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## Division of Public Utilities Initial Comments

To: Public Service Commission

From: Division of Public Utilities  
Chris Parker, Director  
Energy Section  
Artie Powell, Manager  
Dave Thomson, Technical Consultant  
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Date: April 27, 2012

Subject: Rocky Mountain Power, Docket No. 12-035-68, Authority to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account. (DPU's Initial comments and approval recommendation for interim rates)

### ISSUE:

Rocky Mountain Power (Company) submitted an application to the Public Service Commission of Utah (Commission) requesting an Order approving a rate change in the Renewable Energy Credits Balancing Account (RBA), Tariff Schedule 98, pursuant to the terms and conditions of the tariff. The application was filed on March 15, 2012. On March 28, 2012 the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order dated March 30, 2012 established April 27, 2012 as the date the Division would file initial comments on the RBA application.

### RECOMMEND APPROVAL:

After a preliminary review of the application, the Division recommends the Commission approve the application, as filed, with the proposed rate change becoming effective, on an interim basis, on June 1, 2012.

**DISCUSSION:**

Docket No. 12-035-68 is a request to change the rate in the Renewable Energy Credits Balancing Account (RBA), Tariff Schedule 98, as set in Docket Nos. 09-035-23 (2009 GRC), 10-035-89 (MPA Stipulation), and 10-035-124 (2011 Stipulation). Tariff Schedule 98 tracks the difference between Renewable Energy Credit (REC) revenues included in rates and actual REC revenues collected from the sale of RECs by the Company. The variances between REC revenues included in rates and actual REC revenues collected are identified and deferred each month for one full calendar year. Annually on March 15, an RBA application is filed to present the variances, including applicable carrying charges, with a 100 percent true-up for the difference between the amounts in rates and actual sales occurring through Tariff Schedule 98. The collection or credit under Tariff Schedule 98 is to be made annually, effective June 1. The application under this Docket is the first deferred RBA rate adjustment under the RBA.

This application requests the RBA be revised by crediting revenues of approximately \$4.0 million. This credit is the difference of actual 2011 REC revenues received and 2011 REC revenues included in rates on a Utah basis. It also includes an estimated Schedule 98 surcredit amount for the period ending May 31, 2012 which is in accordance with the 2011 Stipulation.

The deferred REC revenue balance for December 31, 2010 of \$39.5 million was adopted by the Commission in settlement in Docket No. 10-035-24 and is the beginning balance of the RBA. The actual Total Company booked REC revenue for the period January 2011 through December 2011 is \$72.8 million of which Utah's allocation using the SG factor is \$41.7 million. The allocation of REC Revenue jurisdictionally is dependent on the resources to which the REC sales are attributed. The Company's filing includes actual REC sales for the full year but relies on a jurisdictional forecast for November and December 2011 REC sales, because actual output from Company facilities is unknown, and various REC sales contracts were not settled at the time of

the filing. The Company believes there will be a minimal impact on the Utah allocated amount once these resources are settled. Any difference will be accounted for in subsequent true ups.

The total amount of Utah REC revenues in rates in 2011 is approximately \$21.9 million. This along with the Schedule 98 surcredit Utah ratepayers received as part of the MPA Stipulation of approximately \$37.5 million gives a total of \$59.4 million in REC revenue included in 2011 rates. RMP estimates the Schedule 98 surcredit for the period ending May 31, 2012 will be approximately \$20.4 million. The Company included approximately \$2.2 million in carrying charges for the calendar year 2011 and has estimated the carrying charge for the period January 1, 2012 through May 31, 2012 to be \$355,892. The table below summarizes the Utah REC Balancing Account as presented in Mr. McDougal's Direct Testimony page 3.

**Summary of Utah REC Balancing Account (Schedule 98)**

<b>Description</b>	<b>Amount</b>
<b>REC Revenue Deferred Balance at December 31, 2010</b>	39,489,521
2011 Utah Allocated Booked REC Revenues	41,742,979
2011 REC Revenues in Base Rates	(21,846,744)
2011 Schedule 98 Surcredit	(37,506,654)
Estimated Schedule 98 Surcredit January 1-May 31, 2012	(20,437,785)
2011 Carrying Charges	2,231,701
Estimated Carrying Charges January 1 - May 31, 2012	<u>355,892</u>
<b>Deferral Balance to be Credited to Customers</b>	<b><u><u>4,028,910</u></u></b>

The Company proposes allocation of REC revenue across customer classes in a manner consistent with the approved spread of REC revenues in the Company's general rate case, Docket 10-035-124.

## **SUMMARY AND CONCLUSION**

The Division has performed a preliminary review of the filing and the corresponding Commission Orders and has found that, in general, the Company has complied with the Commission's Orders.

The Division has questions concerning the rate spread in this Docket and also the EBA Docket 12-035-67. Please refer to the Division's Initial Comments in the EBA Docket for clarification on this issue.

If this application is approved by the Commission on an overall basis, tariff customers in Utah would receive an overall credit of 0.2 percent. The Division recommends the Commission approve the change to Schedule 98 as filed and approve the rate decrease on an interim basis until a final audit of the REC revenues contained in this filing can be completed by the Division.

Cc: Dave Taylor, Rocky Mountain Power  
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