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State of Utah  
DEPARTMENT OF COMMERCE  
Office of Consumer Services

MICHELE BECK  
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director

Cheryl Murray, Utility Analyst

Date: May 12, 2015

Subject: Office of Consumer Services Initial Comments and Response to the Division of Public Utilities' April 28, 2015 comments. Docket No. 15-035-27, In the Matter of the Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account

### Introduction

On March 16, 2015, Rocky Mountain Power (Company) filed with the Utah Public Service Commission (Commission) an Application to Revise Rates (Application) in Tariff Schedule 98, Renewable Energy Credits Balancing Account (RBA). The Company requests that the Commission approve its requested revised rates, on an interim basis, effective on June 1, 2015.

On March 24, 2015, the Commission issued a Scheduling Order and Notice of Interim Rates Hearing. The Scheduling Order set April 28, 2015 as the date for the Division of Public Utilities (Division) to provide comments on the Company's filing followed by parties' response comments on May 12, 2015. A hearing regarding the Company's request for interim rates is scheduled for May 20, 2015.

### Division of Public Utilities' Initial Comments

In initial comments filed on April 28, 2015, the Division recommended that "...the Commission approve the application, as filed, with the proposed rate change becoming effective, on an interim basis, on June 1, 2015."

The Division indicates that it "...is recommending that the Commission consider cancelling the Renewable Balancing Account in the next general rate case." Further, "The Division

believes that the REC revenue can be reviewed and audited as part of the Company's general rate case absent the RBA."

### Office of Consumer Services (Office) Response

The Office engaged the services of Donna Ramas to assist in the review of the Company's filing and the Division's initial comments. Ms. Ramas has participated on behalf of the Office in a number of past cases related to the Company's REC sales and allocation issues, including rate cases and past RBA filings.

#### *Materials Reviewed*

In its 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, 2015;
- Settlement Agreements in prior general rate cases (GRC), Docket No. 11-035-200 (2012 GRC) and Docket No. 13-035-184 (2014 GRC) pertaining to the REC amounts incorporated in base rates during 2014; and
- Approved rate spread among customer classes from the 2012 and 2014 GRCs.

#### *REC Deferral Balances*

Two separate RBA deferral balances are factored into the requested revised surcharge to customers.

- 1) \$11,066,994 remains on the 2014 RBA deferral balance (pertaining to 2013 REC revenues) that was approved by the Commission in the prior RBA review in Docket No. 14-035-30. The annual amortization set for the 2014 RBA deferral balance was approximately \$5.7 million.
- 2) The 2015 RBA deferral balance for which the Company requests approval in the current filing totals \$5,607,057.

The 2012 Stipulation in Docket No. 11-035-200, at Paragraph 38, states that the amounts deferred during 2014 (i.e., the 2015 RBA deferral balance in this proceeding) will be amortized over a two year period. Thus, the annual amortization of the 2015 RBA deferral balance is approximately \$2.8 million. The Company proposes to recover approximately \$8.5 million annually (the combined 2014 and 2015 RBA deferral balances) through the Schedule 98 surcharge beginning on June 1, 2015.

The Office has found no problems or issues to date with the Company's calculation of the RBA deferral balance associated with the remaining 2014 RBA deferral balance and the 2015 RBA deferral balance. The Division's Audit Report on the REC revenues for 2014 is due to be filed on July 9, 2015. The deferral balance and any interim Tariff 98 rates approved by the Commission are subject to the results of that audit. Once the Audit is

issued, the Office will conduct further review of the actual REC sales contracts and resulting 2014 REC revenues in the next phase of this docket.<sup>1</sup>

### *Allocation of REC Revenues*

The Company's proposed allocation of the deferred REC balances is described in the testimony of Company witness Joelle R. Steward. In allocating the deferral balances across customer classes, the Company used the Step 2 rate spread approved by the Commission in the 2012 GRC for the period January 2014 through August 2014. For the period beginning September 2014, the Company used the Step 1 rate spread approved in the 2014 GRC. This method is consistent with the rate effective periods in those past cases. Consistent with the last RBA review, there were two modifications made to the rate spread calculations. The first modification is to account for the fact that Schedules 7, 11, 12 and 15 received zero spread of the rate increases in the 2012 GRC and the 2014 GRC. The second modification is necessary because as of January 1, 2014, Special Contract Customer 1 is subject to the RBA.<sup>2</sup>

The Office has reviewed the calculations presented in Ms. Stewards' spreadsheets and electronic workpapers and found no issues with the allocations and the calculation of the amount of the surcharge to customers represented by the Office.

### *Division Recommendation Regarding Cancellation of the Renewable Balancing Account*

As noted earlier in this document the Division recommends that the Commission consider cancelling the Renewable Balancing Account in the next general rate case. The RBA was created through a stipulation of parties in a GRC which the Commission approved. Because additional parties were involved in that stipulation beyond those participating in this Docket the Office agrees that a GRC is a more appropriate venue for assessing the benefits and risks of cancelling the RBA. The Office will review the implications of the Division's proposal and provide a substantive response regarding cancellation or modification of the RBA in an appropriate future GRC.

### *Conclusion*

The Office found no errors, discrepancies or issues of concern in its initial review and analysis of the Company's application and the Division's initial comments. It is our intent to conduct a comprehensive analysis following issuance of the Division's audit report on July 9, 2015.

### Recommendation

The Office recommends that the Commission approve the Schedule 98 rates and rate spread as proposed in the Company's filing on an interim basis pending the Division's audit and parties' comments and recommendations related to that audit.

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<sup>1</sup> The Office has traced the REC prices for the 2014 period to the associated contracts and found no discrepancies.

<sup>2</sup> Participation in the RBA for Special Contract Customer 1 was included in the contract terms. The contract was approved by the Commission in Docket No. 13-035-169.

CC: Chris Parker, Division of Public Utilities  
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