UTAH ASSOCIATION OF ENERGY USERS

Industrial Ratepayer Perspective

Background: A reasonable balance between the interests of monopoly utilities and their captive ratepayers has significantly eroded in the State of Utah. The critical regulatory role intended to be played by the Utah Public Service Commission has been circumvented in key areas, leaving customers to bear more and more of the risks that were previously shared between customers and utility shareholders. Effective regulation must provide a check on monopoly practices in states where utilities face little or no competition for customers. Over the last 15 years, such checks have been steadily diminishing for customers served by Rocky Mountain Power (RMP).

For industrial and other large energy users in particular, the lack of effective utility regulation and the absence of access to competition or market opportunities leave them subject to potential monopoly abuses. As the proper "competitive balance" required for a meaningful regulatory paradigm declines, customers who require significant amounts of electricity can lose their competitive edge in local, national and international markets, eroding economics, discouraging economic development and impacting the Utah economy.

For Utah RMP customers, significant costs and risks have been shifted from the utility to its captive ratepayers:

- Legislation has consistently shifted more and more risks to utility customers.[1]
- Utah companies are denied access to favorable market opportunities, unlike many of their competitors:
    - Customers in other western states served by PacifiCorp have more favorable energy cost sharing mechanisms.[2]
    - Many customers in other western states can access market sources for cheaper power.[3]
- The lack of regulatory oversight due to circumventing the Public Service Commission's authority and going to the legislature for significant decision making, and massive unnecessary utility investments are driving rates higher and further complicating access by large customers to competitive power supplies.
- The legislature eliminated an energy cost risk-sharing mechanism determined by the Commission to be necessary to protect the public interest.[4]

Conclusion: UAE urges the legislature to take affirmative steps to protect Utah ratepayers and the competitiveness of Utah businesses by:

- Ensuring aggressive and meaningful utility regulation;
- Rejecting any further transfer of risk from utilities to customers;
- Ensuring that the energy cost risk-sharing mechanism remains in effect after it is reinstated January 1, 2019, per SB 115 requirements; and
- Supporting access by large customers to market opportunities for low-cost energy supplies.

[1] See "Legislative Risk-Shifting" summary
[2] See "PacifiCorp EBA Sharing Mechanisms" summary
[3] See "Market Opportunities for Electricity in Western States" summary
[4] See "Impact of EBA Sharing Mechanism in Utah" summary