



State of Utah  
Department of Commerce  
Division of Public Utilities

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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  
Brenda Salter, Technical Consultant

Date: April 18, 2013

Re: **Recommendation – Approval for interim rates, Docket 13-035-33, Rocky Mountain Power Application to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account**

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**RECOMMENDATION:**

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, 2013.

**ISSUE:**

Rocky Mountain Power (Company) submitted an application to the Public Service Commission of Utah (Commission) requesting an approval of a rate change in the Renewable Energy Credits Balancing Account (2013 RBA), Tariff Schedule 98, pursuant to the terms and conditions of the

tariff. The application was filed on March 15, 2013. On April 4, 2013 the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order dated April 8, 2013 established April 26, 2012 as the date the Division would file initial comments on the 2013 RBA application.

**DISCUSSION:**

Docket No. 13-035-33 is a request to change the rate in the Renewable Energy Credits Balancing Account, Tariff Schedule 98, as set in Docket Nos. 09-035-23 (2009 GRC), 10-035-89 (MPA Stipulation), 10-035-124 (2011 Stipulation), and 12-035-68 (RBA). 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 second deferred RBA rate adjustment under the RBA.

This application requests the RBA be revised by crediting revenues of approximately \$3.3 million. This credit is the difference of actual 2012 REC revenues received and 2012 REC revenues included in rates on a Utah basis. It also includes an estimated Schedule 98 surcredit amount for the period ending May 31, 2013 which is in accordance with the 2011 Stipulation.

The deferred REC revenue ending balance for December 31, 2011 of \$24.1 million<sup>1</sup> is the beginning balance of the 2013 RBA. The 2012 RBA filing in Docket No. 12-035-68 contained resource allocation estimates for November and December 2011. The Company committed to a true-up of the November and December 2011 Actual Resource Allocations in the 2012 RBA. The update reduces the Utah allocated share of November and December 2011 actual REC sales by approximately \$9 thousand. The actual Utah Allocated booked REC revenue for the period

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<sup>1</sup> Docket No. 12-035-68, Exhibit RMP\_\_(SRM-2) line 14.

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January 2012 through December 2012 is \$47.8 million. The allocation of REC Revenue jurisdictionally is dependent on the resources to which the REC sales are attributed. As with the 2012 RBA, the 2013 RBA relies on a jurisdictional forecast for November and December 2012 REC sales. Any difference will be accounted for in subsequent true ups.

The total amount of Utah REC revenues in rates in 2012 is approximately \$45.2 million. This along with the Schedule 98 surcredit Utah ratepayers received in the 2012 RBA of approximately \$22.1 million gives a total of \$67.3 million in REC revenue included in 2012 rates. RMP estimates the Schedule 98 surcredit for the period ending May 31, 2013 will be approximately \$1.9 million. The Company included approximately \$490,290 in carrying charges for the calendar year 2012 and has estimated the carrying charge for the period January 1, 2013 through May 31, 2013 to be \$94,371. 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, 2011</b>	24,110,803
True Up for Nov. 11 & Dec 11 using Actual Resource Alloc	(9,178)
2012 Utah Allocated Booked REC Revenues	47,774,156
2012 REC Revenues in Base Rates	(45,216,101)
2012 Schedule 98 Surcredit	(22,126,857)
Estimated Schedule 98 Surcredit January 1-May 31, 2013	(1,853,952)
2012 Carrying Charges	490,290
Estimated Carrying Charges January 1 - May 31, 2013	94,371
<b>Deferral Balance to be Credited to Customers</b>	<b><u>3,263,532</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 No. 11-035-200.

In order to come to some independent evaluation of the REC market, the Division has obtained information on REC prices compiled by SNL.

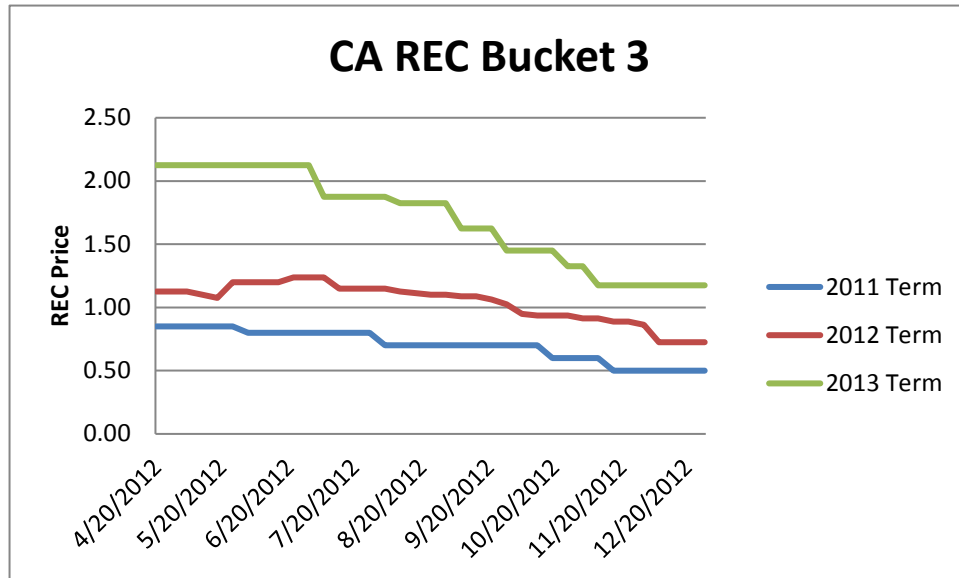
**Table 1**

Table 1 graphically sets forth the trend in California REC Bucket 3<sup>2</sup> prices throughout 2012. The prices compiled by SNL do not necessarily represent transaction prices, but may only represent offers to sell. Table 1 gives indicative prices in California of around \$2.00 per unbundled REC during the first half of 2012; however, in the second half of the year the prices trend steadily downward. These prices do not necessarily represent actual transaction prices nor is there volume information available. SNL data for 2013 shows that the relatively low prices for California RECs continue, indeed the indications are for prices at or below \$1.00; again suggesting little demand.

In her Direct Testimony, Ms. Stacey Kusters indicates that three existing Large Contracts provided █ percent of the total REC revenue in 2012. These contracts expired at the end of

<sup>2</sup> Data is compiled from a range of market indicatives and do not necessarily represent completed trades. CA RPS figures do not contain data from Evolution Markets.

Data for SNL RECs index provided by: Evolution Markets: <http://new.evomarkets.com/>, Tradition Financial Services: <http://www.tfsbrokers.com/>, Clear Energy Brokerage and Consulting: <http://www.clearenergybrokerage.com/>, Karbone: <http://www.karbone.com/>, SREC Trade: <http://www.srectrade.com/>. Source: SNL Energy

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2012. The average price for RECs sold by the Company outside of these three contracts was \$█. This is consistent with SNL pricing provided in Table 1.

**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.

If this application is approved by the Commission on an overall basis, tariff customers in Utah would receive an overall credit of 0.17 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  
Yvonne Hogle, Rocky Mountain Power  
Michele Beck, Office of Consumer Services