recorded as they occur for the subsequent 12 months. NLR recorded in each year will be capitalized with amortization beginning in January of the following year. Additionally, NLR's will be accrued in 1995 only for up to 12 months from installation for 1994 Commission approved projects. This applies to all installations (all those except 1994 and 1995 ECONS and 1994 Schedule 5, both of which are not considered to be ongoing programs. Recording of NLR's for these two programs will terminate at the end of each calendar year). NLR will not accrue a carrying charge.

PacifiCorp agrees to continue work during 1995 and 1996 to update estimates of energy savings based upon monitoring and evaluation results. These verified estimates of kWh and kW savings will form the basis for PacifiCorp's NLR calculations. When PacifiCorp files its next general rate case, the amortization of NLR's and program costs, the unamortized balance of NLR and program costs, and energy service charge revenues will be included in the Utah jurisdictional revenue requirement subject to regulatory review. The total amount of NLR calculated for all Utah measures installed in each of the calendar years 1995 and 1996, based on the Formula, shall not exceed \$2,000,000 in each year.

- 2.3 NLR will be calculated monthly utilizing the Formula during each calendar year starting with January 1995. Following completed program evaluations and determination of verified DSR savings, PacifiCorp will adjust the NLR amount booked. This process is designed to allow for the 12-15 month interval between DSR program implementation (where projected energy savings amounts are based upon engineering estimates) and the time when actual data is available through program evaluation reports to estimate verified net energy and capacity savings obtained by the DSR programs.

Qualified expertise may be retained to review Company evaluations and monitoring activities and reports. Such expertise will be selected and directed by a committee of interested parties. PacifiCorp agrees to fund up to \$50,000 for this

effort. After 1995 installations are evaluated, it is the expectation of the Parties that this work will be accomplished without the need for outside expertise funded by PacifiCorp. Such funds will be capitalized by PacifiCorp and amortized along with other program costs.

3. ANNUAL TARGET FOR UTAH DSR ACTIVITY

3.1 Utah DSR targets for 1995 and 1996 will be based upon the Company's current Demand Side Resources Acquisition Plan published as part of the Integrated Resource Plan (IRP) to provide state specific detail consistent with the IRP Action Plan. PacifiCorp's current IRP is designated RAMPP-3, dated April 1994, and contains a DSR Acquisition Plan for 1995. The Utah DSR target for 1996 will be based upon the DSR Acquisition Plan to be published as part of RAMPP-4, which will be published in late 1995. All Parties may not agree with the level of DSR activity stated in the RAMPP DSR Acquisition Plans, however, for purposes of this Agreement, RAMPP DSR Acquisition Plans are adopted. Nothing in this Agreement precludes or prohibits any Party from challenging the prudence of PacifiCorp's DSR activity in a future rate case proceeding. The burden of demonstrating the prudence of Utah DSR activity rests with PacifiCorp.

3.2 The 1995 target for Utah DSR acquisition for this agreement is **80,923 MHW** as reflected in RAMPP-3. A capacity target distinct from the energy target is not

included in the DSR Acquisition Plan for Utah, and therefore a capacity target is not included in this Agreement.

The 1996 target for Utah DSR acquisition will be as published as part of RAMPP-4 in late 1995.

It is the expectation of the Parties that this Agreement will allow PacifiCorp to meet the Utah DSR savings levels published in the Acquisition Plans for 1995 and 1996. PacifiCorp will bear the burden to demonstrate the reasonableness of any fluctuation from the Acquisition Plan amounts.

- 3.3 The **minimum** target for Utah DSR energy savings acquisition in 1995 will be **60,692 MHW** (75% of the Utah DSR Acquisition Plan target stated in RAMPP-3). The minimum target for Utah DSR acquisition in 1996 will be 75% of the DSR savings stated in the RAMPP-4 Acquisition Plan. The minimum DSR target in each year represents the threshold of a good-faith effort on the part of the Company to achieve cost effective demand side resources.

4. REPORTS

- 4.1 Continuation of Quarterly DSR Report Preparation

The Parties agree that PacifiCorp should continue to prepare quarterly reports showing quarterly DSR activity, savings, and program costs for Utah. This written report should be presented by the Company as an agenda item at their quarterly DSR Update Conference (see Section 5). After the submittal of the Company's fourth quarter 1994 report, the Parties agree that the quarterly reports will no longer have to be submitted directly to the Utah PSC. This is because this same information will now be reported to the Commission in the Company's Semi-Annual Report (see paragraph 4.2). The Parties also agree that the Company will provide their most recent report of Net Lost Revenues (monthly and quarterly) as an agenda item at the quarterly DSR Update Conferences.

4.2 DSR Reporting As Part Of Normal Semi-Annual Report To Regulators

The Parties agree that PacifiCorp will report their DSR activity to Regulators in much the same manner as they provide reporting of other Company operations, specifically in the Semi-Annual Report, recognizing DSR as more of a "business as usual" activity. This Semi-Annual DSR report should provide the same information provided in the Quarterly Activity Reports, but should also include the "building specific" information PacifiCorp has provided semi-annually in past Collaborative meetings. It is the expectation that the Company's Semi-Annual DSR Report will appear as a tab in the Semi-Annual Report. The parties agree that DSR semi-annual reporting should begin with the next Semi-Annual Report

due from the Company, which will be April 30th of 1995.

4.3 Annual DSR Report To The Commission

The Division of Public Utilities and the Office of Energy and Resource Planning, will conduct an annual analysis of PacifiCorp's actual annual and cumulative DSR acquisitions.

5. DSR TRACKING AND MONITORING - QUARTERLY UPDATE CONFERENCE

5.1 By the end of March, 1995, the Utah DSR Cost Recovery Collaborative will finish all of its assignments, will report the results to the Commission, and will be disbanded. In order to provide for continued regulatory oversight of the DSR process, the Parties agree that the Company will sponsor a quarterly DSR update conference for regulators and other interested parties where the following topics will be reviewed:

- a. DSR Evaluation Reports,
- b. Standard Data Requests for DSR Projects,
- c. Other DSR contracts or commitments,
- d. Monthly, quarterly, and annual Net Lost Revenue calculations based upon the agreed upon Formula,

- e. Actual energy and capacity savings vs prior engineering estimates of savings,
- f. Updates to or modifications of NLR calculations,
- g. Quarterly Activity Reports,
- h. Semi-Annual DSR reports prior to submittal in the official Company Semi-Annual Report,
- I. Comparison of Statistical Recoupling results to NLR, *
- j. Market Transformation efforts,
- k. Additional study work to determine the appropriate Avoided Demand Costs to be used in the Formula, (issues such as, but not limited to, transmission and distribution avoided costs),
- l. Other DSR topics, as needed.

* The Office of Energy and Resource Planning agrees to provide updated results, using Company provided data, of the statistical recoupling method for addressing the issue of revenue loss between rate cases for comparison to the NLR approach. This information will be provided in context with the Quarterly Update Conference as data becomes available.

The first Quarterly Update Conference will be scheduled for the third or fourth week in May 1995 at the request of the Company.

6. JOINT AGREEMENT FOR DSR REGULATORY TREATMENT 1995 AND 1996

6.1 The Parties have agreed to this Joint Agreement as an integrated document and recommend that the Commission adopt it in its entirety. Accordingly, in the event any part, or all, of this Joint Agreement is modified or rejected by the Commission, each Party reserves the right, upon written notice to the Commission and all other Parties within 5 days of the date of the Commission's order, to withdraw from this Joint Agreement without being bound by its terms in this, or any other proceeding. Any Party which elects to withdraw, shall be entitled to proceed having its full claim, defenses and rights and shall otherwise not be prejudiced by the terms of the Joint Agreement. The Parties respectfully request that the Commission adopt this Joint Agreement.

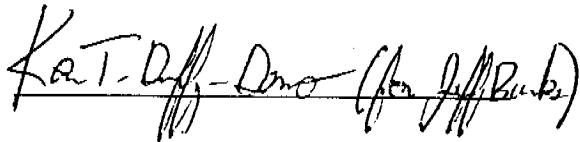
Utah Demand Side Resources 1995 and 1996 Joint Agreement - Signature Page

Dated this 15th day of February 1995.

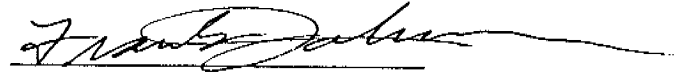
 (for ANDREW E. EAKIN)  292

PacifiCorp

Environmental Intervenors

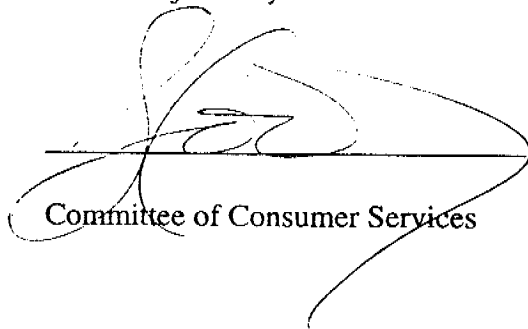
 (for Jeff Burks)

Office of Energy & Resource Planning



Division of Public Utilities

The Committee of Consumer Services, having participated in the Demand Side Resource Task Force and the Cost Recovery Collaborative, and intending to continue to participate in any further Demand Side Resource deliberations, is unable to oppose or support this Joint Agreement as the Committee of Consumer Services is unable to objectively determine whether to oppose or support this Joint Agreement.


Committee of Consumer Services

Attachment: Exhibit 1 - Net Lost Revenue Formula

Net Lost Revenue Formula

For purposes of the Joint Agreement Net Lost Revenue (NLR) shall be calculated for a period of 12 months from the installation date of each energy conservation project. NLR shall be the sum of lost energy revenue and lost demand revenue. Both an energy and demand component will be calculated for each energy conservation project. The formulas for these calculations are defined below:

Energy : Net Lost Revenue (energy) = $\text{Sum}_i (R - AC_i) \times (ES_i - LG_i)$

where:

- i = Month
- R = Tail block rate per kWh (per the current tariff) for the participant in the energy conservation project.
- AC_i = Monthly short-run avoided costs per kWh based on PacifiCorp's production cost model. The calculation is based on the comparison of two PDMac runs; one with and one without 50 MW of generation available at zero running cost. The AC is adjusted for sales for resale credit and average line losses.
- ES_i = Monthly kWh energy savings achieved by energy conservation projects installed during the period of the Joint Agreement. A full months energy savings will be assumed in the month of installation. ES_i will be initially based on engineering analysis which will be subsequently updated for the results of program evaluations as such information becomes available. Evaluations will include the appropriate treatment of issues such as free riders, free drivers, snapback, persistence of savings, and other appropriate issues.
- LG_i = Monthly kWh sales growth related to load building aspects of Demand Side Resource (DSR) projects. This component will be initially based on engineering analysis and will be subsequently updated based on the results of program evaluations as such information becomes available.

Demand: Net Lost Revenue (demand) = $\text{Sum}_i (DC - ADC_i) \times (NCPs_i - LGp_i)$

where:

- i = Month
- DC = Demand charge per MW (per the current tariff) for the participant in the energy conservation project.
- ADC_i = Monthly avoided demand costs stated in dollars per NCPs_i that result from DSR installations. This component is measured by current purchase contracts with Southern California Edison and The Washington Water Power Company and a sales contract with Eugene Water and Energy Board. The value of these transactions are used as a surrogate for ADC_i for the months in which sales or purchase contracts occur. For months in which no sales or purchase contracts occur, a zero value is assigned.
- $NCPs_i$ = Monthly non-coincident peak (MW) savings achieved by the DSR installation. The non-coincident peak (MW) savings will be based upon DOE-2 modeling analysis. In the event that DOE-2 modeling is not available non-coincident peak (MW) savings will be based on conservation load factor analysis.
- LGp_i = Monthly impact on the NCPs_i of load building aspects of DSR projects. This component will be initially based on engineering analysis and will be subsequently updated based on the results of program evaluations as such information becomes available.

9- Energy Service Charge Analysis

The Company, the Subcommittee, and the Collaborative are in the process of finalizing a report to the Commission on the impact of the Energy service Charge. The report will include cost effectiveness analysis based on recommendations made by the DSR Performance Standards Subcommittee (see Appendix VII). This Energy Service Charge report is currently in the final stages of development and review. The report will be filed separately with the Commission by PacifiCorp (with outgoing Collaborative member's input) by April 28, 1995.

10- Future Regulatory Treatment Plans

The work of the DSRETF, the Technical Conference Collaborative, and the Cost Recovery Collaborative has centered around the issues of electric revenue adjustment mechanisms, the granting of a cost advantage for efficiency of conservation acquisitions, and the decoupling of revenues from profits. The 1994 Joint Recommendation Trial and the proposed 1995-1996 Joint Agreement, reviewed by various Subcommittees and the Collaborative, analyzed different revenue adjustment mechanisms and methods of granting cost advantages for efficiency of conservation acquisitions, as well as the possibility of decoupling of revenues from profits. The majority of Collaborative members have reached a compromise position in how best to go forward in Utah in regard to these issues in the continued experiment in net lost revenue and program cost recovery outlined in the Joint Agreement stipulation presently before the Utah Public Service Commission. Appendix VIII contains a copy of the Joint Agreement proposed for 1995-1996 Utah DSR regulatory treatment.

V. SUMMARY OF CRC COLLABORATIVE RECOMMENDATIONS TO UPSC:

The following is a summary of recommendations from the Utah DSR Cost Recovery Collaborative to the Utah Public Service Commission at the conclusion of the Collaborative's work during 1994 and 1995:

RECOMMENDATIONS TO THE UTAH PSC:

- 1- That the Joint Agreement be approved as soon as possible, retroactive to January 1, 1995, to put in place a Regulatory Plan for DSR cost recovery for PacifiCorp

for 1995 and 1996.

- 2- PacifiCorp should prepare DSR benefit/cost analysis utilizing the five DSR cost effectiveness tests outlined in this report and in the Performance Standards Subcommittee's Final Report. PacifiCorp and interested parties should develop a computer model to generate the results of the five tests and to perform sensitivity analysis. The Commission should request in writing that PacifiCorp file DSR information in the manner specified in the Performance Standards Final Report found in Appendix VII.
- 3- If and when a decision is made to eliminate Utah's Schedule 5 rate schedule, the Division and the Company and others should be notified in order to review and develop measures that can help ease the transition to Schedule 1. The Collaborative sees advantages in implementing DSR activities for Schedule 5 customers when such schedule is eliminated.
- 4- If the 1995-1996 Joint Agreement is approved by the Commission, the Cost Recovery Collaborative will be disbanded. Tracking and monitoring of PacifiCorp's DSR activity will occur through the proposed Quarterly Update Conferences to be sponsored by the Company. The reporting of DSR activity will become part of the PacifiCorp Semi-Annual reporting function. The Collaborative recommends the Commission to approve these new processes as part of approving the Joint Agreement.
- 5- Regulatory review of DSR programs will include an analysis of the Company's implementation of its IRP. It is envisioned that the report conducted by the Division of Public Utilities with the possible assistance of the Office of Energy and Resource Planning which is recommended in the 1995-1996 Joint Agreement will serve as analytical support to this evaluation
- 6- Continued analysis of Statistical Recoupling should be performed and presented at the Quarterly DSR Update Conferences.

The Cost Recovery Collaborative appreciates the opportunity to present this report and recommendations to the Commission.

DOCKETED

AFFIDAVIT OF MAILING

In the Matter of Ratemaking Treatment of Demand-Side Resources and the Analysis of Regulatory Changes to Encourage Implementation of Integrated Resource Planning.

DOCKET NO. 92-2035-04

REPORT AND ORDER

County of Salt Lake)
State of Utah) ss.

Z 105 906 347

Beverly A. Grossaint, being duly sworn is a secretary regularly employed in the Public Service Commission of Utah, whose office is located at South, Fourth Floor, Heber M. Wells Lake City, Utah.

That there is a United States Post Office at the place of residence or place of business and the names are set forth below; and between the residence or places of business, there is a regular mail route.

That on the 14th day of june, 1995, a copy of the hereto attached REPORT AND ORDER is being sent by first class mail, such copy on said date in a post office envelope properly enclosed in a sealed envelope and the return receipt is enclosed on, legibly addressed to the following address shown:

* Edward A. Hunter
Stoel Rives Boley Jones & Grey
201 South Main, Suite 1100
SLC, UT 84111

Eric Blank
Land & Water Fund of the Rockies
2260 Baseline Road, Suite 200
Boulder, CO 80302

Kenneth Wilson
Deseret Generation & Transmission
8722 South 300 West
Sandy, UT 84070

Lyle Johnson
Western Area Power Administration
P.O. Box 11606
SLC, UT 84145

Is your RETURN ADDRESS completed on the reverse side?

PS Form 3811, December 1991 *U.S. GPO: 1993-552-714	92-2035-04 5. Signature (Addressee) <i>Edward A. Hunter</i>	3. Article Addressed to: Edward A. Hunter Stoel Rives Boley Jones & Grey 201 South Main, Ste 1100 SLC, UT 84111	4a. Article Number Z 105 906 347	1. <input type="checkbox"/> I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address
	6. Signature (Agent) <i>Eric Blank</i>	4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	8. Addressee's Address (Only if requested and fee is paid)

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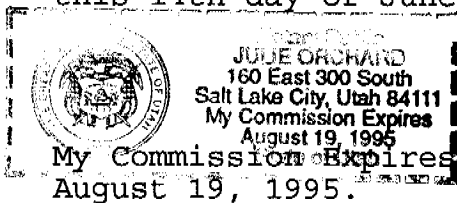
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See attached mailing list

Subscribed and sworn to before me
this 14th day of June, 1995.



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Notary Public
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