PUBLIC MEETING

Utah Committee of Consumer Services

May 12, 2022

Case Updates

Case Updates Overview

- Dominion Energy Utah (DEU) General Rate Case
- Rocky Mountain Power Special Contracts
  - US Magnesium
  - Nucor
  - Litigation issues will be addressed in closed session
- Questions on other updates?

Case Updates: DEU General Rate Case

- DEU request: Increase of $70.5 million, rate-effective date of January 1, 2023, return on equity of 10.3%, capital structure of 47% debt/53% equity
- DEU states the primary drivers of the rate increase are:
  - Ongoing capital investment requirements (associated with upgrading/replacing aging infrastructure and the costs of serving an increasing number of new customers);
  - Costs of constructing the LNG facility. (Due to unforeseeable increases associated with the COVID-19 Pandemic, final costs for the LNG Facility are expected to be $8.4 million over the PSC approved investment.)
  - Increases in labor and non-labor O&M expenses caused by inflation and other factors.
- To eliminate intra-class subsidies, DEU proposes to split the transportation class into three smaller classes
- For the typical GS customer who uses 70 Dth per year, this would be an increase of approximately $39.86 per year, which is an overall increase to a typical residential customer's bill of approximately 5.69%.
- OCS is reviewing the filing. The analytical team will include three contracted experts: Rate of Return, Regulatory Accountant, Cost of Service/Rate Design

Case Updates: RMP Special Contracts

- Overview Comments:
  - Terms and conditions of both contracts are confidential
  - In general, PSC has not provided guidance on what circumstances warrant special contracts rather than taking service from tariff schedules open to all customers
  - OCS would prefer to see the development of more generally applicable tariffs addressing consistent treatment of interruptible provisions/DER (demand energy response)
- US Magnesium: background
  - US Mag filed a request for the PSC to require RMP to enter into a contract for special rates and curtailment provisions with terms preferred by US Mag
  - DPU led a task force to study the issues surrounding US Mag's special interruptible contract and electric service agreement (ESA)
  - RMP filed responsive testimony opposing many of the terms proposed by US Mag and outlining a different set of terms it could support
  - The process went forward with three rounds of testimony and an upcoming scheduled hearing

Case Updates: RMP Special Contracts (cont.)

- DPU direct testimony supported US Mag maintaining a special contract with some adjustments
  - Change some elements of the curtailment Need a transition period between old contract and new contract
  - New ESA should have a short term (1 – 3 years)
  - US Mag rates could consider public interest factors such as jobs or national security
  - PSC should provide guidance to parties on how to structure special contracts
- OCS raised concerns about both proposals and supported concepts to be incorporated in any approved contract
  - ESA contract rates should cover all of customer's fixed costs and should reflect how US Mag is using RMP's system
  - New contract term should be limited to 2 years due to industry uncertainties
  - Gradualism should be applied if US Mag's rates are increased
  - RMP should harmonize use of DSM resources – interruptible tariffs
  - PSC should provide guidance on how special ESA contracts should be structured to be in the public interest

Case Updates: RMP Special Contracts (cont.)

- RMP filed for approval of a new, ten-year contract to provide electric service to Nucor
  - DPU recommended approval
  - OCS recommended that no longer than a two-year contract should be approved, citing concerns
    - RMP's calculation of the curtailment credit uses subjective modeling and incorporates the not-yet-acknowledged 2021 IRP preferred portfolio
    - The MSP agreement is changing which could affect the value of the Nucor interruptible resource
    - RMP's filing does not address how new rates impact Nucor meeting its cost of service
    - RMP may develop interruptible tariffs which Nucor could move to in the future.

Open and Public Meetings Act

Resolution

Resolved, the Committee of Consumer Services will conduct all electronic meetings consistent with the requirements in Utah's Open and Public Meeting Act and any associated Department of Commerce rules regarding electronic meetings.

Further resolved, when conducting business in an electronic meeting, the Committee of Consumer Services will count those members participating remotely toward calculation of a quorum and in taking votes.

Policy Objectives

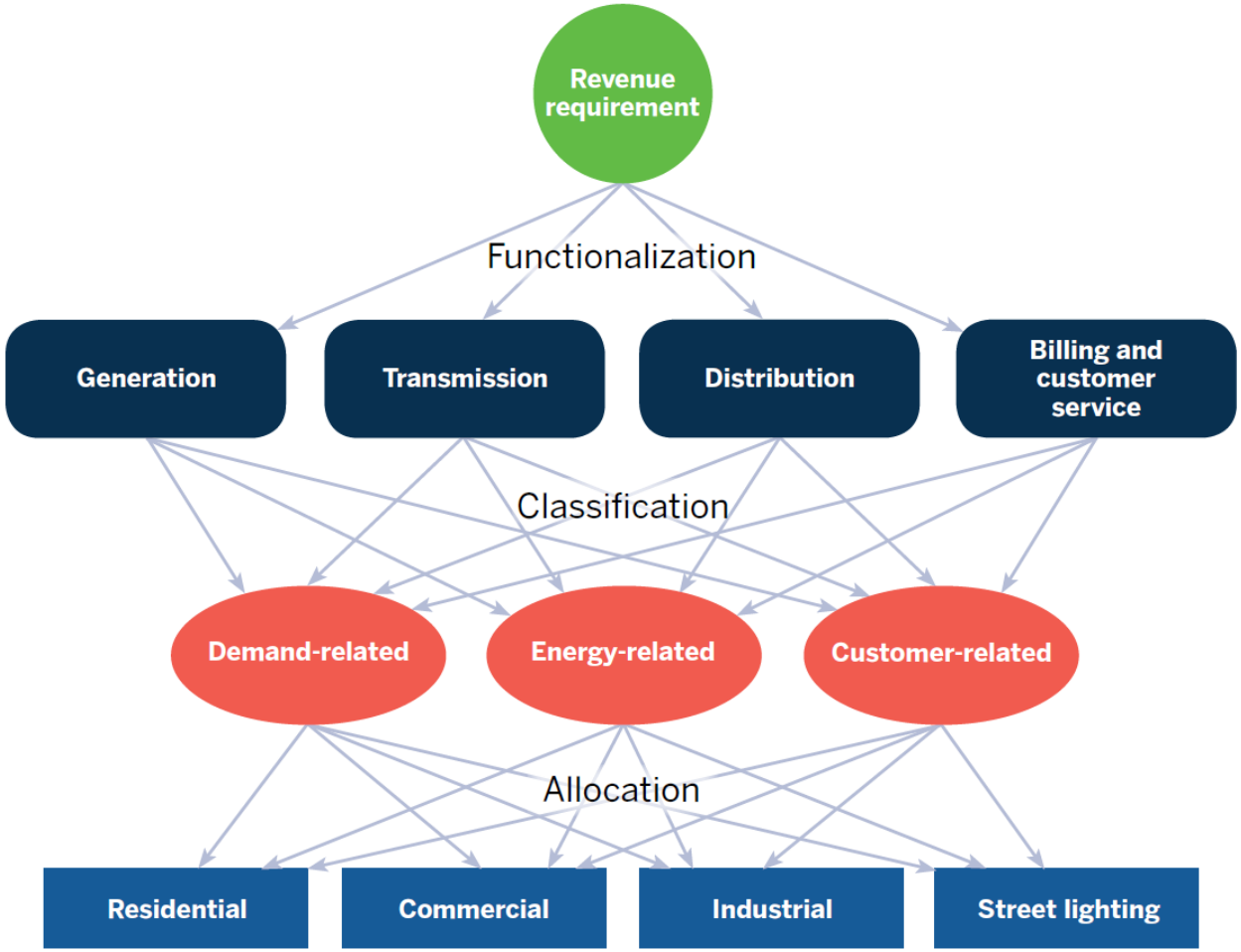
Policy Objectives: Potential Updates

- Change the tone and style to eliminate references to the Office or the Committee, instead making direct statements regarding the desired outcomes. (as shown in redline document)
- Amend #11 to read (proposed new language in red):

  Advocate positions that promote universal service as well as ensure proper oversight and efficient use of Utah Universal Public Telecommunications Service Support Fund (also known as the Utah USF).
- Explicitly affirm the concepts in the other policy objectives as of today's date.
- After additional study and discussion (later this year), consider drafting a policy objective to specifically address time-of-use rates or generally address evolving rate design concepts.

Discussion: Time-of-Use Rates

Review: Standard ratemaking process



Source: Regulatory Assistance Project (2020):Electric Cost Allocation for a New Era: A Manual

AND Similar Changes to Generation Planning reflecting significant changes of Generation Resource Types

Modernizing Cost of Service Studies

Example: Changes to Transmission Planning

Historically	Today
+ Planning for a winter or summer peak was the predominant method to assess system reliability and determine need for transmission projects	+ Planning assessments now factor in additional load periods other than system peak conditions + Planning and procurement processes respond to increasing renewables, DERs, aging transmission, and coal retirements

"Planning for just a summer and/or winter peak no longer captures all of the reliability needs necessary to meet these dynamic and changing system conditions for other loading periods of the year."

- Dominion Energy filing, 2019

Traditional transmission cost drivers have changed – same for generation

Source: Virginia Electric and Power Company Response to June 14, 2019 Deficiency Letter; Docket No. ER19-1661-001.

Source: Strategen presentation developed on behalf of OCS.

Changes to Power System Affect Cost Allocation

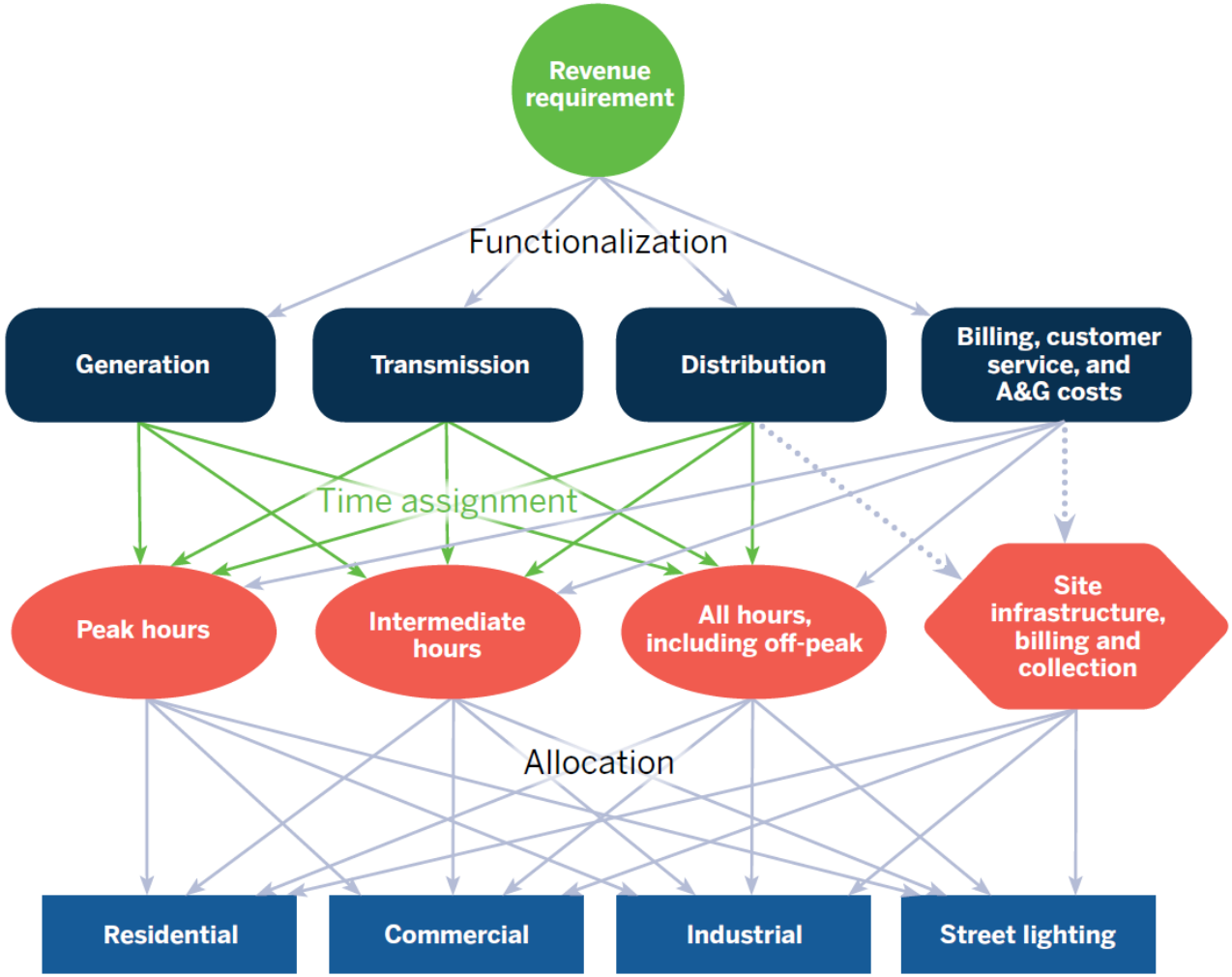
Renewables	Peaking Resources	Storage & Variable Costs	Customer-Sited Resources	Smart Grid Systems
Renewable resources are replacing fossil fuels; replaces variable fuel costs with invested capital	Peaking resources are becoming closer to load centers which lowers the need for transmission line investments	Improving storage technology has turned storage into a new peaking resource that lowers variable costs	Increase in customer-sited resources such as storage and solar in the modern grid	Smart grid systems including energy efficiency and demand response

There are several significant changes occurring within power systems

Source: Regulatory Assistance Project (2020), Electric cost allocation for a new era: A manual.

ALSO, resource adequacy and reliability studies show that the “strained” hours of the system are no longer focused at time of peak or high load hours. Variability is driving the strain.

Potential changes in a modern cost of service study



Source: Regulatory Assistance Project (2020):Electric Cost Allocation for a New Era: A Manual

What is a Time-of-Use Rate?

- Time of Use rate schedules charge different rates for electric consumption at different times of the day.
- Simple hypothetical example:
  - 10 cents/kWh for most hours
  - 20 cents/kWh for the peak hours of 4:00 – 9:00 pm, Monday through Friday
- Stakeholders debate specific elements of design:
  - Is a relatively low differential of 2:1 (like the above example) enough to change behavior?
  - Would a high differential (like 10:1 or higher) provide more incentive to result in greater changes in consumption patterns? Would it be punitive to those who cannot make as many changes?
  - Would it be better to incorporate a more complex design with multiple time periods? (like a "super off peak" in the overnight hours with even lower rates to promote EV charging and other uses AND/OR a "critical peak period" with extra high rates to provide incentives to cease as much consumption as possible during hard to serve hours) Or would multiple time periods cause more confusion than benefits?

Pros/Cons for Residential TOU Rates

- Benefits
  - Better matches the actual use of the system – therefore the rate design would promote most efficient use of existing system
  - If customers adjust consumption according to price signals, would result in most efficient expansion of the electric system
- Challenges
  - Customers understand the tiered rates. Understanding time of use rates may take time.
  - The time periods of on and off may change over time. Critical peak or super off-peak could also be added over time. Will customers adjust to a rate schedule that is less durable?
  - Some customer will be able to adjust their consumption more, and will see bill savings. However, the customer class must still pay its full cost of service. Will this shift costs to those who cannot adjust behavior?
  - Mandatory time of use rates would maximize benefits and send proper price signals to all customers. Would mandatory TOU harm our most vulnerable customers?
- Ideas
  - Slow implementation, i.e. eliminate tiered rates and implement on/off peak with minimal price differential.
  - Opt-in or opt-out rate design
  - Would multiple options help or simply increase the complexity.

Input Sought

- Committee members can provide a valuable perspective from the communities you represent
- OCS seeks input on:
  - Understandability
  - How to facilitate transition
  - Should it be mandatory or opt in
  - How to design educational materials

Closed Session

Pursuant to Utah Code Section 52-4-205 (1)(c):

Strategy sessions to discuss pending or reasonably imminent litigation

Other Business/Adjourn