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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
ROCKY MOUNTAIN POWER FOR APPROVAL)	CASE NO. PAC-E-13-15
OF A CUSTOMER CREDIT TO REFUND)	
OVER-COLLECTION OF CUSTOMER)	
EFFICIENCY SERVICES RATE.)	COMMENTS OF THE
)	COMMISSION STAFF
)	

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Application and Notice of Modified Procedure issued in Order No. 32935 on November 27, 2013, submits the following comments.

BACKGROUND

On November 7, 2013, Rocky Mountain Power filed an Application requesting approval of a one-time bill credit to customers to refund the amount of \$1.4 million effective February 1, 2014. The proposed refund results from the Company's over-collection through its Schedule 191 Customer Efficiency Services Rate that funds the Company's demand-side management (DSM) programs. The Company requests the Commission adopt a new electric service tariff, Schedule 95 Customer Efficiency Services Credit, to issue the bill credit.

Since 2006, Schedule 191 funds DSM through a percentage rate charged on customers monthly bills. The rate has fluctuated over time from 1.5% – 4.72% to align DSM revenues with expenditures. The Company's filing is the result of a continued overfunded DSM Rider account. In Case No. PAC-E-12-11, the Company received Commission approval effective August 1, 2012 to decrease the Rider rate to reduce a growing surplus in the Rider account. In that filing, the Company projected revenues of \$4.541 million from Schedule 191 during the year, but collected \$5.245 million. Application, p. 4. The Company projects an over-collection during 2013 of \$710,200, resulting in an accumulated balance of \$1.5 million as of December 31, 2013. If no adjustment is made to the Schedule 191 rate, Rocky Mountain projects a balance at the end 2014 of \$2.3 million. Application, p. 5.

The Company proposes to implement the bill credit through a new electric service Schedule 95, Customer Efficiency Services Credit. Schedule 95 would apply to each active retail customer as of February 1, 2014 that was subject to Schedule 191 and incurred charges from October 1, 2013 through September 30, 2013. The credit would be calculated and applied to each individual customer's bill. The Company proposes to apply the bill credit beginning February 1 and complete the bill credits no later than March 31, 2014.

STAFF REVIEW

Staff reviewed the Company's Application and supplemental information and supports the Company's proposal to issue a one-time bill credit of approximately \$1.4 million to customers. The one-time bill credit will refund the over-collection of Rider revenue to customers, yet will not impair the Company's ability to pursue all cost-effective DSM. Because the Rider rate is applied to a customer's overall bill, a one-time bill credit better matches the refunded amount to the individual contributor. Staff does not believe a new Schedule 95 is necessary to provide a one-time bill credit to customers.

Tariff Rider

Rocky Mountain Power has consistently attempted to align the revenue collected for energy efficiency expenses with the actual (and forecasted) expenditures. The Company's Schedule 191 rate was initially set at 1.5% in 2006 and was increased to 3.72% in May 2008. Order No. 30543. In February 2010, Rocky Mountain filed an application requesting an increase to 5.85%, but the Commission approved a rate of 4.72%. Order No. 32023. The Commission

approved changes for funding the Company's dispatchable irrigation load control program in the Company's next general rate case, and reduced the Schedule 191 rate to 3.4%. Order No. 32196. In May 2012, the Company filed an application to reduce the collection rate from 3.4% to 2.1%, anticipating the reduction would result in annual revenue collections of \$3.5 million. As of September 30, 2013, the Company had a credit balance in the Tariff Rider Account of approximately \$1.4 million (Company owes ratepayers), with a projected credit balance of \$1.5 million on December 31, 2013.

To determine the derivation of the account balance, Staff reviewed the Company's DSM expense and tariff revenue projections filed in PAC-E-12-11¹ and compared them to actuals through September 30, 2013.² Staff's analysis confirms that the credit balance in the DSM Tariff Rider account resulted from an increase in revenues and not a decrease in DSM expenditures. Although the Company's actual DSM expenditures exceeded its forecasts, heavy summer loads during 2012 and 2013 resulted in higher than forecasted rider revenues. During the months of June through August 2012, actual tariff rider revenues exceeded forecasts by \$772,463. For those same months in 2013, an additional \$351,622 over forecasted revenues was collected by the Company. Although 2013 DSM expenses decreased slightly when compared to 2012 levels, the Company's actual DSM expenses exceeded its forecasts by more than \$200,000 during the same period.

To refund the credit to Customers, the Company is proposing a pro-rata bill credit based on the amount each customer contributed to the rider. During the period of October 2012 through September 2013, the Company collected rider revenues of \$3,786,656 from active customers. A refund of \$1.4 million would be 37% of the rider revenues collected during that 12-month period. Therefore, the Company plans on issuing a bill credit to each customer equal to 37% of the amount that each individual customer paid into the rider during those 12 months, resulting in an average residential bill credit of \$8.32. Staff has reviewed the Company's calculations and believes that it accurately reflects the over-collected balance as of September 2013.

¹ The Company filed Case No. PAC-E-12-11 on May 30, 2012 with actual data through April 2012, and forecasted tariff rider revenue and expenditures through 2013.

² In this case, actual data was provided through September 30, 2013 with forecasts through 2015.

There has been one other case in recent history where a utility company issued a one-time credit to customers, Case No. INT-G-12-01. Staff reviewed the record in that case to determine if Rocky Mountain Power's calculation of the individual customer bill credit was consistent with what the Commission approved for Intermountain Gas Company. In Case No. INT-G-12-01, Intermountain Gas Company refunded \$11.9 million to customers by dividing the \$11.9 million by actual sales volumes over the time period the credit was generated, resulting in a per therm credit applied to customers bills. Rocky Mountain Power's approach is analogous to the approach of Intermountain Gas, but rather than calculating a kWh credit, the Company will calculate a credit based on what each individual customer paid into the rider over a 12-month period. Staff believes the Company's methodology used to develop the bill credit results in a more precise transfer of funds back to individual customers.

Staff notes that the Company is expected to continue collecting more in rider revenue than forecasted DSM expenditures. After accounting for the credit, the Company projects a positive rider balance (Company owes customers) as of December 31, 2015 of \$815,000, indicating that another adjustment may be needed at some point in the future.

Energy Efficiency Expenditures & Savings

The proposed one-time bill credit has no impact on the Company's future DSM expenditures or energy savings. Rather, the Company projects DSM spending through 2014 to remain constant with a forecasted increase in 2015. To forecast potential energy savings, the Company contracted Cadmus to conduct a system-wide 20-year Conservation Potential Assessment (CPA) to broadly estimate future DSM resource opportunities. The CPA helped inform the 2013 Integrated Resource Plan (IRP) process. The IRP methodology bundles measures of similar levelized cost and selects cost-effective resources by state. The bundled measures, grouped by levelized cost, may contain a mix of residential, commercial, industrial and irrigation measures. The methodology does not calculate program or sector-level savings, but results in a portfolio-level energy savings goal by individual state.

Staff reviewed the Company's historical and forecasted Class 2 (energy efficiency programs) energy savings from its DSM Annual Reports and its 2013 IRP. Table 8.9 from the 2013 IRP indicates that the Company's portfolio-level saving targets for incremental energy savings are expected to slightly increase. The following table highlights the Company's Class 2 expenditures, IRP savings and its reported savings since its most recent DSM prudency case for

program year 2009. Staff notes that spending in the residential sector is expected to grow at a faster rate through 2015 than the commercial/industrial or irrigation sectors.

YEAR	EXPENDITURE Class 2 DSM	IRP SAVINGS (MWh)*	REPORTED SAVINGS (MWh) Gross Savings w/line loss**
2010	\$3.2 million	16,824	13,096
2011	\$2.6 million	15,650	9,513
2012	\$3.4 million	9,375	12,615
2013	\$3.2 million	10,690	15,615
2014	\$3.2 million (forecast)	11,090 (forecast)	n/a
2015	\$4.0 million (forecast)	11,470 (forecast)	n/a

*Source: 2013 IRP

**Source: 2010, 2011, 2012 DSM Annual Report

Staff notes that an increase in expenditures does not always equate to an increase in energy savings, nor does it indicate cost-effectiveness or prudently incurred expenses. Staff will fully review DSM expenditures incurred since 2009 when the Company files its next DSM prudence case.

CUSTOMER RELATIONS

Customer Notice and Press Release

The customer notice and press release were not included in Rocky Mountain Power's Application. Upon request, Staff was provided a copy of RMP's press release, issued November 6, 2013, and a draft copy of the proposed Customer Notice. Because the Company is not asking to change rates, it is not required by the Commission's Rules of Procedure to send a customer notice or press release with its Application. The Company intends to include a notice with cyclical billings beginning in January 2014 and ending in February 2014 contingent upon Commission approval. Through informal discussions with the Company, Staff suggested some minor modifications to the customer notice and the Company agreed.

Customer Comments

In the Commission's Notice of Application, customers were given until January 10, 2014 to file comments. On December 11, 2013, the Commission issued a press release regarding the Application. As of January 3, 2014, no customers had filed comments.

Customer Credit Refund

The Company proposes to provide a one-time bill credit to all retail customers subject to Schedule 191 who have active service as of February 1, 2014. Based on discussions with the Company, it is Staff's understanding that qualifying customers who had service at more than one location within the Company's service territory during the 12-month credit period will receive a credit based on what each customer paid under Schedule 191 for all of his or her service locations. Staff finds the Company's implementation plan to be reasonable in this respect.

Proposed New Electric Service Schedule 95, Customer Efficiency Service Credit

The Company proposes the Commission adopt a new tariff schedule that describes the one-time bill credit. Staff believes the administrative work associated with a short-lived tariff creates an unnecessary administrative burden for both the Company and Commission Staff. Staff recommends that the Commission not approve proposed Schedule 95. The Company has indicated that it does not oppose Staff's position.

STAFF RECOMMENDATION

Staff recommends the Commission accept the Company's proposal to issue a one-time bill credit to refund approximately \$1.4 million to customers that were subject to Schedule 191 from October 1, 2012 to September 31, 2013, effective beginning February 1, 2014. Staff recommends the Commission reject the Company's proposal to adopt a new electric service schedule to issue the bill credit.

Respectfully submitted this 10th day of January 2014.



Weldon B. Stutzman
Deputy Attorney General

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 10TH DAY OF JANUARY 2014, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-13-15, BY E-MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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