

Division Audit Report of

Rocky Mountain Power's Renewable Energy Rider "Blue Sky" program

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2014 Audit Report

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PURPOSE

The Utah Division of Public Utilities (Division) has completed an audit of the Rocky Mountain Power's (Company) Renewable Energy Rider or "Blue Sky" program.¹ The intent of this audit was to review the revenues and expenses of the Blue Sky program as reported by the Company for the year ended December 2014 and test compliance of the program to the Utah Public Service Commission (Commission) Orders and to Tariff Schedule's 70 and 72.

BACKGROUND

Two program options are available to Rocky Mountain Power customers. The first program is a "block" option. One block equals 100 kWh of Renewable Energy at a cost of \$1.95 each and is available to customers receiving service under Schedules 1, 2, 6, 6A, 6B, 9, 9A, 10, 21, or 23 (Rocky Mountain Power Electric Service Schedule No 70). Once a customer signs up for the program they are billed monthly on their Rocky Mountain Power statement as a separate line item. The second program is the "bulk" option. One block equals 100 kWh of Renewable Energy but requires a minimum purchase of 121.2 megawatt-hours per year at a cost of \$7 per MWh per month and a fixed per year charge of \$1,500. This program is available to non-residential customers receiving service under Schedules 6, 6A, 6B, 9, 9A, 10, 21, or 23 (Rocky Mountain Power Electric Service Schedule Number 72). The bulk option allows the customer to choose to be billed monthly, twice yearly, or annually on their Rocky Mountain Power statement.

Both programs are voluntary for customers interested in supporting the purchase and development of Renewable Energy. Therefore this program does not affect customers scheduled tariff rates. All revenues and costs associated with this program stay with the program and do not go to the utility.

Funds received from Customers under this program will cover program costs and match Renewable Energy purchases to Block purchases. Funds not spent after covering program costs and matching Renewable Energy purchases may be used to fund "Qualifying Initiatives" such as solar panels installed on schools that are used for teaching renewable conservation.

¹ In using the term "Audit" the Division notes that it did not conduct an independent audit as defined and conducted under Generally Accepted Auditing Standards as promulgated under the Auditing Standards Board of the American Institute of Certified Public Accountants. In this instance "Audit" means compliance review.

SCOPE OF THE AUDIT

The Division performed the following audit procedures for the Company's 2014 Blue Sky program:

Revenues:

- In order to get an understanding of the Blue Sky process and to trace Blue Sky revenue, reviewed recording procedures.
- Compared revenues to prior years and reviewed month-to-month trends in order to determine abnormal or specific areas that required additional review.
- Reviewed revenue accounts and compared balances with expected revenue calculations. Note material forecasting differences if found.
- Reviewed several revenue entries (including offsetting entries) and applicable supporting documentation. This is a general review to understand and to ensure revenue was accurately reported.

Disbursements/Expenses:

- In order to get an understanding of the Blue Sky process and to trace Blue Sky expenses, reviewed recording procedures.
- Compared expenses to prior years and reviewed month-to-month trends in order to determine abnormal or specific areas that required additional review.
- Reviewed several operating expenditures (including payroll), with applicable receipts, invoices, and statements, etc. This is a general review to understand and to ensure expenses were accurately reported.

Regulatory and Reporting Requirements:

- Reviewed the 2014 Blue Sky Annual Report submitted to the Commission for completeness and accuracy as outlined in Rocky Mountain Power's Renewable Energy Rider Tariff Schedules 70 and 72 along with Commission orders.
- Reviewed revenue and expense accounts for propriety and proper regulatory reporting.
- Reviewed the most recent Tariff rates for compliance.
- Reviewed prior Commission Report & Orders for compliance.

AUDIT FINDINGS

Information was provided to the Division through the data request process. The Company was responsive in supplying the Division with the requested documentation.

In DPU DR 3.4, the Division made a request for the policies and procedures manual for the Blue Sky program. Received in response was PacifiCorp's "Blue Sky Procedures for Customer Service Agents." This manual provides the procedures used to enroll customers, disconnect customers or edit current enrollments in the Blue Sky program. There are general policies issued by the Company for tasks such as procurement of materials or services, processing of invoices, accrual policies and etc. that all departments follow. These general policies along with program tariffs, information on the Company website and third-party program delivery contracts form the basis for how programs are delivered, reducing the need to replicate this handling in program specific manuals. If followed, the policies and procedures currently in place reduce the risk for errors.

The Company's Utah Blue Sky program is relatively small compared to other Rocky Mountain Power programs. The scale of transactions reviewed was commensurate to the size and complexity of the Blue Sky program. The Division utilized a judgmental rather than a statistical sample for review of expenses

The Company explained that no Company assets or lease contracts are assigned to the Blue Sky program; therefore no review of plant, equipment, depreciation or leasehold agreements was completed with the review.

Because of the nature of the Blue Sky program a traditional budget does not work. The Company on an annual basis forecasts annual program revenue assuming certain customer participation and block sales levels. REC expenses are also estimated based on anticipated blocks sales. A spend plan is developed based on these forecasts working within the guideline that fixed expenses will need not exceed 30% of revenues. Fixed expenses include those associated with customer education and outreach, customer service energy program support, administration and product management. Revenues and expenses are monitored on a monthly basis.

Revenues:

The Blue Sky program is a voluntary program for Customers interested in supporting the purchase and development of Renewable Energy in the State of Utah. The Division reviewed a sample of billing statements to ensure the tariff was correctly applied. The revenues appear to be properly stated.

Disbursements/Expenses:

The Company administers the Blue Sky program in six states, California, Oregon, Washington, Idaho, Wyoming and Utah. Multiple invoices were reviewed where allocations were made between the "Block" program, the "Bulk" program, and the six states. It appears that the allocation of expenses are first assigned by "Block"/"Bulk" and then allocated to states. The Utah allocation is based on the number of Blue Sky participating customers in Utah verses the total Blue Sky participating customers. This allocation calculation is completed on a monthly basis. The expenses appear to be properly stated.

Regulatory and Reporting Requirements:

Based on a review of the Blue Sky tariff and other filings with the Utah Public Service Commission, the Company appears to be in compliance with regulatory and reporting requirements.