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November 25, 2009

***VIA ELECTRONIC FILING  
AND HAND DELIVERY***

Public Service Commission of Utah  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City, UT 84111

Attention: Julie P. Orchard  
Commission Secretary

Re: Docket No. 08-999-05  
Rocky Mountain Power's comments regarding the Division of Public Utilities memorandum, dated October 27, 2009, regarding EISA Smart Grid standards

On October 28, 2009, the Public Service Commission of Utah (Commission) issued a request for comments on a memorandum prepared by the Division of Public Utilities (Division), which detailed the Division's recommendations regarding new federal standards concerning smart grid introduced in the Energy Independence and Security Act of 2007 (EISA). In that memorandum, the Division recommended the Commission not adopt any of the EISA smart grid standards. In response to the Commission's request for comments, Rocky Mountain Power (Company) hereby submits the following comments. In general, the Company concurs with the Division in recommending the smart grid standards not be adopted by the Commission at this time.

Regarding smart grid, it is the position of Rocky Mountain Power that the associated technologies are presently not mature enough to warrant investment by the Company and rate payer support in the state of Utah. Rocky Mountain Power is committed to monitoring the development of smart grid technologies and to consider their implementation as technologies mature and cost effectiveness analyses demonstrate appropriate benefits to the Company and its customers. Provided below are further comments of Rocky Mountain Power on each of the smart grid standards introduced in EISA.

**EISA Section 1307(a)(16)(A)**

Part A of EISA Section 1307(a)(16) requires that States shall consider requiring utilities to demonstrate that, prior to investing in nonadvanced grid technologies, investments in a qualified smart grid system were considered. Rocky Mountain Power believes the Commission's existing prudence standards combined with the Division's proposed annual reporting process are sufficient to meet the intent of this standard and recommends that the Commission elect to not adopt the standard. The prudence of every investment made by Rocky Mountain Power is

subject to examination by interested parties in Utah through the Commission's rate setting process. Adding an additional requirement to the demonstration of prudence for nonadvanced grid technologies would only serve to delay and encumber the resource prudence determination process in Utah without adding appreciable benefit. Rocky Mountain Power believes the current resource prudence determination process in Utah is sufficient to determine the prudence of investments in nonadvanced smart grid technologies.

Further, the Company supports the Division's recommendation that the Company prepare and submit a report on an annual basis which summarizes the Company's progress in monitoring smart grid projects throughout the country and actions taken by the Company to evaluate or implement smart grid technology. Information contained within this report combined with the resource prudence determination process conducted in rate setting proceedings will provide sufficient information regarding the company's investment decisions in both smart grid and nonadvanced grid technologies.

Rocky Mountain Power requests that the Commission direct the Company and other interested parties to meet and collaboratively determine the content of the report in order to ensure the report provides information that is useful in accomplishing the objectives discussed above.

#### **EISA Section 1307(a)(16)(B)**

Part B of EISA Section 1307(a)(16) states that "Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system."

Rocky Mountain Power believes that the Commission's existing standards regarding utility cost recovery are sufficient to meet the intent of this standard and recommends the Commission not adopt the standard.

Regarding appropriate rate designs necessary to achieve the benefits of smart grid technologies, Rocky Mountain Power offers the following. Rate structures will be needed that place more of the recovery of fixed costs in fixed charges in order to give utilities a reasonable opportunity to recover the costs of smart grid investments. Smart grid and other energy management systems, when fully implemented, are expected to increase utilization of generation, transmission and distribution assets while reducing peak demand and the overall consumption of electric energy. Current rate structures that place the recovery of fixed costs in usage charges are at odds with smart grid benefits since they will require utilities to encourage energy usage in order to recover the costs of smart grid systems. Rate structures that are less dependent on increased usage will help to assure that smart grid benefits are delivered, they will reduce revenue volatility, and they should provide utilities with the opportunity to recover the costs of these systems.

### **EISA Section 1307(a)(16)(C)**

Part C of EISA Section 1307(a)(16) states that “Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.”

Rocky Mountain Power believes that if the obsolete assets have previously been allowed recovery from Utah customers, the assets have already been deemed prudent by the Commission and should be granted recovery through rates. Current accounting practices consistent with FERC regulations should continue to be applied with respect to depreciable electric utility equipment rendered obsolete by investment in smart grid technologies. The book costs of obsolete equipment would be retired by crediting the electric plant asset balances in which it is included while the associated accumulated reserve balance is debited to remove these balances from rate base. The net difference (if any) would be debited to the associated accumulated reserve balance. The result of these entries is a net zero impact to rate base. As the retirement entries have a net zero rate base impact, the remaining value of the equipment at the time it was rendered obsolete would then be recovered through depreciation expense as determined by depreciation rates set on remaining assets in the next Commission approved depreciation study. If these retirement transactions eliminate the entire balance of an account, such that there is no balance remaining to depreciate, the remaining book value of the obsolete equipment should be treated as a regulatory asset, recovery for which would be requested in an accounting order filed with the Commission

### **EISA Section 1307(a)(17)**

Part A of EISA Section 1307(a)(17) requires that utilities provide electricity purchases with the information detailed in section (B) of this standard, to the extent practicable, and to provide access to that information as described in section (C). Section (B) and (C) are provided below for reference.

(B) INFORMATION.—Information provided under this section, to the extent practicable, shall include:

(i) PRICES.—Purchasers and other interested persons shall be provided with information on—

(I) time-based electricity prices in the wholesale electricity market; and

(II) time-based electricity retail prices or rates that are available to the purchasers.

(ii) USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kWh, purchased by them.

(iii) INTERVALS AND PROJECTIONS.—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use

information, where available, and shall include a day-ahead projection of such price information to the extent available.

(iv) SOURCES.—Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost effective basis.

(C) ACCESS.—Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.

Rocky Mountain Power believes that consideration of providing the information to customers as detailed above should be deferred until such time that the infrastructure necessary to provide this information is reasonably available to the Company and investment in such infrastructure has been determined prudent by both the Company and the Commission.

Rocky Mountain Power appreciates the opportunity to comment on these standards introduced in EISA and the Division's recommendations regarding the standards. Please direct any questions regarding these comments to Dave Taylor, Utah regulatory affairs manager, at 801-220-2923.

Sincerely,

Handwritten signature of Jeffrey K. Larsen in black ink, with the initials 'DLT' written at the end of the signature.

Jeffrey K. Larsen  
Vice President, Regulation