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Division of Public Utilities

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DIVISION OF PUBLIC UTILITIES INITIAL COMMENTS

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Bob Davis, Utility Analyst

Date: April 26, 2018

Re: **Approval of Interim Rates, Docket No. 18-035-06**

Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account

RECOMMENDATION

After a preliminary review of Rocky Mountain Power's (Company) application, the Division recommends the Commission approve the application with the proposed rate change becoming effective, on an interim basis, on June 1, 2018.

ISSUE

The Company submitted its application to the Public Service Commission of Utah (Commission) on March 15, 2018, requesting approval of a rate change in the Renewable Energy Credits Balancing Account (2018 RBA), Tariff Schedule 98, pursuant to the terms and conditions of the tariff. On March 15, 2018, the Commission issued an Action Request to the Division to review

the application and make recommendations to the Commission by April 16, 2018. On March 28, 2018, the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order dated March 29, 2018, established April 26, 2018 as the date the Division would file initial comments on the 2018 RBA application.

DISCUSSION

Docket No. 18-035-06 is a request to change the rate in the Renewable Energy Credits Balancing Account, Tariff Schedule 98¹. Tariff Schedule 98 tracks the difference between renewable energy certificate (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 (or as ordered by the Commission). Annually on March 15, the Company files its RBA application 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 seventh deferred RBA rate adjustment under the RBA.

The Company's 2018 RBA request will recover a deferral balance of \$0.5 million from customers over a one year period beginning June 1, 2018 through May 31, 2018. Should this application be approved by the Commission, the proposal would result in an overall increase of 0.1 percent from the current rates.

¹ Renewable Balancing Account as set in Docket No. 10-035-124 (2011 Rocky Mountain Power General Rate Case Stipulation).

The 2018 RBA deferral balance includes the following:

2017 REC Revenue Deferred Balance @ December 31, 2016	\$(2,355,037)
True Up for using actual resource allocations for Nov.16 & Dec.16	-
REC Revenue Deferred Balance @ December 31, 2016 in this RBA filing	<u>2,355,037</u>
2017 Actual REC Revenue	2,109,672
10% retention incentive on incremental REC sales	(210,967)
2017 Leaning Juniper Contract Revenue	3,417
2017 REC Revenues in Base Rates	(2,000,000)
2017 Schedule 98 Surcharge/(Surcredit)	2,394,983
Estimated Schedule 98 Surcharge/(Surcredit) January 2018 to May 2018	(439,963)
Carrying Charges for Deferral Period (January - December 2017)	(4,367)
Carrying Charges for Interim Period (January 2018 - June 2018)	<u>(4,601)</u>
Total 2018 RBA Deferral Balance	\$ (506,864)

The Company's proposal allocates the RBA deferral balance across customer classes based on the rate spread approved in the rate case in Docket No. 13-035-184, Step 2, (the 2014 general rate case) with three modifications. The first modification is to Schedules 7, 11, 12 and 15 (Metered Outdoor Nighttime Lighting). Because the 2014 Stipulation rate spread for the Metered Outdoor Nighttime Lighting was zero a separate calculation is needed to adjust these schedules. This calculation includes the total deferred REC revenue times the percentage of these schedules' deferred REC revenue allocation for the REC proceeding in Docket No. 12-035-68. The second modification includes Special Contract Customer 1 in the revenue allocation as approved by the Commission in Docket No. 15-035-81. The third modification removes Special Contract Customer 3 from the RBA as approved in Docket No. 16-035-33. The remaining deferred REC revenues are allocated to the other customer classes consistent with the approved rate spread. This proposal results in an overall increase of 0.1 percent from current rates.

The Company has indicated that it is actively marketing RECs through bilateral discussions with counterparties and brokers and plans to issue a quarterly REC reverse request for proposals (RFPs).

CONCLUSION

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

The Division recommends the Commission approve the change to Schedule 98 as filed and approve the rate increase on an interim basis until a final audit of the REC revenues contained in this filing can be completed by the Division.

CC: Joelle Steward, Rocky Mountain Power
Yvonne Hogle, Rocky Mountain Power
Jana Saba, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List