



PUBLIC MEETING

Utah Committee of Consumer Services

May 26, 2011



Welcome & Business



Case Updates

Michele Beck



Case Updates: Electric

- Two new requests for deferred accounting treatment
 - REC revenues from an earlier time period
 - Impacts from bonus depreciation
- EBA reconsideration
 - Issue: should swaps be included in EBA?
- MSP Protocol 2010
 - Settlement talks continue
- DSM Advisory Group
 - Concerns about infrequent meetings



Case Updates: Questar

- Cost of Service task force ongoing
 - Parties agreed that workgroup provided value to date
 - Next step: present positions, see where there is agreement, potentially schedule a proceeding for testimony and decision
- On April 28th Questar filed the updated rates for the CET, DSM and Pass-Through.
- The results for an average residential customer per year are:
 - PT = \$10.33 decrease. Due to the completion of collection of previous costs.
 - DSM = \$5.25 increase to pay down the account balance (over three years).
 - CET = \$2.24 decrease. Based on an over collection being returned.
 - Net Decrease (annual bill impact for average residential customer): \$7.32



Case Updates: Telecom

- ETC (Eligible Telecommunications Carrier) for wireless providers of Lifeline Services
 - Proceeding is moving forward
 - Several technical conferences and comment periods scheduled
 - Issues include:
 - Certification and Verification of qualifying customers
 - Process for avoiding customers receiving service from multiple providers
 - Outreach



Demand-Side Management: Overview

Dan Martinez



Purposes of DSM Programs

- ▶ Change the timing of energy consumption in order to better manage the system with existing resources
- ▶ Reduce energy consumption in order to avoid or postpone construction of new generation plants
- ▶ Reduce consumer energy expenses
 - The least expensive kWh is the kWh not consumed



What is DSM?

- ▶ **Conservation**
 - Efforts made to reduce energy consumption.
- ▶ **Energy Efficiency –**
 - Products or systems using less energy to do the same or a better job than conventional products or systems
- ▶ **Load Management**
 - Technologies that primarily shift all or part of a load from one time-of-day to another to better manage or utilize existing resources.
- ▶ **Peak Shaving**
 - Specific form of load management
 - Solutions that reduce the use peak demand and amount of electricity by commercial and utility customers.



Benefits of DSM Programs

Customer Benefits	Utility Benefits	Societal Benefits
Lower individual energy costs	Respond to customer preferences	Conserve resources
Lower future energy costs	Lower cost of service	Reduce environmental impacts from generating resources
	Improve operating efficiency, flexibility	Protect global environment
	Avoid or postpone new generating plants	



Challenges of DSM Programs

- Costs up front, benefits over time
- Is the utility best to deliver DSM programs?
- How to entice more customer participation
- Potential lost revenues to utility companies
- Measuring costs & benefits of DSM programs and verifying levels of achievement



How DSM is evaluated?

- ▶ Benefits to system
 - Net Savings
 - Measured over life of measure
 - Life of measure varies by technology
 - Lighting: 5 years
 - Appliances: 14 years
 - Insulation & Windows: 30 years
- ▶ Costs incurred to administer and execute the programs
 - Administration Costs
 - Incentive payments
- ▶ Benefits must exceed costs in order for the program to be paid for in rates

Slide 12

DACM4 Can I get some examples of benefits measure over time and the system?
DAMARTIN, 5/12/2011



Regulatory Oversight:

The Role of Office in DSM Program Evaluation



Regulatory Oversight

- Review Periodic Reports for program integrity
 - Annual DSM Report (RMP)
 - Annual Budget Reports
 - Interim Budget Reports and Audits
- Validate Cost Effectiveness
 - Benefit/Cost Analysis Tests
 - Discounted Net Benefits are positive \Leftrightarrow
Benefits/Costs > 1
- Advisory Group Participation
- Regulatory Filings



Regulatory Oversight

- Cost effectiveness must be demonstrated for each new program and program change
- Scrutiny from interested parties has increased
 - Size of program has increased; all costs are in first year
 - Recent experience has resulted in higher rate increases from DSM than from traditional rate cases
- Issue for ongoing evaluation includes how to properly measure the benefits



Office Input in Regulation

- ▶ Participate in DSM Advisory Groups
- ▶ Provide comments in frequent filings

10-035-57 Tariff reduction

10-057-11 Amortization of DSM Deferred Account Balance

10-057-15 Approval of 2011 DSM Budget

10-057-18 Amortization of Energy Efficiency Deferred Account Balance

10-057-19 Amortization of CET Balancing Account

11-035-T01 Inclusion of rigid media in Cool Cash Program

11-035-T02 Schedule 107 - Solar Incentive Program

11-035-44 Act Wattsmart Video Campaign

11-035-T03 Schedule 114 Tariff Revisions



Office Input in Regulation

- The Office's comments have raised issues such as:
 - Ensuring DSM benefits are accruing to Utah ratepayers
 - Keeping DSM rates at appropriate levels
 - Customer Communication
 - Appropriate Use of Budgets
 - Ensured Access for Participation



Rocky Mountain DSM Programs



Rocky Mountain DSM Programs – Residential

- ▶ **Cool Keeper Program** – Load management program for central air conditioning systems.
- ▶ **Cool Cash Program** – Incentives for purchase, best practice installation, and proper sizing of high-efficiency unitary electric & evaporative cooling systems.
- ▶ **Energy Star New Homes** – Incentives for purchase of new homes meeting Energy Star standards.
- ▶ **Refrigerator Recycling**– incentives for refrigerator & freezer recycling
- ▶ **Home Energy Savings** – Incentives for using energy efficient products and services (includes weatherization)

Source: <http://www.rockymountainpower.net/env/epi.html>



Rocky Mountain DSM Programs - Business

- ▶ **Cool Keeper Program** – For small businesses along the Wasatch Front, our Cool Keeper program helps use electricity more efficiently during the high demand summer cooling season.
- ▶ **Energy FinAnswer** – For comprehensive projects – cash incentives and technical expertise to help you upgrade to the most energy-efficient system available.
- ▶ **FinAnswer Express** - Pre-calculated incentives for lighting, HVAC and other equipment upgrades that increase efficiency and exceed code requirements.
- ▶ **Recommissioning** - Get free expert building analysis to optimize your facility's energy use. A building check up through this program could save up to 15 percent in energy costs.
- ▶ **Self-Direction** - For large business customers, receive credits to offset the Customer Efficiency Services charge for qualifying investments in efficiency projects.

Source: <http://www.rockymountainpower.net/env/epi.html>



Rocky Mountain DSM –Related Programs

- ▶ **Low-Income Weatherization**
 - ▶ The Utah Department of Community & Culture offers weatherization services at no cost to income households.
- ▶ **Summer Electric Rates**
 - ▶ From May 1 through September 30 each year, tiered rates are in effect. The less electricity you use, the less you pay.
- ▶ **Solar Incentives**
 - ▶ Utah customers can get incentives for installing solar electric systems. (Paid for in DSM rates, although not a standard DSM program.)



Utah Demand Side Management Annual Results for 2010

Load Management Programs	Units	kW/Yr (at site)	kW/Yr Savings (at gen)	Program Expenditures
Cool Keeper (114)	104,921	110,044	120,878	\$ 4,836,269
Irrigation Load Control (96 and 96A)	602	49,100	51,911	\$ 2,512,712
Total Load Management	105,523	159,144	172,790	\$ 7,348,981
Energy Efficiency Programs	Units	kWh/Yr Savings (at site)	kWh/Yr Savings (at gen)	Program Expenditures
Low Income Weatherization (118)	1,273	1,917,712	2,106,511	\$ 258,422
Cool Cash (113)	5,210	2,521,763	2,770,031	\$ 1,490,290
Energy Star New Homes (110)	2,275	5,931,957	6,515,958	\$ 2,604,552
Refrigerator Recycling (117)	15,549	20,410,218	22,419,604	\$ 2,369,803
Home Energy Savings (111)	209,098	59,711,660	65,590,273	\$ 16,875,685
Total Residential	233,405	90,493,310	99,402,376	\$ 23,598,752
Energy FinAnswer (125)	40	17,506,721	19,148,676	\$ 3,246,075
FinAnswer Express (115)	720	27,399,416	29,969,207	\$ 4,107,148
Recommissioning (126)	14	7,231,291	7,909,514	\$ 986,414
Self Direction	5	1,164,050	1,273,226	\$ 186,835
Total Commercial	779	53,301,478	58,300,624	\$ 8,526,473
Energy FinAnswer (125)	51	33,191,521	35,092,067	\$ 4,523,593
FinAnswer Express (115)	126	8,557,455	9,047,455	\$ 1,019,080
Self Direction (192)	19	15,996,343	16,912,294	\$ 330,072
Total Industrial	196	57,745,319	61,051,816	\$ 5,872,745
Outreach & Communications + Class 4				
Power Forward				\$ 50,092
Outreach and Communication Campaign				\$ 1,485,482
Total Energy Efficiency		201,540,107	218,754,816	\$ 39,533,544

Total System benefit Expenditures - All Programs \$ 46,882,525

Self Direction Credits \$ 2,526,837

Total Utah Program Expenditures \$ 49,409,362

Check Sum from Goals 201,540,107 \$ 49,409,362



Questar Gas Company DSM Programs



Questar Gas Company DSM Programs

- ▶ Thermwise Appliance Rebate
- ▶ Thermwise Builder Rebates
- ▶ Thermwise Business Custom Rebates
- ▶ Thermwise Business Rebates
- ▶ Thermwise Weatherization Rebates
- ▶ Thermwise Home Energy Audit
- ▶ Low Income Weatherization
- ▶ Market Transformation

Source: <http://www.thermwise.com/utindex.html#>



DSM Cost Recovery

Slide 25

DACM5

I switched this with the Programs section and am not sure I like it.

DAMARTIN, 5/12/2011



Utah DSM Cost Recovery

- Rocky Mountain Power
 - DSM Cost Adjustment (Schedule 193) – A Tariff Rider
 - Percentage of customer bill.
 - Schedule 1 = 3.91%
 - Schedule 6 = 3.76%
 - Schedule 23 = 3.95%



Utah DSM Cost Recovery

- Questar Gas Company
 - Conservation Enabling Tariff (Tariff 2.08)
 - Decoupling Tariff for Conservation
 - Decoupling is a ratemaking mechanism designed to eliminate or reduce dependence of a utility's revenues on sales thus providing incentives to reduce customers' energy consumption.
 - DSM Deferred Account (Tariff 2.09)
 - QGC spends approved Commission budget and amortizes incurred expenses semi-annually.



A Final Note on Cost Effectiveness



Benefit/Cost Analysis Tests

▶ Benefit/Cost Analysis Tests

- Total Resource Cost Test (TRC) – the measure of net costs of a DSM program as a resource option based on the total costs of the program including both the participants and the utility's costs.
- Utility Cost Test (UCT) – the measure of net costs of the DSM program as a resource option based on costs incurred by the utility and excluding any net costs incurred by the participant.
- Ratepayer Impact Test (RIM) – The measure of what happens to customer bills or rates due to changes in utility revenues and operating costs by the program.
- Participant Cost Test (PCT) – the measure of quantifiable benefits and costs to the customer due to participation in a program.
- PacifiCorp Total Resource Cost Test (PTRC) – The same as the Total Resource Cost Test plus a 10% adder to reflect non-quantified benefits.
 - This test is used by Pacificorp as an attempt to measure externality impacts of the program.

▶ The PSC primarily relies on the Utility Cost Test because supply and demand resources are evaluated on a comparable basis (i.e., the utility's cost of acquiring the resource).

▶ Discounted Net Benefits are positive \Leftrightarrow Benefits/Costs > 1

Slide 29

DACM6 Is this too much? I don't plan on just reading this slide. However, if we put this on the website, then it may be needed for clarification.

DAMARTIN, 5/12/2011



DSM Program	PTRC	TRC	Benefit/Cost Ratio		
			UCT	RIM	PCT
Cool Keeper	2.180	1.990	1.490	1.490	NA
Cool Cash	NA	NA	1.253	0.076	NA
Energy Star New Homes	1.010	0.918	0.918	0.050	NA
Refrigerator Recycling	2.167	1.970	1.582	0.511	NA
Home Energy Savings	1.197	1.088	1.407	0.586	5.926
Energy FinAnswer	2.384	2.167	4.365	1.096	3.460
FinAnswer Express	1.865	1.695	3.656	0.868	3.589
Re-Commissioning	3.223	2.930	3.486	1.036	15.252
Self Direction	3.180	2.890	3.104	1.056	31.209
Irrigation Load Control	3.510	3.190	1.520	1.520	NA
Low Income Weatherization	5.887	5.352	5.352	0.824	NA



QQG ENERGY EFFICIENCY - BUDGET 2011 - FORECASTED PARTICIPANTS & COSTS - PROGRAM PORTFOLIO DESCRIPTIONS (1 Year)

PROGRAMS	Total Resource Cost		Participant Test		Utility Cost Test		Ratepayer Impact Measure Test		Total Participants
	NPV	B/C	NPV	B/C	NPV	B/C	NPV	B/C	1 Years
Thermwise Appliance Rebate	\$7,823,289	1.9	\$24,833,934	4.0	\$8,991,374	2.2	\$3,655,080	1.3	31,445
Thermwise Builder Rebates	\$109,485	1.0	\$4,208,707	3.1	\$183,993	1.1	-\$716,152	0.8	3,687
Thermwise Business Custom Rebates	\$50,884	1.1	\$701,358	5.3	\$114,048	1.3	-\$24,330	1.0	20
Thermwise Business Rebates	\$1,352,915	1.6	\$4,137,979	3.1	\$2,168,099	2.7	\$1,386,597	1.7	1,039
Thermwise Weatherization Rebates	\$5,649,046	1.2	\$36,244,560	2.3	\$15,450,631	1.9	\$5,670,636	1.2	78,826
Thermwise Home Energy Audit	-\$346,616	0.5	\$735,390	31.2	-\$351,482	0.5	-\$492,630	0.5	3,773
Low Income Weatherization	\$38,949	1.1	\$707,385	0.0	\$38,949	1.1	-\$131,904	0.8	500
Market Transformation	-\$1,752,124	0.0	\$0	N/A	-\$1,752,124	0.0	-\$1,752,124	0.0	0
Totals	\$12,925,830	1.3	\$71,569,315	2.7	\$24,843,490	1.8	\$7,595,172	1.2	119,290



Questions?





Energy Code: Background

Kevin Emerson, Utah Clean Energy



Rocky Mountain Power General Rate Case: Issues Briefing

Michele Beck



Rate Case: Overview of Analysis

- RMP requested an increase of \$232.4 million
- The Office reviews rate base and expenses and proposes adjustments to the amount requested
- In testimony, we provide evidence supporting our adjustments and policy recommendations
- We also provide an overall recommendation for what rate increase would result in just and reasonable rates
- Revenue Requirement team:
 - Donna Ramas (regulatory accounting, impacts of adjustments in JAM model)
 - Randy Falkenberg (net power costs)
 - Paul Wielgus, Lori Schell (hedging)
 - Seth Schwartz (coal)
 - Michele Beck (policy)



Cost of Capital

- RMP currently authorized 10.6%
- RMP requested 10.5% in this case
- Office position 9.5 %
 - Impact on case: approximately \$45 M
- Other expert opinions:
 - DPU 10.0 %
 - Federal Executive Agencies 9.8 %



Coal Issues

- Increase in coal costs is a significant percentage of the overall requested rate increase
- Our evaluation showed that most costs were prudently incurred
- Recommendations:
 - Stockpile too high resulting in excessive costs to ratepayers
 - Important audit element of the Company's coal policy is not being followed and needs to be enforced



Net Power Costs

- Our expert reviews model input accuracy and modeling methodology (NPC model is called GRID)
- Recommendations for adjustments:
 - Wind Integration Adjustments
 - GRID Start-up Costs
 - Long Term Contracts
 - Hydro Logic and Inputs
 - Transmission Issues
 - Power Cost Modeling Issues
 - Planned and Forced Outage Modeling Issues



Multi-Jurisdictional Issues

- Rate case filed under three multi-jurisdictional allocation methodologies
 - Current Methodology (Revised Protocol)
 - Proposed New Methodology (Protocol 2010)
 - Rolled-In Methodology
- Office position: rates must be determined based on the rolled-in methodology
- Rolled-in methodology should be modified to exclude certain costs associated with the Klamath Hydro Settlement Agreement



Miscellaneous Issues

- Hedging Policies
 - Were not developed with input from customer groups
 - Do not reduce net power cost volatility as designed
 - Include practices that cannot be justified by market conditions
- Environmental Upgrades
 - Significant capital expenditures
 - Not justified by robust analysis



General Expense Items

- Powerdale Over-recovery
- REC revenue – RMP update and adjustment
- Non T& D insurance
- Generation Overhaul
- Reduction to Salaries/Wages & Incentive Compensation
- Savings from new trading system
- Reduction to Pension Expense
- Uncollectable Expense
- Remove Inappropriate Expense Items (Outside Services & Misc Expenses)



Rate Base and Other Adjustments

- Rate Base
 - Update to Net Plant
 - Klamath Settlement
 - Coal Fuel Stock
 - Accumulated Deferred Income Taxes
- Adjustment to Line Losses
 - Net power cost impact
 - Load percentage impact



REC Deferred Account

- Settlement agreement resulted in a deferred account to track REC revenues that exceed those imbedded in rates
- Another agreement resulted in a portion of the balance returned to customers through a rate credit (subject to refund once the merits of the case are decided)
- Some parties (including the Office) are recommending that these revenues be returned to customers as part of this rate case
 - Amortized over 2 – 3 years
 - Total dollar impact not known – only Company has access to current balance.



Summary

- In total, our recommended rate increase is significantly less than the Company's
- All parties will also file rebuttal (6/30) and surrebuttal (7/19) testimony
- We may adopt other adjustments or withdraw ours depending on what additional information is presented



Other Business/Adjourn
