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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager, Energy Section
Matt Croft, Utility Analyst
Doug Wheelwright, Utility Analyst

Subject: Docket No. 11-035-T10 & Docket No. 12-035-67. Rocky Mountain Powers' compliance filing with regards to Electric Service Schedule 94, Energy Balancing Account (EBA) Pilot Program.

Division's Recommendation: Approval with language modifications to pages 94.7 and 94.8.

Date: May 29, 2012

RECOMMENDATIONS

The Division has reviewed Rocky Mountain Power's (Company) proposed Schedule 94 and with the exception of certain language on pages 94.7 and 94.8, finds it to be substantially compliant with the Commission's orders. The Division recommends the Commission approve the compliance filing with some language modifications to pages 94.7 and 94.8. These modifications are discussed below and have been reviewed and accepted by the Company. The Division recommends that the $20 million in Deferred NPC go into rates starting June 1, 2012 according to the rate percentages shown on page 94.9 of the Company's tariff.

DISCUSSION

The Company submitted a revised Schedule 94 on May 18, 2012, in compliance with the Commission's Orders in Dockets 10-035-124, 11-035-T10, and 12-035-67.

On September 13, 2011, the Commission issued an order that accepted the terms of a stipulation agreement signed by the parties in Docket 10-035-124. That settlement agreement specified that the $60 million of Deferred NPC would be spread to the classes based on the cost of service stipulation.

In its May 1, 2012 Order, the Commission directed the Company to file a modified Schedule 94. Specifically, as it relates to this compliance filing, the Commission directed the Company to:

1) Use a static allocator to determine Utah's actual Net Power Cost (NPC) for the EBA deferrals from October 2011 to December 2011.[1]

2) Use a dynamic scalar <u>or</u> dynamic allocation factors[2] (without influence of a scalar[3]) to determine Utah's actual Net Power Cost (NPC) for the EBA deferrals after the October 2011 to December 2011 period.

3) Use static allocation factors for wheeling revenues for the October 2011 to December 2011 deferrals.[4]

4) Use dynamic allocation factors for wheeling revenues for future filings after the March 2012 EBA filing.[5]

5) Use the Commission ordered overall revenue requirement spread from the previous general rate case (Docket No. 10-035-124) to spread the October 2011 to December 2011 EBA deferral balance.[6]

6) Use a Composite NPC allocator to spread the EBA Deferral Balances after the October 2011 to December 2011 period.[7]

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[1] See page 4, second paragraph of the Commission's May 1, 2012 Order in Docket No. 11-035-T10

[2] See the second paragraph on page 4 of the May 1, 2012 Order in Docket No. 11-035-T10.

[3] See the last paragraph on page 4 and the top of page 5 in the Commission's May 1, 2012 Order in Docket 11-035-T10.

[4] See the third paragraph on page 4 of the May 1, 2012 Order in Docket No. 11-035-T10.

[5] See the third paragraph on page 4 of the May 1, 2012 Order in Docket No. 11-035-T10.

[6] See last paragraph on page 11 of the May 1, 2012 Order in Docket No. 11-035-T10.

7) Reference the Division's proposed Medium level of account detail and attach that detail to the end of the tariff.[8]

8) Use the statutory language with respect to allocation of EBA Deferrals to special contract customers.[9]

9) Use the Division's unopposed modification to the definition of EBA Deferral Account Balance.[10]

10) Use the Company's typographical correction to the EBA carrying charge equation used in its original filing.[11]

On May 14, 2012, the Commission issued a bench order with respect to Docket No. 12-035-67. Specifically, and as it relates to this compliance filing, the Commission ordered that rates be established June 1, 2012, to recover the $20 million Deferred NPC at issue in that Docket. The Commission also ordered that the company use the billing determinants from the previous general rate case (Docket No. 10-035-124) to establish rates associated with the $20 million Deferred NPC. With respect to the $8.9 million EBA Deferral balance at issue in Docket 12-035-67, the Commission's bench order established a schedule for briefs but did not establish a rate effective date or an EBA Deferral Balance amount to be recovered from customers. Neither the bench order in Docket 12-035-67 nor the order in Docket No. 11-035-T10 addressed the billing determinants to be used in the current or future EBA Deferral Balance filings. Both orders were also silent as to which billing determinants should be used for the remaining $40 million of Deferred NPC.

With respect to items 1 and 2 above, the Company's tariff states on page 94.8 that "The Utah Allocation Scalar will be calculated and approved in the most recent general rate case, major plant additions case, or other case where Base EBAC are approved." The Commission's May 1, 2012 Order directed that a static allocation factor be used for the first EBA filing and that a

[7] See last paragraph on page 12 of the May 1, 2012 Order in Docket No. 11-035-T10.
[8] See the third paragraph on page 14 of the May 1, 2012 Order in Docket No. 11-035-T10.
[9] See the first paragraph on page 15 of the May 1, 2012 Order in Docket No. 11-035-T10.
[10] See the second paragraph on page 15 of the May 1, 2012 Order in Docket No. 11-035-T10.
[11] See the third paragraph on page 15 of the May 1, 2012 Order in Docket No. 11-035-T10.

dynamic scalar <u>or</u> dynamic allocation factors[12] (without influence of a scalar[13]) be used in future annual EBA filings to calculate Utah's actual NPC. As such, there is some inherent difficulty in developing tariff language that satisfies the three scenarios[14] ordered by the Commission for determining Utah's actual NPC. In addition, and with respect to items 3 and 4 above, the tariff must satisfy two scenarios[15] with regards to calculating actual wheeling revenue. In order for the proposed tariff language on pages 94.7 and 94.8 to be compliant with items 1 through 4 above, the Division proposes the following language changes.

> **EBA DEFERRAL:** The monthly EBA Accrual (positive or negative) is determined by calculating the difference between Base NPC and Actual NPC using one of the two methodologies as is described below.
>
> <u>Scalar Methodology</u>
>
> $$EBA\ Deferral_{Utah,\ month} = [(Actual\ EBAC_{month/MWh} - Base\ EBAC_{month/MWh}) \times Actual\ MWH_{Utah,,\ month}] \times 70\%$$
>
> Where:
>
> $$Actual\ EBAC_{month/MWh} = [(NPC_{TC,\ month,\ actual} / Actual\ MWh_{TC,\ month}) \times S] + (WR_{Utah,\ month,\ actual} / Actual\ MWh_{Utah,\ month})$$
>
> $$Base\ EBAC_{month/MWh} = [(NPC_{TC,\ month\ base} / Base\ MWh_{TC,\ month}) \times S] + (WR_{Utah,\ month,\ base} / Base\ MWh_{Utah,\ month})$$
>
> TC = Total Company
>
> S = Utah Allocation Scalar, a factor to convert Total Company NPC per MWh to fully allocated Utah NPC per MWh. This is necessary because not all NPC are allocated based on ~~the basis~~ MWh. The Utah Allocation Scalar to be used in Base EBAC will be calculated and approved by the Commission in the most recent general rate case, major plant additions case, or other case where Base EBAC are approved. The Dynamic Utah Allocation Scalar to be used in Actual EBAC will be calculated based on actual results and approved by the Commission through

[12] See the second paragraph on page 4 of the May 1, 2012 Order in Docket No. 11-035-T10.
[13] See the last paragraph on page 4 and the top of page 5 in the Commission's May 1, 2012 Order in Docket 11-035-T10.
[14] Using 1) the static scalar for the first EBA filing 2) the possibility of using a dynamic scalar for future filings, 3) the possibility of using dynamic allocation factors for future filings.
[15] Static allocation factor for the March 2012 EBA filing and dynamic allocation factors for future EBA filings.

the Company's annual EBA filings or other case where Actual EBAC are approved.

$WR_{Utah,\ month}$ = Total Company Wheeling Revenue for the month multiplied by the appropriate allocation factors approved by the Commission. ~~from the most recent general rate case, major plant additions case, or other case where Base EBAC are approved~~. The allocation factors to be used in Base wheeling revenue will be calculated and approved by the Commission in the most recent general rate case, major plant additions case, or other case where Base EBAC are approved. The Dynamic Utah Allocation Factor(s) to be used in Actual wheeling revenue will be calculated based on actual results and approved by the Commission through the Company's annual EBA filings or other case where Actual EBAC are approved.

Allocation Factor Methodology

$$EBA\ Deferral_{Utah,\ month} = [(Actual\ EBAC_{month/MWh} - Base\ EBAC_{month/MWh}) \times Actual\ MWH_{Utah,,\ month}] \times 70\%$$

Where:

$$Actual\ EBAC_{month/MWh} = [(NPC_{TC,\ month,\ actual} \times F) / Actual\ MWh_{Utah,\ month}] + (WR_{Utah,\ month,\ actual} / Actual\ MWh_{Utah,\ month})$$

$$Base\ EBAC_{month/MWh} = [(NPC_{TC,\ month\ base} \times F) / Base\ MWh_{Utah,\ month})] + (WR_{Utah,\ month,\ base} / Base\ MWh_{Utah,\ month})$$

TC = Total Company

F = Utah Allocation Factor(s) to convert Total Company NPC to Utah NPC. The Utah Allocation Factor(s) to be used in Base EBAC will be calculated and approved by the Commission in the most recent general rate case, major plant additions case, or other case where Base EBAC are approved. The Dynamic Utah Allocation Factor(s) to be used in Actual EBAC will be calculated based on actual results and approved by the Commission through the Company's annual EBA filings or other case where Actual EBAC are approved.

$WR_{Utah,\ month}$ = Total Company Wheeling Revenue for the month multiplied by the appropriate allocation factors approved by the Commission. ~~from the most recent general rate case, major plant additions case, or other case where Base EBAC are approved~~. The allocation factors to be used in Base wheeling revenue will be calculated and approved by the Commission in the most recent general rate case, major plant additions case, or other case where Base EBAC are approved . The Dynamic Utah Allocation Factor(s) (same as in "F" shown above)

> to be used in Actual wheeling revenue will be calculated based on actual results and approved by the Commission through the Company's annual EBA filings or other case where Actual EBAC are approved.

The Company has already reviewed the proposed changes and the Division's understanding is that the Company agrees with them. Currently, the Company has authorization to recover the $20 million of Deferred NPC through Schedule 94 and not the additional $8.9 million EBA Deferral Balance proposed in Docket No. 12-035-67. As such, the Division's modifications to pages 94.7 and 94.8 does not apply to rates that would go into effect on June 1, 2012 for the $20 million Deferred NPC.

With respect to items 5 and 6 above, the Company's definition of EBA Rate Determination on page 94.8 of its tariff states, "The EBA Deferral Account Balance as of December 31 shall be allocated to all retail tariff rate schedules and applicable special contracts based on the rate spread approved by the Commission." Page 2 of the Company's compliance filing cover letter states that this language was used, "To avoid confusion and to make the tariff language apply to both the 2012 and future EBA rate changes." The Division believes the Company's revised tariff language is sufficient to satisfy the Commission's May 1, 2012 Order that the general revenue requirement spread from the last general rate case be used for the October 2011 to December 2012 EBA Deferral Balance and that a Composite NPC allocator be used to spread the EBA Deferral Balance in future EBA filings. The Division believes the Company's revised tariff language also satisfy's the stipulation in Docket No. 10-035-124 which requires the $60 million Deferred NPC to be spread according to the cost-of-service stipulation. The Division found the customer class spread shown in the Company's compliance filing workpapers to match the spread that was approved in Docket No. 10-034-124.

With respect to item 7 above, the Company's tariff includes the Division's Medium level of detail in the body of the tariff rather than at the end as ordered by the Commission. Although not technically compliant with the Commission's order, the Division finds the Company's treatment of the account detail to be acceptable given the fact that it was originally the Company's concern to include the Medium detail within the tariff. The Company's cover letter for their compliance filing also states, "To avoid the duplication of including both the Company's proposed FERC account listing in the body of the tariff and a detailed account listing at the end of the tariff, the medium level of FERC and SAP account detail has been placed in the body of the tariff." The only slight modification to the Medium detail included in the tariff would be to delete one of the two SAP 301409 accounts under FERC Sub 4471400. This SAP account was inadvertently included twice in the Division's original Medium detail.

With respect to item 8 above, the Company's definition of "Application" on page 94.1 of its tariff includes the exact language from Utah Code 54-7-13.5(2)(f). The "Monthly Bill" section on page 94.9 also includes the exact language from the statute.

With respect to item 9 above, the Company's definition of "EBA Deferral Account Balance" on page 94.2 includes the Division's unopposed modifications set forth in Docket 11-035-T10.

With respect to item 10 above, the Company incorporated its typographical correction in the formula on page 94.8.

Lastly, the Division believes the rate percentages shown on page 94.9 of the tariff were developed using the appropriate rate spread percentages from the previous general rate case as well as the appropriate billing determinants from that case. The Division found the forecasted units shown in the "RateDesign" tab in the Company's compliance filing workpapers match those shown in Mr. Griffith's Exhibit WRG-5 in Docket No. 10-035-124.

The Company's revised tariff language on page 94.8 states, "The new EBA rate will be determined by dividing the EBA Deferral Account Balance allocated to each rate schedule and applicable contract by the schedule or contract forecasted Power Charge and Energy Charge revenues." The Company does not specifically define "forecasted" [16] as it relates to the new EBA rate. However, and as was mentioned previously, the Commission has not specifically ruled on which "forecasted" billing determinants will be used to develop rates associated with the current EBA Deferral Balance, future EBA Deferral Balances or the remaining $40 million of Deferred NPC. Since this issue is still open for those cases, the Division believes the tariff language[17] to be appropriate at this time. This language may require some modification in the future depending on the outcomes of the current and future EBA (and associated Deferred NPC) filings. The Division reiterates that the Company has incorporated the Commission's ordered billing determinants in developing the rate change percentage shown on page 94.9 of the Company's revised Schedule 94. These percentages only apply to the $20 million Deferred NPC recovery requested by the Company in Docket No. 12-035-67.

CONCLUSION

The Division recommends the Commission approve the Company's tariff as filed on May 18, 2012 with the proposed modifications above. Specifically, the Division proposes that pages 94.7 and 94.8[18] be modified to reflect the multiple scenarios the Commission has ordered with respect to calculating base and actual EBAC. Also, one of the two SAP 301409 accounts under FERC Sub 4471400 can be removed since it is duplicative. The Division recommends that rates be established June 1, 2012 to recover $20 million in Deferred NPC according to the rate change percentages shown on page 94.9 of the Company's proposed tariff.

CC:

Dave Taylor, Rocky Mountain Power

Michele Beck, Office of Consumer Services

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[16] Forecasted billing determinants could be from a previous rate case forecast, a current (at a March 15th EBA filing date) rate case forecast or an EBA rate effective period forecast.

[17] Specifically, the sentence on page 94.8 that states "The new EBA rate will be determined by dividing the EBA Deferral Account Balance allocated to each rate schedule and applicable contract by the schedule or contract forecasted Power Charge and Energy Charge revenues."

[18] Beginning with "**EBA DEFERRAL:**" on page 94.7 and ending just before "**EBA Deferral Account Balance:**" on page 94.8.