



## State of Utah

### Department of Commerce Division of Public Utilities

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## Preliminary Recommendation

**To:** Public Service Commission of Utah

**From:** Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Mark Long, Utility Analyst

**Date:** April 24, 2020

**Re:** **Docket No. 20-035-13, Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule No. 98, Renewable Energy Credits Balancing Account**

### Recommendation (Approval)

After a preliminary review of Rocky Mountain Power's (Company) application, the Division of Public Utilities (Division or DPU) recommends the Utah Public Service Commission (Commission) approve the Company's application with the proposed rate change becoming effective, on an interim basis, on June 1, 2020.

### Issue

The Company submitted its application to the Commission on March 17, 2020, requesting approval of a rate change in the Renewable Energy Credits Balancing Account (2020 RBA), Tariff Schedule No. 98, according to the terms and conditions of the tariff. On March 17, 2020, the Commission issued an Action Request to the Division to review the application and make recommendations to the Commission by April 15, 2020. On March 25, 2020, the Commission

held a scheduling conference in the above matter. The Commission's Scheduling Order dated March 31, 2020, established Tuesday, April 28, 2020, as the revised date the Division would file initial comments on the 2020 RBA application.

## **Background**

Docket No. 20-035-13 is a request to change the rate in the Renewable Energy Credits Balancing Account, Tariff Schedule No. 98.<sup>1</sup> Tariff Schedule No. 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 or around 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 No. 98 is to be made annually, effective June 1. The application under this Docket is the ninth deferred RBA rate adjustment under the RBA.

## **Discussion**

The Company's 2020 RBA request will refund to customers a deferral balance of \$1.03 million from customers over one year beginning June 1, 2020, through May 31, 2021. Should this application be approved by the Commission, the proposal would result in an overall decrease of 0.1 percent from the current rates.

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

The 2020 RBA deferral balance includes the following:

2019 REC Revenue Deferred Balance @ December 31, 2018	\$ (1,044,249)
True Up for using actual resource allocations for Nov.18 & Dec.18	-
REC Revenue Deferred Balance @ December 31, 2018 in this RBA filing	\$ (1,044,249)
2019 Actual REC Revenue	2,904,446
10% retention incentive on incremental REC sales	(290,445)
2019 Leaning Juniper Contract Revenue	2,907
2019 Kennecott Contract Revenue	400,000
2019 REC Revenues in Base Rates	(2,000,000)
2019 Schedule 98 Surcharge/(Surcredit)	717,243
Estimated Schedule 98 Surcharge/(Surcredit) January 2020 to May 2020	344,492
Carrying Charges for Deferral Period (January - December 2019)	(18,917)
Carrying Charges for Interim Period (January 2020 - June 2020)	14,480
<b>Total 2020 RBA Deferral Balance</b>	<b>\$ 1,029,958</b>

New this year is the inclusion of Kennecott Contract Revenue, which represents the revenue the Company received from the Non-Generation and REC Supply Agreement between Kennecott Utah Copper LLC and PacifiCorp, dated April 8, 2019.

The Company's proposal allocates the 2020 RBA deferral revenue 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, consistent with modification made in past filings.

- 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 2020 RBA revenue allocation as approved by the Commission in Docket No. 17-035-72.

- 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 decrease 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 periodic REC reverse requests for proposals (RFPs). Additionally, in the past year, the Company repurposed a previous employee position into the new employee position of an environmental commodity trader. A primary focus of this new role is to optimize the Company's participation in the environmental commodity market for the benefit of the Company's customers.

## **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 No. 98 as filed and approve the rate increase on an interim basis until the Division can complete a final audit of the REC revenues contained in this filing.

Cc: Joelle Steward, Rocky Mountain Power  
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Service List