



Utah Committee of Consumer Services

September 11, 2024



Case Updates



Case Updates: Key Issues

- Highlights
 - Legislative Committee Meeting
 - PSC Order on PacifiCorp Integrated Resource Plan outlining new requirements that will begin in the next IRP cycle
 - Enbridge acquisition of Questar is official and communications plan being implemented
 - MSP discussions have been temporarily paused
- Questions?



Open and Public Meetings Act Training



Policy Objectives



Policy Objectives

- The concept of Policy Objectives was introduced in 2009 legislation reorganizing the Committee of Consumer Services
 - 54-10a-302. Powers of committee.
 - By a majority vote of a quorum of the committee, the committee may:
 - (1) advise the director as to a duty or power of the office under Section 54-10a-301; and
 - (2) give direction to the director on a **policy objective** related to a duty or power of the office under Section 54-10a-301 that serves the needs of residential consumers and small commercial consumers.
- In 2009, CCS in collaboration with the Office of Consumer Services drafted nine policy objectives that reflect the guiding principles of the work of the Office.
- Over time, policy objectives have been edited and added, as deemed appropriate.
- In 2016, the CCS set a goal to re-evaluate the policy objectives at least every five years



Policy Objectives

- Today's redline includes one formatting change and one proposed substantive edit to Policy Objective #2:

The Committee of Consumer Services supports a process for determining new electric resources that considers all appropriate costs, benefits and risks to Utah consumers. The Committee does not support a preference for any type of fuel or generating source, except as required by Utah law, but rather a decision that minimizes costs (appropriately considering risk) and maximizes benefits to consumers in the long run.
- Committee members should feel empowered to suggest any other changes or additions to reflect changes in our work or emerging issues.



Discussion: Rocky Mountain Power General Rate Case



Summary of Amended Rate Increase Request

- \$393.7 million increase
- Proposed average increase of 16.7% over current revenue requirement.
 - Residential 18.1%
 - Schedule 23 (small commercial) 19.2%
 - Irrigation 17.4%
- Originally proposed \$667.3 million increase to be collected in two steps, first increase on February 23, 2025 and the second on January 1, 2026. RMP amended its request to eliminate the second step increase for net power costs
- The amended request also updated the forecast commercial liability insurance premium costs to actual which increased the request by \$11.5 million



Proposed Percentage Increase by Customer Class

Customer Class	Proposed Percentage Change from Rates in Effect on the date of Application (Step 1 Effective February 23, 2025)
Residential	18.1%
General Service	
Schedule 23	19.2%
Schedule 6	16.2%
Schedule 8	15.6%
Schedule 9	19.9%
Irrigation	17.4%
Lighting Schedules	10.6%



Drivers of Rate Increase (as reported by RMP)

	<u>Original Utah Request</u>	<u>Amended Utah Request</u>
Net Power Cost	570.4	285.2
Capital Investment	265.9	265.9
Liability Insurance Premiums - Sch 92	81.4	92.9
Distribution O&M (Wildfire Mitigation)	48.2	48.2
Wildfire Mitigation (2021-2023) Amortization	21.0	21.0
Rate Mitigation - STEP Thermal Plant Fund	(22.4)	(22.4)
Revenues	(321.5)	(321.5)
Other	24.3	24.3
Total	667.3	393.7



Is the Amended Request a Lower Rate Increase?

- The announced lower rate increase is due to the removal of RMP's proposed second step of the rate increase, which was solely designed to reset base net power costs to be closer to recent actual and forecast levels.
 - Net power costs are trued up to actual via the annual Energy Balancing Account filing, regardless of what level is included in base net power costs.
 - Thus, customers will pay the same amount in rates regardless of whether base net power costs are updated.
 - The withdrawn second step of the rate increase will impact the timing of when those rates are paid, but not the amount.
- OCS preliminary analysis shows that removing the second step of increase lessens the overall rate shock and smooths out the rate changes, but results in slightly higher costs because of related interest expense.
- OCS is concerned that the current treatment of net power costs (i.e. EBA design) no longer results in just and reasonable rates.



Overview of Review Process (part 1)

- Step 1: Revenue Requirement (determine how much revenue the utility needs to provide adequate, safe, and reliable service)
 - Cost of Capital/Rate of Return – establish the reasonable rate of return for utility capital investments to maintain the financial health of the utility
 - Evaluate whether new capital investments are prudent
 - Analyze all expenses to ensure that forecasts are well supported and that the expenses reflect prudent utility operations



Overview of Review Process (part 2)

- Step 2: Cost of Service/Rate Design
 - Analyze the Class Cost of Service study, which allocates different accounts and types of costs to the various customer classes to determine how much it costs to serve each class. (Is the allocation method appropriate? Do the allocation factors reflect how utility costs are incurred? Which customer classes are paying their fair share and which classes are under or over paying?)
 - Review rate design proposals, such as how much revenue is collected through fixed charges and through charges that vary with usage levels. (Does the design reflect how the utility incurs costs? Is it fair to customers? Does it result in just and reasonable rates?)
 - Evaluate proposals for new rate mechanisms. (Do they collect adequate revenue? Are they just and reasonable?)



Phase 1: Cost of Capital/Rate of Return

- Requested 9.65% ROE (same return on equity as currently in rates)
- Requested 7.45% ROR (current overall rate of return is 7.34%)
- Requests setting rates on a hypothetical 50% debt/50% equity (.01% for preferred stock)
- Forecasted actual capital structure:

Forecast as of December 31¹:	2024	2025
Long-Term Debt	56.06%	55.57%
Preferred Stock	0.01%	0.01%
Common Equity	43.93%	44.42%
Total	100.00%	100.00%

- Status: OCS has procured a Cost of Capital expert who has provided our internal team a first draft of analysis for additional review.



Phase 1: Review of Capital Investments

- New capital investments primarily include acquisition and repowering of wind projects.
 - These projects have not received previous regulatory review.
 - Status: OCS is using a consultant under contract for reviewing new acquisitions and has an upcoming meeting to discuss preliminary recommendations.
- Wildfire mitigation investments also comprise a large portion of the case.
 - These costs were included in Rocky Mountain Power's 2023 Wildfire Plan, which was not approved by the PSC.
 - OCS requested guidance from PSC in recent legal briefing.
 - OCS is working with an expert to develop internal expertise on evaluating wildfire mitigation investments.



Wildfire Related Issues

- Wildfire mitigation costs, investments, and insurance are issues throughout the rate case.
- OCS will be further analyzing issues such as:
 - Did RMP include enough additional information to justify that increases in investments and expenses from 2021-2022 are truly incremental and qualify for inclusion in the balancing account established in Utah law?
 - Should customers be required to pay carrying costs (i.e. interest) on costs that RMP did not previously adequately justify?
 - Does RMP propose adequate evaluation metrics for evaluation of future costs for inclusion in the balancing account outside of a rate case?
 - Should RMP be allowed to include in rates the incremental costs for the 2025 test period that are associated with the 2023 Wildfire Plan that the PSC explicitly did not approve?



Phase 1: Review Expenses and Regulatory Accounting

- OCS is working with an expert regulatory accountant to do a full evaluation of the regulatory accounting, all categories of expenses, and the revenue requirement model.
 - Expert has a long history working with the OCS and a deep understanding of Rocky Mountain Power's processes and models.
 - Status: OCS has an upcoming meeting with the expert to discuss their preliminary recommendations.



Phase 2: Cost of Service/Rate Design

- Phase 2 issues include:
 - Design changes to the Energy Balancing Account
 - Proposed new Insurance Cost Adjustment
 - Proposed 50% increase to residential monthly customer charge
 - Proposal to make residential energy rates flat across usage levels and time periods
 - Two new charges for large commercial/industrial customers
 - Minor changes to existing Time of Use rates
 - Overall review of the Class Cost of Service study
- Status: OCS has procured the same expert we used in the last Rocky Mountain Power rate case and analysis is underway.



Schedule

	Phase 1	Phase 2
Direct Testimony	October 17	October 30
Rebuttal	November 15	November 26
Sur-rebuttal	December 4	December 12
Hearings	Dec 9 – 13 (16-17)	Jan 15 – 16 (17)

- Public Witness Hearing: December 9th at 4:00pm



Questions/Discussion



Closed Session

Pursuant to Utah Code Section 52-4-205 (1)(c):
*Strategy sessions to discuss pending or reasonably
imminent litigation*



Other Business/Adjourn
