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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission

From: The Office of Consumer Services
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The Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager

Date: August 8, 2014

Subject: 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

Background

On March 17, 2014, Rocky Mountain Power (Company) submitted an application to the Public Service Commission (Commission) requesting approval to change rates in Schedule 98, Renewable Energy Credits Balancing Account (RBA).

On May 9, 2014, the Office of Consumer Services (Office) submitted comments recommending approval of the Company's request on an interim basis, subject to further audit. At a May 22, 2014 hearing on the matter the Commission issued a bench order approving the interim rate increase.

Previously the Commission had set August 8, 2014, as the date for parties to file comments on the Division's audit report and/or the Company's filing. The Office provides

the following comments relating to the Division's audit report and our recommendations regarding the interim Schedule 98 rates.

Division of Public Utilities' (Division) Audit Report

On July 11, 2014, the Division of Public Utilities filed a report on its audit of the Company's RBA for the period January 1, 2013 through December 31, 2013. In its report, the Division indicated that it found no material discrepancies in the Company's records for the 2013 Renewable Energy Credits (REC) transactions. Based on the results of its audit of the RBA, the Division recommended that the Commission approve the interim rates set in this docket on May 22, 2014, as final.

Office of Consumer Services Response

The Office engaged the services of Consultant Donna Ramas to assist in this review. She has participated on behalf of the Office in a number of past cases related to the Company's REC sales and allocation issues. Below is a summary of the Office's review and analysis.

Materials Reviewed

As indicated in our May 9, 2014, comments in our initial evaluation and analysis, the Office reviewed the following relevant information:

- Application of Rocky Mountain Power, including testimonies and exhibits provided in support of its Application;
- Discovery responses submitted by the Company;
- Division of Public Utilities Initial Comments, dated April 28, 2014;
- Settlement agreement in prior rate case (Docket No. 11-035-200) related to the REC amounts incorporated in current base rates;
- Rate spread among the customer classes from both the last rate case (Docket 11-035-200) and the last REC proceeding (Docket 13-035-33);
- Rocky Mountain Power's testimony regarding the reduction in load in the current general rate case (Docket 13-035-184); and
- Forecasted billing determinants presented by the Company in the current general rate case (Docket 13-035-184).

Subsequent to that date additional information was reviewed including:

- Supplemental responses to various data requests provided by RMP;
- Division recommendation filed July 11, 2014;
- Division Audit Report of Rocky Mountain Power, Renewable Energy Credits Balancing Account (RBA) dated July 11, 2014; and
- Workpapers provided by the Division in support of its audit.

The Office did not deem it necessary to duplicate the Division's audit with an extensive review of the transactions discussed in the audit report. However, subsequent to the interim phase of the docket and the review of the Division's audit report and workpapers, the Office traced the majority of the REC transaction prices and REC volume sales identified in the Company's RBA filing to the contracts and enabling agreements for the transactions as provided by the Company in responding to discovery requests. This effort provided further comfort with the amounts reported by the Company beyond the information disclosed in the Division's confidential audit reports and workpapers. Additional review was conducted as a result of revisions made by the Company to Exhibit RMP__(BWG-2.5) to confirm that the errors and modifications to the original exhibit did not impact the RBA request.

Results of Review and Analysis

The Office's review and analysis found no problems or issues with the calculation of the REC Balancing Account deferral amount of \$16,993,130, which will be collected from customers over a three-year period at \$5,664,000 per year. The calculation is consistent with the Settlement Agreement in Docket No. 11-035-200 (Settlement Agreement). Under the Settlement Agreement the Company is not permitted to accrue carrying charges on the amount that will be amortized over the three-year period.

The total REC sales amounts presented in the Company's filing are based on actual REC sales. However, due to the timing of the annual RBA filing the allocation of the actual sales to the respective jurisdictions for the months of November and December 2013 is based on partial estimates. The booked REC sales are based on contracts during the year, however, the contracts rely on the RECS that are transferred using the Western Renewable Energy Generation Information System, which takes approximately 90 days to verify the RECs and transfer them to the counterparties' accounts. This can impact the region to which the RECs are applicable, which may then impact the allocations of the revenues to the various jurisdictions, including Utah. As a result, a true up of the related resource allocation is required and the impact of the true-up for November and December are reconciled in the RBA the subsequent year. As an example, the \$16,993,130 REC Balancing Account deferral includes a reduction of \$5,798 associated with the true-up of the allocations to Utah for November and December 2012.

Allocation of REC Revenues

The Company proposes to allocate the REC revenues across customer classes consistent with Step 2 of the 2012 Stipulation in Docket 11-035-200, with two modifications. First, because no allocations were made to Schedules 7, 11, 12 and 15 with the Step 2 rate change the Company uses the percentage of deferred REC revenue allocation from Docket No. 12-035-68¹ for those classes. Second, the Company includes

¹ 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.

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Special Contract Customer 1 in the allocations because as of January 1, 2014, that customer became subject to the RBA.

Based on the Office's review of the proposed allocation across customer classes, including the proposed modifications, the Office concludes that the allocation is fair and reasonable.

Conclusion

The Office found no material errors, discrepancies or issues of concern in its review and analysis. The Office concurs with the Division's recommendation that interim rates in this docket be made final.

Recommendation

The Office recommends that the Schedule 98 interim rates approved by the Commission on May 22, 2014, be made final.