

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account )  
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DOCKET NO. 15-035-27

ORDER CONFIRMING BENCH  
RULING

ISSUED: May 26, 2015

**SYNOPSIS**

The Commission approves an interim rate change to recover the deferred balance under PacifiCorp's Electric Service Schedule No. 98, REC Revenue Adjustment, of approximately \$5.6 million, subject to further review following audit by the Division of Public Utilities. The deferred balance will be collected from customers in two annual installments of approximately \$2.8 million, the first to be effective June 1, 2015.

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This matter is before the Public Service Commission of Utah ("Commission") on the March 16, 2015, application ("Application") of PacifiCorp, dba Rocky Mountain Power ("PacifiCorp"), for approval to recover the Electric Service Schedule No. 98, "REC Revenue Adjustment" ("Schedule 98") deferred balance of approximately \$5.6 million in two annual installments of \$2.8 million, the first to be effective on June 1, 2015. These amounts will be added to the final two annual installments of approximately \$5.7 million approved under Schedule 98 in Docket No. 14-035-30<sup>1</sup> for the collection of Schedule 98 deferred balances from calendar year 2013 and prior periods ("2014 RBA"). The Application includes proposed Schedule 98 rates to implement the rate change.

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<sup>1</sup> See *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 Establishing Final Rates; September 24, 2014).

**PROCEDURAL HISTORY**

On March 23, 2015, the Commission held a scheduling conference and subsequently issued a Scheduling Order and Notice of Interim Rates Hearing (“Scheduling Order”) on March 24, 2015. Pursuant to the Scheduling Order, the Division of Public Utilities (“Division”) filed initial comments on April 28, 2015, and the Office of Consumer Services (“Office”) filed reply comments on May 12, 2015. As noticed in the Scheduling Order, the Commission conducted a hearing on May 20, 2015, at which the Application was examined. At the conclusion of the hearing, the Commission 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. 10-035-124<sup>2</sup> (“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 15<sup>th</sup>, PacifiCorp files an application to recover any revenue shortfall, or credit any revenue excess, for the applicable deferral period (in this case January 1, 2014 through December 31, 2014).

With this Application, PacifiCorp calculates it is owed a balance of approximately \$5.6 million. The balance represents the difference between actual REC revenue booked by PacifiCorp during

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<sup>2</sup> *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. 10-035-124* (Report and Order; September 13, 2011).

calendar year 2014, less a ten percent incentive retained by PacifiCorp, and the amount of REC revenue set in base rates. This balance accrued carrying charges during the calendar year 2014 deferrable period and the January 2015 through May 2015 interim period. PacifiCorp proposes to collect the deferred balance from customers in two annual installments of approximately \$2.8 million, with no carrying charges applied during the collection period, June 2015 through May 2017. The first installment is to commence June 1, 2015.

In the 2014 RBA, the Commission approved a \$17.0 million surcharge to be collected in annual installments of \$5.7 million per year over a three-year period beginning June 1, 2014. PacifiCorp will continue to collect the 2014 RBA deferral balance, of which \$11.1 million currently remains. With the inclusion of the proposed \$5.6 million in this Application, the total deferred REC balance represents a Schedule 98 surcharge to customers of approximately \$16.7 million. PacifiCorp proposes to collect this amount over two annual installments of about \$8.5 million by combining the proposed \$2.8 annual surcharge from this Application along with the remaining \$5.7 million annual installments approved in the 2014 RBA.

Regarding PacifiCorp's proposed allocation of REC revenue in the RBA, the Application includes exhibits containing: PacifiCorp'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 tariff sheets reflecting the new rates (Exhibit RMP\_\_ (JRS-3)).

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PacifiCorp proposes to allocate the deferred REC revenue surcharge to customer classes consistent with the approved Step 2 spread of REC revenue in the 2012 General Rate Case<sup>3</sup> (“2012 GRC”) for the portion of the deferral related to the months of January through August 2014. Similarly, PacifiCorp proposes to use the approved Step 1 rate spread from the 2014 general rate case<sup>4</sup> (“2014 GRC”) for the September through December 2014 deferral amounts.

Consistent with past RBA filings, PacifiCorp proposes two modifications to the rate spread. Since the rate spread in the 2012 and 2014 GRCs 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.<sup>5</sup> Second, based on the terms of a special contract approved in 2014 by the Commission in Docket No. 13-035-169,<sup>6</sup> the deferred REC revenue allocation for this contract customer is based on the overall RBA percentage to tariff customers

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<sup>3</sup> *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; August 28, 2013).

<sup>4</sup> *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. 13-035-184 (Report and Order; August 29, 2014).

<sup>5</sup> *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).

<sup>6</sup> *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).

in Utah. PacifiCorp then allocates the remaining REC revenue to the other customer classes consistent with the approved rate spread in the 2012 and 2014 GRCs, as discussed above.

On April 28, 2015, the Division filed initial comments summarizing its preliminary review of the Application and recommending Commission approval, with the proposed rate change becoming effective June 1, 2015, on an interim basis until a final audit of the RBA is completed by the Division, pursuant to the March 24, 2015, Scheduling Order. The Division supports the Application, as filed, including the proposed rate spread.

In its comments, the Division asserts implementation of new policies in the California REC market, particularly those impacting the sale of bundled RECs, resulted in significant decreases in PacifiCorp REC sales over the past three years. Because of these significant declines, the Division no longer identifies a need to true-up REC revenues outside of a general rate case. In the next general rate case, the Division notes it intends to make a recommendation on whether the Commission should consider discontinuing the RBA.

On May 12, 2015, the 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 receipt 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 adjustment supporting the Application, the allocation of calendar year 2014 REC revenue included in base rates, the calculation of the deferral component to true-up calendar year 2014 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 the \$5.6 million proposed in its Application on an interim basis, over a two-year period, starting June 1, 2015.

The Division and the Office also presented testimony at the May 20, 2015, 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: 1) the proposed surcharge of \$5.6 million, to be collected from customers in two annual installments of approximately \$2.8 million along with remaining balances from previously approved RBA deferral amounts as described above is reasonable and consistent with our prior orders; and 2) the rates proposed for Schedule 98 are appropriately calculated. Accordingly, the requested rate change and proposed tariff sheets are approved, effective June 1, 2015, on an interim basis, subject to further review of the Division's July 9, 2015, final audit report and any associated comments.<sup>7</sup>

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<sup>7</sup> The March 24, 2015, Scheduling Order in this docket allows for comments on the Division's July 9, 2015, audit report by August 6, 2015, with the opportunity to provide reply comments by August 27, 2015.

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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 and 2014 GRCs, with the exception of the proposed modifications explained above, which no party opposed.

**ORDER**

PacifiCorp's Application for authority to revise Schedule 98 rates and implement a \$5.6 million surcharge in two annual installments on an interim basis is approved as filed, effective June 1, 2015, 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 26<sup>th</sup> day of May, 2015.

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary  
DW#266420

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 26<sup>th</sup> day of May, 2015, 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](mailto:datarequest@pacificorp.com))  
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Administrative Assistant