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Date: May 2, 2019

Subject: Docket No. 16-035-T05, Advice No. 16-04, Modifications to
Schedule No. 94, Energy Balancing Account

Background

On April 14, 2016, Rocky Mountain Power (“RMP” or: Company”) filed proposed revisions to Electric Schedule No. 94, Energy Balancing Account (“EBA”) with the Public Service Commission of Utah (“Commission”). The Company’s proposed revisions are the result of the passing of SB 115 (STEP Legislation) during the 2016 general session of the Utah Legislature. These tariff modifications are intended to reflect Section 54-7-13.5(2)(d) which provides that beginning June 1, 2016 the collection or refund will be 100% of the EBA deferral. The EBA filing for 2015 has been filed in Docket 16-035-01.

Discussion

The Office reviewed the Company’s EBA tariff modifications and found two issues of concern. These issues are discussed below:

Removing EBA Pilot Language

The Company asserts that they are modifying Schedule 94 to comply with new language in Utah Code Section 54-7-13.5(2)(d) resulting from legislation passed in the 2016 session. However, nothing in the STEP Legislation passed this legislative

session changed the pilot status of the EBA. The legislation only impacted the sharing mechanism, as addressed below.

The Company has prematurely attempted to make the tariff language reflect that the EBA is permanent, not a pilot program. For example, on page No. B.1, the Company removes the words "Pilot Program." The Company also removes these words on the title of Sheet 94.1. Furthermore, the Company removes the following language from the "Application" section of Sheet 94.1:

"The EBA Pilot Program shall be for a period of approximately four years beginning October 1, 2011, and ending December 31, 2015. This Tariff will also be used to collect the \$20 million dollar of deferred net power cost approved in Docket Nos. 10-035-124 and 12-035-67."

The Office opposes the Company's request to remove all references to the pilot nature of the EBA. Instead, the Office supports a change to the language to reflect the updated time period of the pilot period to reflect the agreement in Docket 13-035-184. As such the Office recommends the following tariff change to accurately reflect the current status of the EBA Pilot Program by retaining the "Pilot Program" language and adding:

The EBA Pilot Program shall be for a period of approximately five years beginning October 1, 2011, and ending December 31, 2016.

The Office continues to believe that a comprehensive review of the operations of the EBA pilot program is necessary to ensure that it is in the public interest after the pilot period. While legislation has dictated the outcome of any potential sharing mechanism, other elements of program design should still be evaluated as planned now that we are nearing the end of the pilot period.

Clarification of Changes to Recovery Percentages

The next issue the Office has concerns about is the Company's proposal to remove references to the 70/30 sharing currently in place. While the 100% recovery begins June 1st, it is inappropriate to simply remove any reference to the sharing mechanism. Removing all references to the 70/30 results in tariff language is inaccurate, or at best misleading. For example, the current EBA filing (Docket No. 16-035-01) has been filed to recover 2015 EBA accruals and is currently under review. Since these EBA accruals occurred in 2015, the 70/30 split is in effect. On March 15, 2017 the Company will file for true up of 2016 actual net power costs, and for the first five months covered by that filing, the 70/30 split will be in effect. Removing reference to this method at this time would be premature and would result in tariff language that does not accurately reflect the process in the two dockets just described.

Tariff language should reflect the current rules, procedures and process of a program. The Office proposes changing the EBA definition to clarify how the EBA Pilot Program will function. The tariff language within the definition of the EBA on Sheet 94.1 should be modified to the following:

The mechanism to collect or refund 70% of the accumulated difference between Base EBAC and Actual EBAC through May 31, 2016. Pursuant to Utah Code Section 54-7-13.5(2)(d) amended in the 2016 general session of the Utah state legislature, subsequent accumulated differences will be collected or refunded 100%.

The first sentence is what is currently in the tariff which is accurate through May 31, 2016. The second sentence reflects the changes due to the passing of SB 115. This modified EBA definition describes accurately how the EBA Pilot Program should operate currently and into the future and will allow any customer to consult the tariff to understand how the tariff operates within Docket 16-035-01 as well as the complexities that will be part of the next true-up docket. The Office recommends that the language referencing the 70% should not be removed until the docket addressing 2016 actual energy balancing account costs is complete. The Office further recommends that similar changes be made to Sheet 94.8 in describing the applicable formulas.

Recommendation

The Office recommends to that the Commission reject the Company's tariff modifications as filed and instead incorporate the following changes to the Company's proposed redline tariff pages:

1. In Sheet B-1 the reference to Pilot Program should not be removed.
2. In the title of Sheet 94.1 the reference to Pilot should not be removed.
3. In the Application section of Sheet 94.1, the paragraph would read as follows:

This Schedule shall be applicable to all retail tariff Customers taking service under the terms contained in this Tariff. The collection of costs related to an energy balancing account from customers paying contract rates shall be governed by the terms of the contract. The EBA Pilot Program shall be for a period of approximately five years beginning October 1, 2011, and ending December 31, 2016.

4. The tariff language within the definition of the EBA on Sheet 94.1 should be modified to the following:

The mechanism to collect or refund 70% of the accumulated difference between Base EBAC and Actual EBAC through May 31, 2016. Pursuant to Utah Code Section 54-7-13.5(2)(d) amended in the 2016 general session of the Utah state legislature, accumulated differences beginning June 1, 2016 will be collected or refunded 100%.

5. Sheet 94.8 should include both the formula currently in use through May 31, 2016 and the new formula that will be in place beginning June 1, 2016.