

- 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)
)
)
)
)
)
)

DOCKET NO. 14-035-30

ORDER CONFIRMING BENCH
RULING

ISSUED: August 4, 2014

SYNOPSIS

The Commission approves an interim rate change to recover the deferred balance under PacifiCorp's Electric Service Schedule No. 98, REC Revenues Credit of approximately \$17.0 million, subject to further review following audit by the Division of Public Utilities. The deferred balance will be collected from customers in three annual installments of approximately \$5.7 million, the first to be effective June 1, 2014.

This matter is before the Public Service Commission of Utah ("Commission") on the March 17, 2014, application ("Application") of PacifiCorp, dba Rocky Mountain Power ("PacifiCorp"), for approval to recover the Electric Service Schedule No. 98, "REC Revenues Credit" ("Schedule 98") deferred balance of approximately \$17.0 million, to be collected from customers in three annual installments of approximately \$5.7 million, the first to be effective on June 1, 2014.

PROCEDURAL HISTORY

On April 1, 2014, the Commission held a scheduling conference and subsequently issued a Scheduling Order and Notice of Interim Rates Hearing ("Scheduling Order"). The Scheduling Order provided a filing and comment period schedule with initial party comments due to the Commission by April 28, 2014, and reply comments to be filed by May 12, 2014. Pursuant to the Scheduling Order, the Commission conducted a hearing on May 22, 2014, at

which the Application was examined. At the conclusion of the hearing, the Presiding Officer issued a bench ruling approving, on an interim basis, the rate changes requested in the Application. This order memorializes that bench ruling. The evidence supporting the Application is uncontested and is briefly summarized below.

PARTIES' POSITIONS

The Application references the Commission's decision in Docket No. 10-035-124¹ ("2011 General Rate Case") that authorized PacifiCorp to implement a new renewable energy credit ("REC") balancing account ("RBA"). The RBA is designed to track the difference between REC revenue included in rates and actual REC revenue collected through PacifiCorp's sales of RECs. Each March 15th, PacifiCorp files an application to recover any revenue shortfall, or credit any revenue excess, for the applicable deferral period (in this case January 1, 2013 through December 31, 2013). With this filing, PacifiCorp calculates it is owed a balance of approximately \$17.0 million. PacifiCorp proposes to collect the deferred balance from customers in three annual installments of approximately \$5.7 million, with no carrying charges applied during the collection period. The first installment is to commence June 1, 2014.

During 2013, PacifiCorp included \$23.7 million in REC revenue in rates, on a Utah-allocated basis. This amount includes the \$3.7 million Schedule 98 surcredit from the last RBA docket,² and represents the REC revenue forecast included in a settlement stipulation

¹ *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations* (Report and Order; September 13, 2011).

² See Application at p. 6.

DOCKET NO. 14-035-30

- 3 -

approved in Docket No. 11-035-200³ (“2012 General Rate Case”). According to PacifiCorp, actual 2013 REC revenue totaled just over \$4 million, on a Utah-allocated basis.

PacifiCorp states REC sales in 2013 declined significantly because three large REC contracts expired causing a dramatic decrease in PacifiCorp’s REC sales. In addition, pursuant to a component of the 2012 General Rate Case settlement stipulation, PacifiCorp is allowed to retain, as an incentive, 10 percent of the revenue received from REC sales.

Regarding PacifiCorp’s proposed allocation of REC revenue in the RBA, the Application includes exhibits containing: the Company’s proposed rate spread (Exhibit RMP__ (JRS-1)); the billing determinants and the calculations of the proposed REC rates in this case (Exhibit RMP__ (JRS-2)); and the proposed Schedule 98 reflecting the new rates (Exhibit RMP__ (JRS-3)).

PacifiCorp proposes to allocate the deferred REC revenue surcharge to customer classes consistent with the approved spread of REC revenue in the 2012 General Rate Case with two proposed modifications. Since the rate increase in the 2012 General Rate Case for Schedules 7 (Security Area Lighting), 11 (Company Owned Street Lighting), 12 (Customer Owned Street Lighting), and 15 (Traffic Signals and Metered Outdoor Nighttime Lighting) was zero, PacifiCorp calculated the deferred REC revenue spread in two steps. First, PacifiCorp calculated the deferred REC revenue allocation for Schedules 7, 11, 12 and 15 as the total deferred REC revenue times the percentage of these schedules’ deferred REC revenue allocation from the RBA proceeding in Docket No. 12-035-68.⁴ Second, based

³ See *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 11-035-200 (Report and Order; September 19, 2012).

⁴ *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 (Order Establishing Final Rates; November 9, 2012).

DOCKET NO. 14-035-30

- 4 -

on the terms of a special contract approved in 2013 by the Commission in Docket No. 13-035-169⁵, the deferred REC revenue allocation for this contract customer is based on the overall RBA percentage to tariff customers in Utah, which, according to PacifiCorp, is 0.29 percent. PacifiCorp then allocated the remaining REC revenue to the other customer classes consistent with the approved rate spread in the Company's 2012 General Rate Case.⁶

On April 28, 2014, the Division of Public Utilities ("Division") filed initial comments summarizing its preliminary review of the Application and recommending Commission approval, with the proposed rate change becoming effective June 1, 2014, on an interim basis until a final audit of the RBA is completed by the Division, pursuant to the April 1, 2014, Scheduling Order. The Division supports the Application, as filed, including the proposed rate spread.

On May 9, 2014, the Office of Consumer Services ("Office") filed comments on the Application. The Office represents it found no errors, discrepancies or issues of concern in its initial review, and indicates it expects to conduct a more comprehensive analysis following issuance of the Division's RBA audit report. The Office recommends the Commission approve the proposed Schedule 98 rates on an interim basis pending the Division's audit and parties' comments and recommendations related to that audit. The Office supports the Application, as filed, including the proposed rate spread. No other parties filed comments in this docket.

At the hearing, PacifiCorp provided a summary of its pre-filed direct testimony pertaining to the historical REC sales used in the calculation to set the Schedule 98 credit supporting the

⁵ See *In the Matter of the Application of Rocky Mountain Power for Approval of the Electric Service Agreement between PacifiCorp and Nucor Corporation*, Docket No. 13-035-169 (Order Confirming Bench Ruling Approving Electric Service Agreement; February 11, 2014).

⁶ See Direct Testimony of Joelle R. Steward at p. 2.

Application, the allocation of calendar year 2013 REC revenue included in base rates, the calculation of the deferral component to true-up calendar year 2013 REC sales, and PacifiCorp's proposed REC revenue spread and Schedule 98 rates in this docket. PacifiCorp recommended the Commission approve its request to collect \$17 million proposed in its Application on an interim basis, over a three-year period, starting June 1, 2014.

The Division and the Office also presented testimony at the May 22, 2014, hearing confirming their initial recommendations for approval of the Application. No party provided testimony in opposition to approval of the Application.

DISCUSSION, FINDINGS AND CONCLUSIONS

Based on the Application, the evidence presented by PacifiCorp and the recommendations of the Division and the Office, the Commission finds the proposed surcharge of \$17.0 million, to be collected from customers in three annual installments of approximately \$5.7 million is reasonable and consistent with our prior orders. Accordingly, the requested rate change is approved, effective June 1, 2014, on an interim basis, subject to further review of the Division's July 11, 2014, final audit report and any associated comments.⁷

Consistent with our direction in the 2011 General Rate Case order establishing the REC revenue balancing account, the surcharge is to be allocated to bills in a manner consistent with the approved spread of REC revenue in the Company's 2012 General Rate Case (Docket No. 11-035-200), with the exception of the proposed modifications explained above, which no party opposed.

⁷ The April 1, 2014, Scheduling Order in this docket allows for comments on the Division's July 11, 2014, audit report by August 8, 2014, with the opportunity to provide reply comments by August 29, 2014.

ORDER

PacifiCorp's Application for authority to revise Schedule 98 and implement a \$5.7 million surcharge in three annual installments on an interim basis is approved as filed, effective June 1, 2014, subject to the Commission's right to order a refund or surcharge following final review of the Division's audit and any associated comments.

DATED at Salt Lake City, Utah this 4th day of August, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#259284

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 this written 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 CERTIFY that on the 4th day of August, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
PacifiCorp

David L. Taylor (dave.taylor@pacificorp.com)
Yvonne R. Hogle (yvonne.hogle@pacificorp.com)
Rocky Mountain Power

Gary A. Dodge (gdodge@hjdllaw.com)
Hatch, James & Dodge

Kevin Higgins (khiggins@energystrat.com)
Neal Townsend (ntownsend@energystrat.com)
Energy Strategies

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Brent Coleman (brentcoleman@utah.gov)
Assistant Utah Attorneys General

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Administrative Assistant