



PUBLIC MEETING

Utah Committee of Consumer Services

January 11, 2012



Welcome & Business



Case Updates



Rocky Mountain Power cases

- Hedging
 - Collaborative efforts to align Company practices and policy with customer risk preferences
- EBA
 - Series of Technical Conferences to work through implementation issues
 - Lack of agreement on all issues led to additional round of comments for Commission decision
- IRP
 - Awaiting Commission Order



Natural Gas 2012 Budget Filings

- DSM / Energy Efficiency
 - Requested decrease of \$3 million for the next year due to lower forecasted expenditures (\$2.59/year per typical residential customer).
- Infrastructure Replacement
 - Projected expenditures for the coming year are higher by \$5 million based on the grouping of work (\$1.98/year per typical residential customer).

Net change: \$.61 or .3% reduction



2012 Budget and Priorities



2011 Cases and Accomplishments

- Favorable RMP General Rate Case outcome
 - Mitigated rate increase
 - Settlement incorporated several outstanding cases
 - Hedging collaborative
 - Began discussion regarding customer charge
- Energy Balancing Account granted
 - Workload included details of implementation
- Questar Cost of Service Task Force
- Ongoing training: new employees, new committee members, public meetings



2011 Cases and Accomplishments – cont.

- Qwest/CenturyLink Merger
- Questar Low Income Program
 - First year of operation
- Selection of new generating resource
 - Lakeside 2 under construction
 - New RFP issued for resource to be online in 2016
- PacifiCorp Multi-State Process
 - Agreement results in allocation process closer to rolled-in rates
- Wireless Lifeline
 - New options to serve low-income customers
 - Many unanswered questions
- PacifiCorp Integrated Resource Plan
- Participation in many policy forums



2012 Anticipated Workload

- Major Cases
 - Rocky Mountain Power General Rate Case
 - First EBA filing
 - Review of Rocky Mountain Power DSM programs
- Telecom RFPs
- Wireless ETC
- Other policy and regulatory initiatives



P&T Expenditures 2011

- Total paid FY 2011: \$490,261
- Total paid FY 2012 to date: \$95,687
- Issues covered
 - Bulk of expenditures associated with RMP rate case
 - Includes significant advance and resulting work regarding hedging policies and practices
 - Review of EBA implementation issues
 - Assistance with IRP issues, particularly load forecasting



P&T Funds Anticipated for 2012

- RMP GRC: approximately \$300,000
 - Lawton, Cost of Capital
 - Larkin, Revenue Requirement
 - Resource Insight, Cost of Service/Rate Design
 - Falkenberg/Hayet, Net Power Cost
 - GDS, Load Forecasting
- EBA: approximately \$100,000
 - First filing will be spring 2012
 - Review needs are uncertain and may not be fully understood until the 2013 filing since first filing will only cover three months
- Telecom investigation: approximately \$100,000 – 150,000
 - Three RFPs evaluating rural telecom issues
 - Estimate based on hours bid, costs of proposals still not known
 - Could lead to ongoing level of expenditures



Concluding Observations

- Funding
 - \$500,000 represents an ongoing, average
 - P&T needs don't fit neatly within fiscal year
 - Non-lapsing for P&T funds essential to smooth out the spending
- Workload Priorities
 - Primarily driven by major utility case filings
 - Assessing rate impacts is primary statutorily defined duty
 - Other initiatives work around major cases
- Goals
 - Continue to build internal expertise on certain rate case issues to free up P&T funds for other potential needs
 - Continue to work on outreach and consumer education



2012 Legislative Session



Filed Bills

- SB94, Bramble: Electric Power Facilities Amendments
 - Relates to interlocal utility
 - Office does not have significant interest
- SB12, Madsen: Energy Amendments
 - Allows large customers to purchase directly from renewable energy facility
 - Office has reviewed drafts
 - Concepts are well intended
 - Will continue to monitor to ensure that details do not result in unintended consequences



Anticipated Bills & “Boxcars”

- Facilities Siting Board
 - Proposed changes to clean up statute and/or “fix” policy issues
 - Unlikely to be of nature for Office to participate
- Building Code
 - Compromise was not achieved
 - Multiple proposals possible
 - General statement supportive of energy codes from Office
- Boxcars
 - Senator Bramble, Energy Revisions
 - Representative Barrus, Energy Changes



Plan for Legislative Session

- At present, no major legislative concerns
- In past, legislation has arisen that required closer monitoring and/or additional input from Committee
- What is Committee preference for obtaining input and scheduling additional meetings if topics arise?



Office Responsibility to Assist Customers



The Issue

54-10a-301. Powers and duties of office.

(1) The office shall:

(a) assess the impact of utility rate changes and other regulatory actions related to an applicable public utility on residential and small commercial consumers;

(b) assist a residential consumer or a small commercial consumer in appearing before the commission; and

(c) through its director, advocate, on the office's own behalf and in its own name, a position most advantageous to residential and small commercial consumers.



The Dilemma

- What constitutes “assist”?
 - Legal representation not allowed
 - Positions taken by the Office must be advantageous to entire customer class, not any one individual customer
- How does the Office reach individual customers?
 - Processes designed to send customers to other agencies
 - Office staffing levels limit participation in complaint cases
- Concerns regarding whether processes meet customer needs



Recent Events

- Misunderstanding regarding Office's role has created a need to re-examine and ensure consistent view among Office, Division of Public Utilities and Public Service Commission
- Heads of agencies/divisions met to discuss expectations and appropriate roles



Outcome

- PSC and DPU documents explaining complaint process and requirements will be re-written
- Customer “guides” to the process with Office logo will be created
- PSC and DPU agreed to distribute the Office guide along with their own material
- Office will continue to provide more assistance on an “as requested” basis
- Assistance includes:
 - General recommendations for effective presentation of complaints
 - Assistance in obtaining necessary information for case
 - Explanation in understanding process and how to best participate



Federal Universal Service Fund: **MAJOR REVISION**



Federal Universal Service Fund History

- Established in 1934 to provide telephone service to all households; and to ensure that customers have access to basic telecommunications service at just, reasonable and affordable rates.
- The 1996 Telecommunications Reform Act added four programs: 1) High Cost, 2) Low-Income, 3) Schools and 4) Health Care



Changes to USF to reflect changes in telecom

- Federal Universal Service Fund reform proposals began in earnest at the FCC in 2008.
- Finally a much anticipated new order was issued on Friday, November 18, 2011 – 751 pages.
http://hraunfoss.fcc.gov/edocs_public/attachmatch/FCC-11-161A1.doc
- The changes are not all immediate. There are several stages in the implementation of the new rules.
 - Immediate change is in compensation rules for VOIP traffic.
 - Other changes will happen over time as further Notice of Proposed Rulemaking (NOPR) are issued.



Overview of the New Rules

- **Universal Service:** The focus is away from basic landline voice telephone service towards the universal availability of broadband internet service and mobile wireless broadband service.
 - The fund is ‘capped’ at \$4.5 billion (its current level) or 17.9%
 - The low income (Lifeline) program was not mentioned...its reform is expected in the near future.
- **Intercarrier Compensation:** Carriers receive money for the calls terminated at their end by charging customers rather than receiving the money from the initiating caller’s phone company.
- **IP-to-IP Interconnection:** To encourage the use of IP technology the FCC expects carriers to negotiate in good faith to migrate to IP technology.



New Funds Created

- **Connect America Fund (CAF):** The new umbrella program that will govern the disbursement of funding aimed at increasing access to voice and broadband service in rural and remote areas.
- **Mobility Fund:** The funding of 3G or better mobile broadband where such services are unavailable.



New Technology Emphasis

- Forces technology neutral services – to ensure VOIP services are included within the telecommunication system and set IP as the technology standard; and
- Requires ETC's to offer broadband services (4 Mbps downstream / 1 Mbps upstream).



Intercarrier Compensation

- Mandates the phase down of termination charges to zero;
 - To end traffic pumping and Phantom traffic (Access Stimulation)
- Forces the integration of VOIP traffic into the system; and
- Allows the reduction of revenues from other carriers can be recovered from end users.



Further Decisions Expected

- Open USF issues:
 - How should broadband speed and performance be measured?
 - How will it be determined if USF services are “reasonably comparable” to those in urban areas?
 - How will the decision on which company can offer a particular area’s wireless broadband be determined?
 - How should ILEC and ETC obligations be modified?
- Open Intercarrier compensation issues:
 - How can IP to IP be implemented when location is unknown?
 - Under what legal rationale can carriers charge end users for terminating calls?
 - How can the system transform from carrier to carrier billing agreements, negotiated in good faith, to end user billing?



Implications for Utah telephone customers

- New uses for USF likely to exceed the soft “cap” (i.e. continued cost increases).
- State USF is expected to be leaned on to fill the gap caused by reduced Federal funding (i.e. more cost increases)
- Results in winners and losers (both companies and customers).
- Uncertainty.



Smart Grid Presentations



Other Business



Adjourn
