



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HEBERT
Governor

SPENCER J. COX
Lieutenant Governor

DIVISION OF PUBLIC UTILITIES INITIAL COMMENTS
REDACTED - PUBLIC

To: Utah Public Service Commission
From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager
Brenda Salter, Technical Consultant
Date: April 26, 2016
Re: **Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account**
Docket No. 16-035-10

RECOMMENDATION

After a preliminary review of the application, the Division recommends the Commission approve the application as filed, with the proposed rate change becoming effective on an interim basis on June 1, 2016.

ISSUE

Rocky Mountain Power (Company) submitted an application to the Public Service Commission of Utah (Commission) requesting approval of a rate change in the Renewable Energy Credits Balancing Account (2016 RBA), Tariff Schedule 98, pursuant to the terms and conditions of the tariff. The application was filed on March 15, 2016. On March 15, 2016, the Commission issued an Action Request for the Division to review the application and make recommendations

to the Commission by April 14, 2016. On March 22, 2016, the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order dated March 23, 2016, established April 26, 2016 as the date the Division would file initial comments on the 2016 RBA application.

DISCUSSION

Docket No. 16-035-10 is a request to change the rate in the Renewable Energy Credits Balancing Account, Tariff Schedule 98¹. Tariff Schedule 98 tracks the difference between renewable energy certificate (REC) revenues included in rates and actual REC revenues collected from the sale of RECs by the Company. The variances between REC revenues included in rates and actual REC revenues collected are identified and deferred each month for one full calendar year. Annually on March 15, an RBA application is filed to present the variances, including applicable carrying charges, with a 100 percent true-up for the difference between the amounts in rates and actual sales occurring through Tariff Schedule 98. The collection or credit under Tariff Schedule 98 is to be made annually, effective June 1. The application under this Docket is the fifth deferred RBA rate adjustment under the RBA.

The Company's request includes collecting over a one year period beginning June 1, 2016 through May 31, 2017 the 2016 RBA Deferral Balance of a \$368 thousand credit along with the remaining 2015 RBA Deferral Balance of \$7.5 million for a total of \$7.1 million.

The 2016 RBA deferral balance begins with Utah's share of actual 2015 REC revenues of \$2.6 million. Per the 2012 stipulation,² the company is allowed to retain 10 percent of the REC revenues as an incentive to aggressively market RECs. The incentive for 2015 amounted to \$261,248. Included in the 2016 RBA filing is the REC revenue of \$2,110 from the Leaning Juniper I wind project. REC revenue in base rates for 2015 was projected at \$2.0 million from the 2014 rate case.³ The carrying charge for the deferral and interim period is \$14,992.

¹ As set in Docket No. 10-035-124 (2011 Rocky Mountain Power General Rate Case Stipulation).

² Rocky Mountain Power General Rate Case Docket No. 11-035-200, Report and Order dated September 19, 2012.

³ Docket No. 13-035-184, Report and Order dated August 29, 2014, Step 1.

2016 RBA Deferral Balance Calculation:

2015 Actual REC Revenue	\$ 2,612,476
10% retention incentive on incremental REC sales	(261,248)
2015 Leaning Juniper Contract Revenue	2,110
2015 REC Revenues in Base Rates	(2,000,000)
Carrying Charges for Deferral Period (January - December 2015)	7,788
Carrying Charges for Interim Period (January 2016 - May 2016)	7,204
Total 2016 RBA Deferral Balance	\$ 368,331

The remaining 2014 and 2015 RBA deferral balance of \$7.5 million begins with the December 31, 2014 REC revenue deferred balance of \$19.1 million which includes the November and December true up. The carrying charges for the interim period are \$119,922. The 2015 Schedule 98 Surcharges are \$7.5 million. The cumulative total for the Schedule 98 Surcharge for January 2015 through May 2016 is approximately \$4.2 million.

Remaining 2014 & 2015 RBA Deferral Balance Calculation:

2014 RBA Deferred Balance @ December 31, 2014	\$ (13,566,056)
2015 RBA Deferred Balance @ December 31, 2015	(5,487,134)
True Up for using actual resource allocations for Nov.14 & Dec.14	35
REC Revenue Deferred Balance @ Dec 31, 2014 in this RBA filing	(19,053,155)
Carrying Charges for Interim Period (January - May 2015)	(119,922)
Carrying Charges for Collection Period (June 2015 - May 2017)	-
2015 Schedule 98 Surcredits/Surcharges	7,498,366
Estimated Schedule 98 Surcharge January 1 - May 31, 2016	4,176,551
Total 2014 RBA & 2015 RBA Remaining Deferral Balance	\$ (7,498,160)

The Company is proposing to allocate the RBA deferral balance across customer classes based on the rate spread approved in the rate case in Docket No. 13-035-184 (the 2014 general rate case) Steps 1 and 2, Step 1 for January – August and Step 2 for September – December.

The Company proposes allocation of REC revenue across customer classes in a manner consistent with the approved rate spread found in Step 1 and Step 2 of the 2014 Stipulation, with two modifications. The first modification is to Schedules 7, 11, 12 and 15 (Metered Outdoor Nighttime Lighting). The 2014 Stipulation rate spread for the Metered Outdoor Nighttime Lighting were zero. The deferred REC revenue allocation is calculated with the total deferred REC revenue times the percentage of these schedules’ deferred REC revenue allocation for the

REC proceeding in Docket No. 12-035-68. The second modification is to include Special Contract 1 in the revenue allocation as approved by the Commission in Docket No. 15-035-81. The remaining deferred REC revenues are allocated to the other customer classes consistent with the approved rate spread. This proposal results in an overall decrease of 0.07 percent from current rates.

The Company has indicated that they are actively marketing RECs. 2015 RECs sold increased from 2014 with total company sales of [REDACTED] for 2015 and [REDACTED] for 2014. Interestingly, even though the 2015 REC sales were more than double the previous year, the total company REC revenue decreased from [REDACTED] in 2014 to [REDACTED] in 2015.

The Division is concerned that the conditions giving rise to the current RBA process no longer exist. With the implementation of California's SBX2-1, the Company is unable to sell bundled RECs into the California market. The tens of millions of dollars sold prior to 2012 are the result of contracted bundled REC sales made prior to California's SBX2-1 enactment and prior to the Commission approved RBA.

As with the 2014 review and audit of the REC balancing account, the Division is again recommending that the Commission consider cancelling the Renewable Balancing Account in the next general rate case. The Division recommends that the RBA be reviewed and, if so determined, be cancelled during the next general rate case filing which is expected before the end of the year. The Division believes that the REC revenue can be reviewed and audited as part of the Company's general rate case absent the RBA.

CONCLUSION

The Division has performed a preliminary review of the filing and the corresponding Commission Orders and has found that, in general, the Company has complied with the Commission's Orders.

If this application is approved by the Commission, the proposal would result in an overall decrease of 0.07 percent from the current rates.

The Division recommends the Commission approve the change to Schedule 98 as filed and approve the rate increase on an interim basis until a final audit of the REC revenues contained in this filing can be completed by the Division.

CC: Jeffrey Larsen, Rocky Mountain Power
Yvonne Hogle, Rocky Mountain Power
Bob Lively, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List