



PUBLIC MEETING

Utah Committee of Consumer Services

May 21, 2009



Welcome & Business



Case Updates

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Case Updates

2008 RMP Rate Case

- Revenue Requirement settlement
 - \$45 M
 - Average rate increase of 3.34%
- Rate Spread Settlement
 - Small commercial and irrigators receive jurisdictional average increase
 - Residential consumers allocated smaller increase (2.32%)
 - Large commercial and industrial allocated larger increase
- Both settlements in public interest
 - Based on significant analysis
 - Consistent with policy priorities of the Committee
 - Protect small consumers, while considering both price and reliability



Case Updates

2009 RMP Rate Case

- Next rate case anticipated to be filed June 15th
 - New rates would go into effect in February
- RMP has filed for ECAM
 - Filed 3 months in advance per earlier agreement
 - ECAM case has begun with technical conferences
 - Parties file scope of issues on Tuesday
- Test Year has been settled in advance
 - July 2009 – June 2010 test year
 - Agreement to two “major plant additions” cases (with two facilities each) allowed by SB75
 - Agreement for next rate case no sooner than January 2011
 - Hearing on settlement today at 2:30



Case Updates

Questar Cases

- Questar filed for a \$50 M refund in the 191 account
 - Better balances the account than a rate decrease
 - Returns money to customers more quickly
- Questar filed for an extension of the CET pilot through the end of 2010
 - OCS agreed with concept
 - Postpones review until after the release of study evaluating success of DSM programs
 - Likely postpones next rate case approx. one year



Case Updates

Ongoing Telecom Cases

- Rate Cases: Manti Telecom, All West
- Bresnan
 - Has CPCN as CLEC
 - ILEC currently fighting interconnection
- Beehive
 - Interconnection agreement with Citizens was denied because of lack of CPCN
 - Now filed for CPCN
- All American
 - Was serving outside territory granted in CPCN and came back for an adjustment to its CPCN
 - Asked for an informal process, other parties insisted on formal
 - Ongoing process motions



Case Updates

Other Cases

- Insulation cases
 - Received media attention
 - OCS view: programs are good, but rebates set too high
 - Both RMP and Questar rebates have been changed
 - OCS raised significant issues about consumer notice of these types of changes
- NGV
 - PSC docket began with technical conference
 - Governor's office also held workshop (which was better attended)
 - Interaction of two groups unclear
 - Next steps unclear



Rocky Mountain Power 2008 General Rate Case Residential Rate Design

Dan Gimble



RMP Rate Design

Background

- **Revenue Requirement**: \$45M or 3.34% avg rate inc.
- **Rate Spread**: The PSC has approved the following rate spread,
 - Residential: 2.31%;
 - Sm Comm. and Irrigation: 3.34%;
 - Lg Comm. and Industrial: 4.34%
- **Rate Design**: After rate spread is determined, the revenue associated with individual classes needs to be collected through various rate components or charges (demand, energy, customer charges) on customers' bills. This is commonly referred to as rate design.



RMP Rate Design

Ratemaking Principles

- **Cost Causation**: Rates should reflect cost-of-service to send appropriate price signals to customers regarding their use of electricity.
- **Fairness**: Rate increases to segments within a class that have different usage patterns should be fair such that intra-class subsidies are either minimized or eliminated.
- **Gradualism**: Rate analysts strive to moderate substantial, one-time rate impacts on a single customer class, or a segment of customers within a class.



RMP Rate Design

Ratemaking Principles (continued)

- **Conservation**: Energy conservation is an increasingly important rate design goal to encourage customers to use energy wisely.
- **Revenue Collection**: A good rate design should,
 - provide the utility with an opportunity to collect the revenue requirement authorized by the PSC
 - avoid over- or under-collection of revenues from individual classes.



Current Residential Rate Structure

- Customer Charge of \$2.00/month
- Inverted 3-Block Summer Energy Rate Structure:

<u>Blocks</u>	<u>Usage</u>	<u>Rate</u>
Block 1	0 - 400 kWh	7.5389 cents/kWh
Block 2	401 - 1,000 kWh	8.5562 cents/kWh
Block 3	1,001 - 5,000 kWh	10.0779 cents/kWh
- Single (Flat) Winter Energy Rate: 7.5389 cents/kWh
- A tariff rider is currently in place that effectively raises each of these rate elements by 2.96% resulting from the rate increase in the last (2007) case.
- Summer Period = May – Sept.; Winter Period Oct. – Apr.



RMP Rate Design

RMP's Residential Rate Design Proposal

- Increase the monthly customer charge from \$2 to \$3.85.
- Two-part summer inverted energy rate (breakpoint at 1,000 kWh/month) with more of the revenue increase placed on the second block energy rate.
- Retain the single (flat) winter energy rate and increase the winter energy rate less than the increase applied to the summer first block energy rate.
- Withdrew for this case the controversial customer load charge (CLC) of \$6.00/month for customers using over 1,000/kWh month for two continuous summer months (essentially most customers using central air).



RMP Rate Design

RMP's Rationale for Proposal

- Proposal increases the level of fixed cost recovery through the higher customer charge level. This affords the Company greater revenue certainty and stability.
- Proposal provides stronger price signals to customers with high summer usage patterns.
- Proposed two-part summer energy rate structure is easier for customers to understand vs. current three-part summer rate structure.



RMP Rate Design

OCS Response to Proposal

- RMP's proposal raises concerns of intra-class fairness.
 - The proposal results in a wide disparity in summer bill impacts among low, medium and high use residential customers. Low use residential customers would incur relatively high bill impacts compared to residential customers using significant amounts of energy.
- RMP's proposal is contrary to goals of conservation
 - Punishes customers who are practicing conservation (through disproportionately high bill impacts on lower use customers)
 - Promotes consumption by medium and high use residential customers (through disproportionately low bill impacts)
- RMP's proposal places the Company's "private interest goal" of revenue stability above a key "public interest goal" of encouraging energy conservation.



RMP Rate Design

OCS Ideas for Residential Rate Design

- Increase the monthly residential customer charge with the objective of gradually bringing that rate element in line with cost-of-service over the next two to three cases.
- Retain the existing inverted, three-block summer energy rate structure and place more cost responsibility in the last two blocks, especially the tailblock.
- Increase the flat (single) winter energy rate but decrease the summer first block rate. These rates are currently the same and have been linked in past cases.
- Continue and increase customer education about rate design.



RMP Rate Design

Committee Discussion and Next Steps

- Discussion
- Next Steps
 - Direct Testimony is due June 4, 2009,
 - Rebuttal Testimony is due June 29, 2009
 - Surrebuttal Testimony is due July 13, 2009
 - Hearings are scheduled for early August 2009.



Closed Session



Open Session



Other Business/Adjourn
