

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account, by Crediting Revenues of Approximately \$4.0 Million)
DOCKET NO. 12-035-68)
REPORT AND ORDER)

ISSUED: May 30, 2012

SYNOPSIS

The Commission approves an interim rate change by crediting Tariff Schedule 98 revenue of \$4.0 million, subject to further review following audit by the Division of Public Utilities.

By The Commission:

This matter is before the Commission upon the application of PacifiCorp, a public utility doing business in Utah as Rocky Mountain Power (“Company”), for authority to revise rates in Tariff Schedule 98, by crediting revenue of approximately \$4.0 million (“Application”).

PROCEDURAL HISTORY AND SUMMARY OF PARTIES’ POSITIONS

The Company filed its Application on March 15, 2012. The Application references the Commission’s decision in Docket No. 10-035-124¹ (“2011 General Rate Case”) which, among other things, authorized the Company to implement a new Tariff Schedule 98 to account for revenue associated with the sale of renewable energy credits (“RECs”). This tariff tracks the difference between REC revenue included in rates and actual REC revenue collected through the Company’s sales of RECs.

¹ *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations, Report and Order* dated September 13, 2012.

The monthly variance is recorded in the Schedule 98 balancing account. Annually, on March 15, the Company files a rate application to recover any revenue shortfall, or credit any revenue excess, for the applicable deferral period (in this case January 1, 2011 through December 31, 2011). In total, the Company calculates a \$4.0 million deferral balance to be credited to customers effective June 1, 2012. The credit is allocated to customer classes consistent with the approved spread of REC revenue in the Company's 2011 General Rate Case; however, the billing determinants used to set customer rates have been updated, as discussed more fully below. This is the Company's first filing under this new balancing account procedure for REC revenue.

On April 27, 2012, the Division of Public Utilities ("Division") filed a memorandum summarizing its preliminary review of the Application and recommending the Commission approve it as filed, with the proposed rate change becoming effective, on an interim basis, on June 1, 2012. The Division's recommendations are preliminary because it has not yet completed its audit of the information presented in support of the Application.

On May 10, 2012, the Office of Consumer Services ("Office") filed a memorandum summarizing its preliminary review of the Application. The Office recommends the Application be approved, on an interim basis, pending the outcome of the Division's audit. The Office notes, however, the billing determinants the Company uses for rate calculations in this case are different from those agreed to in the Stipulation on Cost of Service, Rate Spread and Rate Design ("Cost of Service Stipulation"), approved by the Commission in the 2011 General Rate Case. Instead, the billing determinants appear to have been drawn from the Company's current general rate case application,

Docket No. 11-035-200², (“2012 General Rate Case”) which is currently under review. The Office believes it is more appropriate to use the billing determinants the Commission has previously approved, as opposed to those currently under review in the 2012 General Rate Case.

On May 10, 2012, the Utah Industrial Energy Consumers (“UIEC”) submitted comments challenging the proposed rate adjustment as raising “serious due process issues.”³ UIEC’s comments also assert the Company may have acted imprudently in failing to optimize the value of its REC assets and thereby harmed rate payers.⁴ UIEC asks the Commission to direct the Division to investigate this matter and to quantify the harm to customers of the Company’s failure to sell REC assets when prices were high in comparison to later levels. During the hearing held May 14, 2012, UIEC withdrew its objections to the proposed rate credit being implemented on an interim basis, stating approval of the proposed interim rate credit would not violate its due process rights. UIEC, however, renewed its request that the Commission direct the Division to investigate the Company’s management of REC assets in connection with its audit.

DISCUSSION, FINDINGS AND CONCLUSIONS

Based on the evidence presented by the Company and the recommendations of the Division and the Office, the Commission finds the proposed credit of \$4 million is reasonable, subject to further review associated with the Division’s final audit report to be completed in the coming

² *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, filed February 15, 2012.

³ UIEC’s Comments on the Division of Public Utilities’ Initial Comments and Rocky Mountain Power’s Application, May 10, 2012, p.1.

⁴ *Id.* at 4-7.

months. Accordingly, the requested rate change will take effect on June 1, 2012, on an interim basis, and will be subject to the Commission's right to order a refund or surcharge.

As we noted in the 2011 General Rate Case order establishing the REC revenue balancing account, the revenue credit is to be allocated to bills in a manner consistent with the Cost of Service Stipulation in that case.⁵ The Company followed this direction in the Application except that it applied billing determinants from the test period serving as the basis for its 2012 General Rate Case application. The Office asserts consistency in applying the Cost of Service Stipulation data, including the billing determinants, will best serve customers. These data have received the intense scrutiny typical of general rate cases, have been agreed upon by the customer representatives active in the Company's 2011 General Rate Case, and have been approved by the Commission through its acceptance of the Cost of Service Stipulation. We agree with the Office's reasoning. Accordingly, we direct the Company to apply the billing determinants approved in the 2011 General Rate Case in calculating the rate changes approved herein for the various customer classes.⁶

An important objective of the Division's audit is to verify that the interim rate change reflects the just and reasonable amount of REC revenue that should be credited to customers for the period under consideration. The Commission expects the Division will examine all aspects of Company operations pertaining to its REC revenue during the relevant period, and that the Division

⁵ See Docket No. 10-035-124, Report and Order dated September 13, 2011, pp.31-32.

⁶ Our decision on this issue includes acceptance of the uncontested clarification offered by the Company during the hearing that the rates for Contract Customer 3 will be set by summing the kilowatt hour loads for Contract Customers 3 and 4, as reflected in the Cost of Service Stipulation data. This change is appropriate because, since the preparation of that data, Contract Customers 3 and 4 have combined into one customer, now referred to as Contract Customer 3. (See Transcript of Hearing, May 14, 2012, pp.85-87.)

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will do so from the perspective of the conditions that existed at the time the Company made the decisions and took the actions the Division is evaluating.

ORDER

The requested rate change implementing a \$4.0 million revenue credit is approved, on an interim basis, and will take effect on June 1, 2012, subject to the Commission's right to order a refund or surcharge following completion of the Division's audit. The credit shall be spread to customer classes consistent with the REC revenue rate spread determined in the 2011 General Rate Case, including applying the billing determinants used to develop the rates the Commission approved in that docket, as described more particularly above.

DATED at Salt Lake City, Utah this 30th day of May, 2012.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary

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Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 30th day of May, 2012, a true and correct copy of the foregoing Report and Order was served upon the following as indicated below:

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