



PUBLIC MEETING

Utah Committee of Consumer Services

May 7, 2014



Welcome & Business



Case Updates



Case Updates

- Final Outcome, Questar General Rate Case
 - New Depreciation Study: Settlement at \$1,199,329 rate decrease
 - Total Rate impact including Commission ROE decision: \$7,614,048
 - Final Net Number: \$6,414,719 rate increase
- DSM Filings
 - Questar tariff revisions
 - Cool Keeper changes
 - RMP Communications & Outreach
 - Initial review of moderate changes to commercial program and extensive changes to residential home energy savings program
- Solar PPA approved
 - Concern about lead time between approval of avoided cost rates and anticipated online date



Questar Passthrough Filings

- Net increase \$70.9 M
- Annual impact to average residential customer: \$51.60
- Drivers:
 - Approximate \$1/deca-therm increase in market prices
 - Capital from Wexpro II acquisition included in rates
- Offsets:
 - CET amortization
 - SNG cost amortization
- Note: market prices may return to lower levels before next heating season, significantly mitigating actual rate impacts



New & Upcoming Filings

- EBA (DPU report in July, responsive comments late August)
- PacifiCorp IRP Update (comments June 20)
- Pavant Solar PPA (comments June 10)
- REC balancing account (comments May 12)
- Questar Line Extension Tariff (resulting from HB380)
- Telecom service quality rulemaking
- RMP Fossil Fuel Efficiency Report
- Questar IRP (filed June 1)
- Gunnison Telecom (intent to file general rate case)
- Hanksville Telecom (USF)
- RMP DSM filings (updates to commercial, home energy savings programs, annual report showing 2013 results)
- Renewable Energy Facilities Tariff (resulting from 2012 SB12)



2014 Legislative Session



Legislation that Passed: Impacting our Work

- **SB67 sub 1: Amendments to Public Utilities Title**
 - Facilitates Kennecott leaving utility and participating in market
 - Raised concerns about open access and deregulation
 - Protections for other customers negotiated
- **HB171 sub 1: Natural Gas Facilities Amendments**
 - Changes Questar's line extension policy
 - Allows builders to contract directly with approved contractors
 - May shift some costs to other customers; implementation will be done through tariff filing at PSC (anticipated next week)
- **SB 208: Public Utility Modifications**
 - Allows electric utility to charge fee or different tariff for net metering customers
 - Requires examination of both costs and benefits
 - At issue in the current RMP General Rate Case



Legislation that Passed: Of Potential Interest

- HB 44 sub 4: Interstate Electric Transmission lines
 - Requires several notices and processes
- SB 166: Energy Amendment
 - Clarifies that the buy-through to specific renewable energy facilities must be located in the state of Utah
- HB 19: Electric Vehicle Charging Service Amendments
 - Clarifies that charging stations are not public utilities
- SB 242: Alternative Energy Amendments
 - Expands the definition of renewable energy
- SB 224: Renewable Energy Tax Credit
 - Expanded the tax credits for commercial solar installation
- Other legislation was passed directly impacting Utopia



Legislation that Didn't Pass: Of Potential Interest

- SB 243: Air Quality Programs
 - Would have added \$1/month to electric and natural gas bills
 - Funds had little oversight, went to interlocal and other organizations
- HB 125: Electrical Transmission Facility Siting Study Act
 - Went through several iterations, requiring different levels of analysis of in-state benefits associated with interstate lines
- HB 110: Renewable Energy Amendments
 - Would have facilitated community aggregation to purchase renewable energy
 - Raised questions about cost shifting, move toward open access/deregulation
- Alternative Energy Contracting



Interim Study Items

- Clean coal power plants
- Conversion of homes to cleaner fuels
- Integrated utility networks
- Interstate and intrastate transmission lines
- Open access and electric deregulation
- Parity in communications assessments
- Relay Utah
- Renewable energy (community aggregation)
- Solar power
- Transmission corridor master planning
- Utah's competitive energy cost advantage
- CNG tax credits and rebates (potential revenue sources)
- Natural gas



Open & Public Meetings Training



OPMA: Key Points

- Purpose: State and local agencies exist to conduct the people's business, which must be done openly
- Public Notice
 - 24 hour notice, requirements for what and where to be posted
- Minutes and Recordings
 - Pending minutes posted within 30 days of meeting
 - Recording posted within 3 days of meeting
 - Approved minutes posted within 3 days of approval
- Closed Meeting
 - Allowed in certain circumstances
 - 2/3 vote required
 - Recording must be taken, minutes are optional
- Provisions for emergency and electronic meetings
- Penalties
 - Class B misdemeanor for knowingly or intentional violating closed meeting provisions
 - Any final action taken in violation of the act is voidable



Rocky Mountain Power General Rate Case



Cost of Capital/Return on Equity

- Three parties filed Direct Testimony

Party	ROE Recommendation	Revenue Requirement Impact (\$ M)
DPU	9.25	40.2
OCS	9.2	39.8
FEA	9.4	30*

- Rebuttal Testimony: May 15, 2014
- Sur-rebuttal Testimony: May 22, 2014
- Hearing: May 29, 2014

*FEA revenue impact is approximate as they did not provide a specific calculation.



Revenue Requirement: Summary Direct Testimony

- DPU and OCS filed complete cases with revenue adjustments and final recommended rate increase. (Both parties recommended a net small revenue decrease.)
- UAE filed substantial testimony with significant levels of revenue adjustments.
- FEA filed testimony with moderate levels of revenue adjustments.
- Sierra Club filed testimony with significant levels of revenue adjustments, all related to coal plant investments (including an ROE penalty for certain actions.)
- UIEC filed substantial testimony with no specific calculations of revenue adjustments – much of the testimony appears more related to cost of service issues.
- Utah Clean Energy filed substantial testimony with no specific calculations of revenue adjustments. Their testimony is designed to build a record for potential future disallowances related to a resource acquisition strategy that is too carbon intensive.



Revenue Requirement Summary

Issue/Adjustment	<u>OCS</u>	<u>DPU</u>	<u>FEA</u>	<u>UAE</u>	<u>Sierra Club</u>
Rate of Return	(40.2)	(39.8)			(21.0)
Net Power Cost Update	(4.9)	(4.9)		(3.0)	
Net Power Cost Adjustments	(12.8)	(18.9)	8.6		(10.0)
Remove Net Prepaid Pension	(7.0)	(7.0)		(7.4)	
Naughton Unit 3 Coal Extensions				(5.2)	(5.0)
Generation O&M and Overhaul Exp	(7.0)			(0.5)	
Labor and Benefit Expense	(4.7)	(0.6)	(3.8)	(1.5)	
Carbon Alternative Recovery Mech.				(4.4)	
Remove Inflation				(2.4)	
REC Revenues	(0.2)	(0.2)		(0.4)	
Legal Expense	(0.8)	(1.3)		(1.5)	
Revenue Adjustments (excl. REC)			(22.0)	(0.3)	
Various Expense Adjustments	(2.5)	(0.9)	(2.5)	(0.5)	
Plant Related Adjustments	(0.7)	(4.0)		(0.2)	(2.9)
Remove Unclassified Plant		(3.7)			
Total Reductions off RMP Request	(80.8)	(81.3)	(19.7)	(27.3)	(38.9)



Revenue Requirement: Next Steps

- Office expert witnesses are in the process of :
 - Reviewing testimony to identify issues that either a) need rebuttal or b) warrant adopting
 - Responding to data requests
- Rebuttal Testimony: June 4
- Sur-rebuttal Testimony: June 23
- Hearings: June 30 – July 3



Cost of Service/Rate Design: Key Elements

- Cost of Service
 - Review/critique Company's class cost of service study
 - Develop improvements to the cost of service study
 - Develop recommended rate spread – based on results of the improved cost of service study
- Rate Design
 - Residential customer charge, energy rates, minimum bill
 - Net metering facilities charge
 - Company did not propose changes to rate design for Schedule 23 (small commercial) or Schedule 10 (irrigation)



Cost of Service: Historical Performance

- Historical class performance (using Company's COS study)

Rate Schedule	2006	2007	2008	2009	2010	2011	2013
Sch. 1	1.00	1.05	1.23	1.16	0.95	0.93	0.91
Sch. 23	1.18	0.84	1.15	1.01	1.21	1.24	1.13
Sch. 6	1.31	1.23	0.90	1.03	1.23	1.18	1.23
Sch. 8	1.00	1.01	0.97	0.94	0.97	1.06	1.04
Sch. 9	0.62	0.77	0.68	0.69	0.71	0.77	0.75
Sch. 10	0.29	0.17	0.32	0.43	0.72	0.79	0.85

- Improved COS results (pending litigation: to be discussed in closed session)



Residential Rate Design

- Customer Charge
 - Company proposed moving from \$5 to \$8/month
 - Only supporting evidence is a desire to collect more fixed costs through a fixed charge
 - Office policy is that the customer charge should be designed to collect the costs that do not vary by the customer size (i.e. usage)
- Minimum Bill
 - Company proposed moving from \$7 to \$15 /month
 - Office is analyzing the usefulness of minimum bill as a rate design construct, especially in the context of the Company's proposed net metering facilities charge
- Net Metering
 - (see next presentation)



COS/Rate Design: Next Steps

- Direct Testimony: May 22
 - Currently reviewing initial proposals and draft testimony
- Rebuttal Testimony: June 26
- Sur-rebuttal Testimony: July 17
- Hearings: July 28– August 1



Questions/Discussion



Discussion: Net Metering



Net Metering

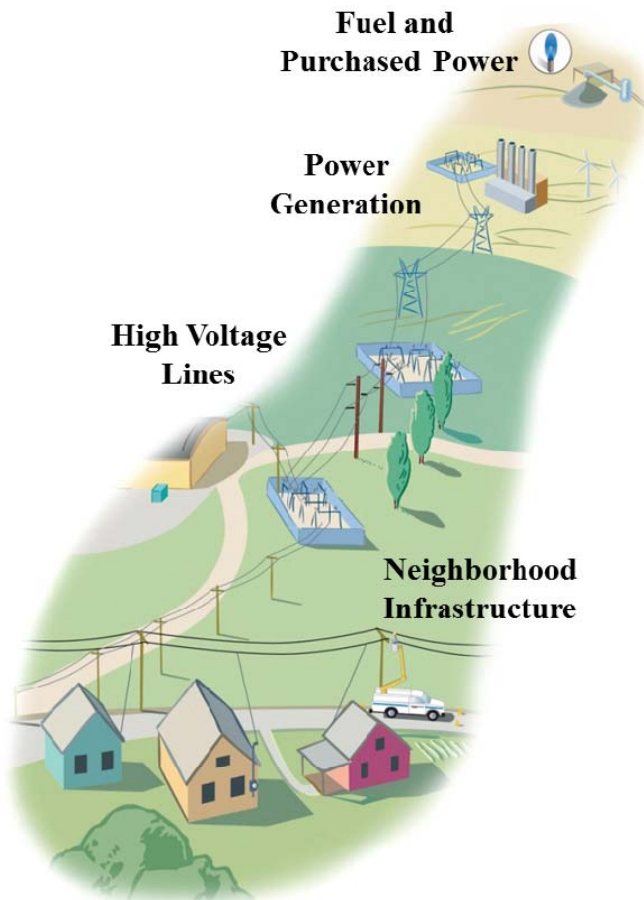
- Net Metering is a rate mechanism that facilitates customers being able to offset their load with renewable generation
- It is a simplified rate mechanism that meters both generation and consumption from the same meter
 - Generation runs the meter backward
 - Thus, the generation offsets the energy component of the customer's bill
- Utah law allows net metering customers to build and utilize credits over the course of a calendar year
 - At the end of the year, any remaining credits expire
 - Annualized billing cycle defined as beginning April 1 or a different 12-month period defined by the utility's tariff (second option added to accommodate irrigation participants)
 - Note: the issue of expiring credits has received much attention, but the level of actual credits that expire is very small (but growing)

Different Rate Structures for Different Classes

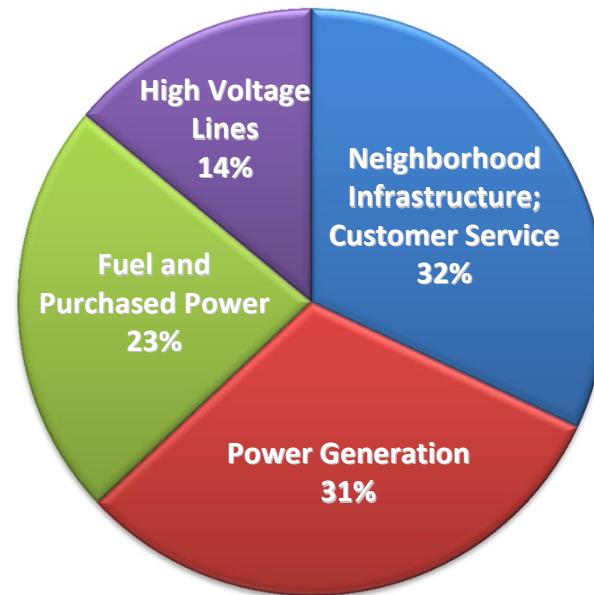
Rate Element	Residential (1)	Small Comm. (23)	Large Comm. (6)
Monthly Customer Charge	\$5.00	\$10.00	\$54.00
Demand Charge (summer)	NA	\$8.55/kW (0 if < 15 kW)	\$18.12/kW
Energy Charge (summer)	8.8 ¢/kWh (0 – 400)	11.6 ¢/kWh (0 – 1500)	3.8/kWh
	11.5 ¢/kWh (401 – 1000)	6.5 ¢/kWh (over 1500)	
	14.5 ¢/kWh (over 1000)		
Minimum Bill	\$7.00		

- Net Metering customers have their energy costs offset by any kWh generated by their facilities.
- These customers still pay monthly customer charges and any applicable demand charges or minimum bills.
- Offsetting the energy component is a different percentage of the total bill for different customer classes.

Where Your Energy Dollars Go



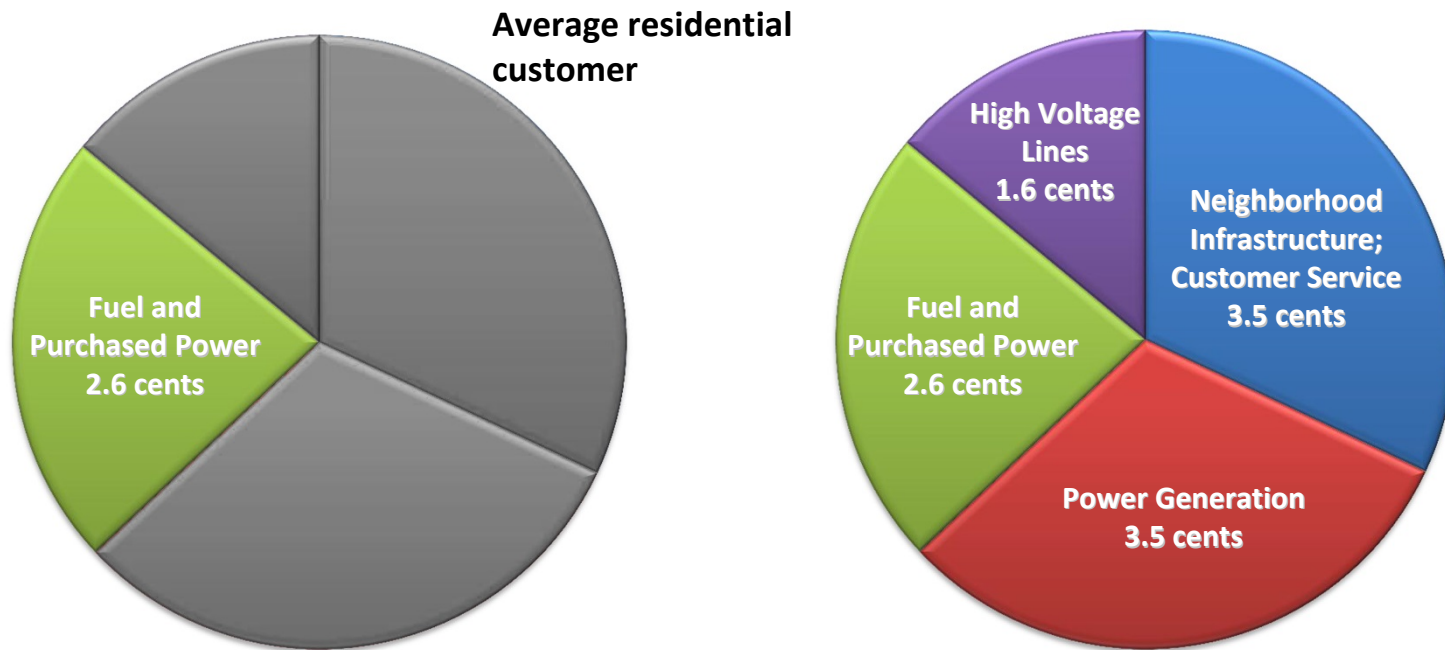
Typical Residential Customer



For a typical \$80 residential monthly bill:

- \$25 – Neighborhood Infrastructure/Customer Service
- \$25 – Power Generation
- \$19 – Fuel and Purchased Power
- \$11 – High Voltage Lines

Customer Generation Price-Value Gap



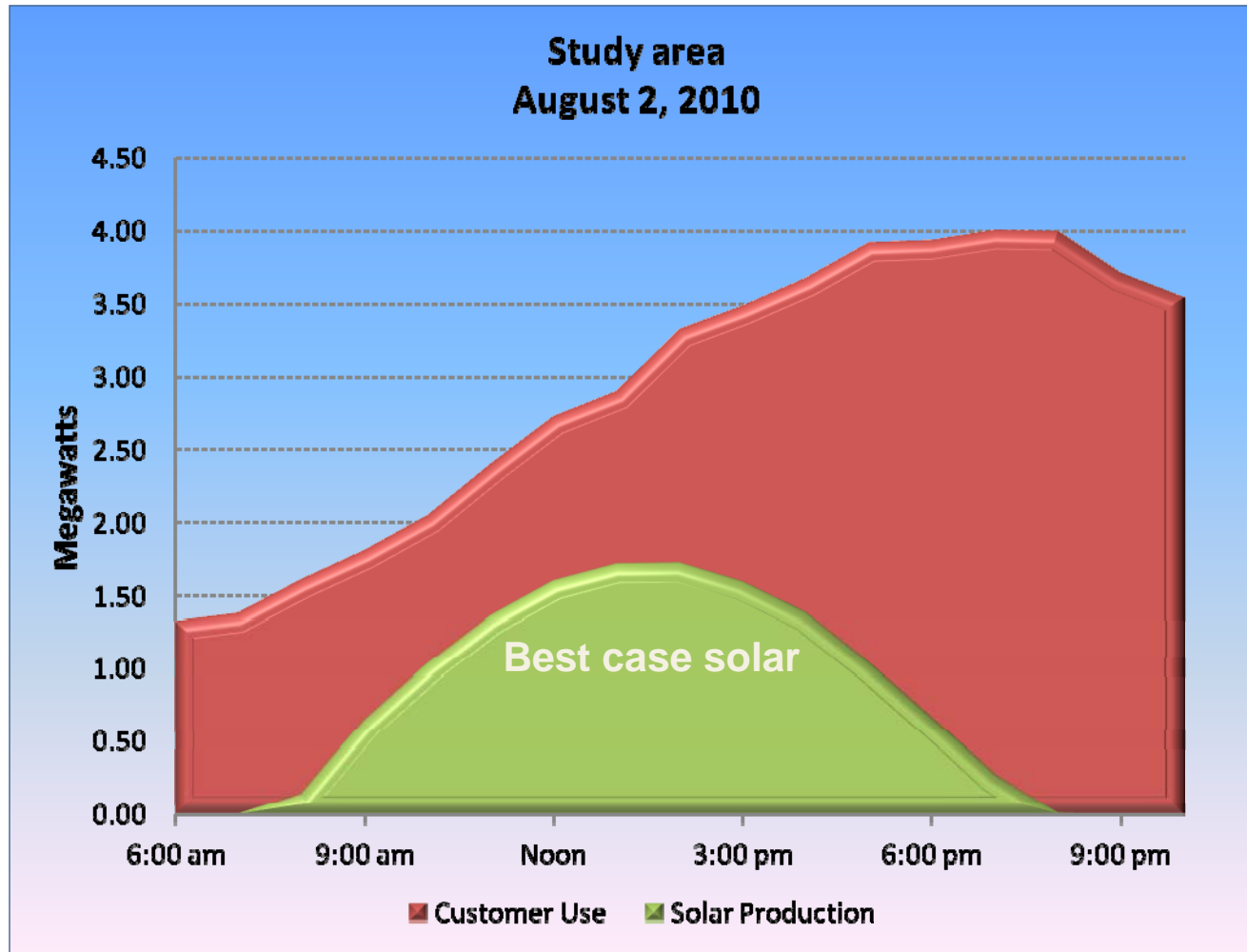
Value of energy from customer generation
2.6 cents per kWh*
(Cost of fuel & purchased power)

Customer generation credited at full retail rate
11.2 cents per kWh*
(Includes fuel & purchased power, plus fixed costs)

**Numbers shown are proposed rates; current rates are slightly less.*

Source: Rocky Mountain Power

Solar contribution to peak





Net Metering Challenge

- Residential net metering customers (in aggregate) do not pay enough in retail rates to cover the fixed costs incurred to serve them
- Net metering customers use the local distribution facilities as much or more than other customers
 - These customers use the system to serve their load and to put their generation into the grid
- Solar PV in Salt Lake City does not impact the system peak (see previous slide for illustration)
 - Thus, solar PV customers also require the full transmission and generation system to serve them
- Currently, other residential customers subsidize net metering customers
 - Another result of the net metering rate design is that residential net metering customers are compensated much more than other net metering customers in other classes



RMP Facilities Charge Proposal

- In the General Rate Case, RMP proposes a \$4.25 monthly facilities charge for residential net metering customers
 - RMP's rate case proposal only addresses local distribution costs
 - Charge is designed to recover (in aggregate) the same level of fixed distribution costs from net metering customers as the average residential customer pays
- Analysis:
 - Should the charge also collect additional under-recovered fixed costs?
 - Is a flat rate charge appropriate?
 - Are benefits appropriately accounted for?
 - How to address future situations in which net metering customers impose additional costs of the system?



Questions/Discussion



Closed Meeting

*Pursuant to Utah Code Section 52-4-205 (1)(c):
Discussion of strategy in pending litigation
before the Utah Public Service Commission*



Other Business



Adjourn
