

- 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. 16-035-10

ORDER

ISSUED: May 20, 2016

PROCEDURAL HISTORY

On March 15, 2016, PacifiCorp, doing business as Rocky Mountain Power ("PacifiCorp"), filed an application ("Application") requesting approval to revise the collection rates for the Renewable Energy Credits ("REC") Balancing Account ("RBA") in its P.S.C.U. No. 50 ("Tariff") Electric Service Schedule No. 98, "REC Revenue Adjustment" ("Schedule 98"). PacifiCorp's Application seeks a \$1.351 million, approximately 0.07 percent, net decrease of revenues collected under Schedule 98. PacifiCorp requests an effective date of June 1, 2016 for the change.

Pursuant to the Commission's March 23, 2016 Scheduling Order and Notice of Interim Rates Hearing ("Scheduling Order"), the Division of Public Utilities ("Division") filed comments on April 20, 2016. On May 12, 2016, PacifiCorp filed replacement exhibits containing corrections to its calculation of REC deferral balances. No other party filed comments in this docket.

On May 13, 2016, the Commission's designated Presiding Officer conducted a hearing to consider the Application.

BACKGROUND

On September 13, 2011, the Commission approved a Settlement Stipulation that resolved several dockets, including Docket No. 10-035-14¹ and Docket No. 10-035-124² ("2011 General Rate Case"), and authorized PacifiCorp to implement the RBA. Pursuant to the Settlement Stipulation, the RBA tracks 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. The annual variance includes applicable carrying charges and other adjustments. The annual revenue shortfall or excess is allocated to the various customer classes and results in an adjustment to applicable Tariff rate schedules, effective June 1.

Also relevant to this matter, in Docket No. 14-035-30 ("2014 RBA"),³ the Commission approved PacifiCorp's proposal to amortize a \$16.993 million under-collected balance for the calendar year 2013 deferral period over a three-year period in annual installments of approximately \$5.664 million (with no carrying charges applied during the collection period). Additionally, in Docket No. 15-035-27 ("2015 RBA"),⁴ the Commission approved PacifiCorp's proposal to amortize a \$5.607 million under-collected balance for the calendar year 2014 deferral period over a two-year period in annual

¹ *In the Matter of the Application of the Utah Association of Energy Users for a Deferred Accounting Order Directing Rocky Mountain Power to Defer Incremental REC Revenue for Later Ratemaking Treatment*, Docket No. 10-035-14 (Report and Order, dated September 13, 2011).

² *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, dated September 13, 2011).

³ *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, dated August 4, 2014).

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*, Docket No. 15-035-27 (Order Confirming Bench Ruling, dated May 26, 2015).

installments of approximately \$2.804 million (again with no carrying charges applied during the collection period).

PACIFICORP'S APPLICATION

PacifiCorp's proposed modification to Schedule 98 rates allocates the RBA revenue requirement to the various rate schedules over a one-year period beginning June 1, 2016. PacifiCorp determines the RBA net revenue requirement of \$7.127 million by subtracting the 0.368 million, which PacifiCorp owes to customers stemming from the 2016 RBA balance,⁵ from the remaining 2014 RBA and 2015 RBA deferral balance of \$7.498 million.⁶ PacifiCorp represents the \$1.351 million revenue decrease is the difference between the current estimated Schedule 98 collection level of \$8.478 million and the proposed estimated net revenue collection level of \$7.127 million. PacifiCorp's testimony in support of its Application presents the actual 2015 REC revenues used to set rates in this docket, the calculation of the RBA balance for the various deferral periods, the proposed rate spread for the various deferral periods, and the final rate design.

With the exceptions noted below, PacifiCorp proposes to allocate the 2016 RBA deferral balance of \$0.368 million it owes to customers for the months of January through August 2015 consistent with the Step 1 base RBA revenues the Commission approved in Docket No. 13-035-184, PacifiCorp's 2014 general rate case⁷ ("2014 General Rate Case"). Similarly, PacifiCorp proposes to

⁵ This value represents the 2015 actual REC revenues adjusted for a 10% retention incentive, Leaning Juniper contract revenue, 2015 REC revenues in base rates, and carrying charges for the deferral period and for the interim period of January through May of 2016.

⁶ This value represents the sum of the 2014 RBA and 2015 RBA deferred balances as of December 31, 2014, adjusted by the 2015 Schedule 98 revenue, the estimated Schedule 98 revenue for January 1, 2016 through May 31, 2016, and including other minor adjustments.

⁷ *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, dated August 29, 2014).

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allocate the portion of deferred balance for the months of September through December 2015 consistent with the Step 2 base RBA revenues set in the 2014 General Rate Case.

Also with the exceptions noted below, for the 2014 RBA and 2015 RBA remaining deferral balance of \$7.498 million to be collected from customers, PacifiCorp proposes to allocate this balance to customer classes consistent with the spread of RBA revenue the Commission approved in the 2015 RBA.

Consistent with past RBA filings, PacifiCorp proposes two modifications to rate spread. First, PacifiCorp calculated the share of the deferred RBA balance for Schedule Nos. 7 (Security Area Lighting Closed to New Service), 11 (Street Lighting Company-Owned System), 12 (Street Lighting Customer-Owned System), and 15 (Outdoor Nighttime Lighting Service, Traffic and Other Signal System Service Customer-Owned System) by multiplying the total deferred RBA balance by the percentage of REC revenue allocation the Commission approved for these schedules in Docket No. 12-035-68.⁸ PacifiCorp asserts this is appropriate because the approved rate spread for these schedules in Docket No. 11-035-200,⁹ PacifiCorp's 2011 General Rate Case, and PacifiCorp's 2014 General Rate Case was zero. Second, the deferred REC revenue allocation for a contract customer, whose contract the Commission approved in Docket No. 15-035-81,¹⁰ is based on the overall RBA percentage applicable to

⁸ *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, dated November 9, 2012).

⁹ *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, dated September 19, 2012).

¹⁰ *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. 15-035-81 (Order Approving Electric Service Agreement, dated December 17, 2015).

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tariff customers in Utah. PacifiCorp then allocates the remaining REC revenue to the other customer classes consistent with the approved rate spread in the corresponding rate case.

The following table provides a comparison of Schedule 98's current and proposed RBA collection rates using the above allocation proposal.

Schedule	Current Schedule No. 98 Collection Rate	Proposed Schedule No. 98 Collection Rate
Schedule 1	0.55%	0.46%
Schedule 2	0.55%	0.46%
Schedule 3	0.55%	0.46%
Schedule 6	0.43%	0.37%
Schedule 6A	0.58%	0.49%
Schedule 6B	0.43%	0.37%
Schedule 7*	0.13%	0.11%
Schedule 8	0.52%	0.44%
Schedule 9	0.53%	0.43%
Schedule 9A	0.57%	0.47%
Schedule 10	0.50%	0.42%
Schedule 11*	0.13%	0.11%
Schedule 12*	0.13%	0.11%
Schedule 15 (Traffic and Other Signal Systems)	0.51%	0.44%
Schedule 15 (Metered Outdoor Nighttime Lighting)	0.33%	0.28%
Schedule 21	0.85%	0.68%
Schedule 23	0.41%	0.36%
Schedule 31	**	**
Schedule 32	**	**

On May 12, 2016, PacifiCorp filed replacement pages for Exhibits RMP THS-2, P. 1 of 3, and RMP THS-3, P. 1 of 1 with corrected deferral balance allocation calculations. At the hearing, PacifiCorp testified the replacement exhibits represent changes PacifiCorp made to correct the allocation of the Schedule 98 surcharge to the residual 2014 and 2015 RBA balances. PacifiCorp noted the corrections produce the same total deferral balance results as the original exhibits filed previously and testified it

notified both the Division and the Office of Consumer Services ("Office") of the corrected exhibits. At the hearing, no party objected to the introduction of PacifiCorp's corrected exhibits.

During the hearing, PacifiCorp provided a summary of its written testimony. PacifiCorp represented the net revenue requirement of \$7.127 million to be collected from Utah customers during the period June 1, 2016 through May 31, 2017 was calculated in a manner consistent with previous RBA filings and the method set forth in the 2011 General Rate Case. PacifiCorp recommends the Commission approve its request to collect this amount on an interim basis, starting June 1, 2016, and testified this request is in the public interest.

THE DIVISION'S COMMENTS AND TESTIMONY

The Division recommends the Commission approve the Application and the proposed changes to Schedule 98 as filed, effective June 1, 2016, on an interim basis until it completes its final audit of the RBA as provided in the Scheduling Order.

The Division observes that while the 2015 REC sales were more than double those in 2014, REC revenues slightly decreased between 2014 and 2015. The Division reiterates previous concerns identified in the 2015 RBA that the conditions giving rise to the current RBA process no longer exist and that, with the implementation of California's SBX2-1 legislation, PacifiCorp is unable to sell bundled RECs in the California REC market.

The Division reiterates its recommendation that the RBA be evaluated during PacifiCorp's next general rate case, and cancelled if warranted. In addition, the Division maintains that, absent an RBA, REC revenues can be reviewed and audited as part of a general rate case.

THE OFFICE'S TESTIMONY

The Office filed no written comments but testified at hearing that PacifiCorp had informed it of the above-referenced deferral balance allocation errors in advance of the hearing. Otherwise, the Office testified it identified no errors, discrepancies or issues in its initial review of the Application. The Office indicated 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 testified the Application is just and reasonable in result.

DISCUSSION, FINDINGS AND CONCLUSIONS

Based on the Application, the evidence presented and the recommendations of the Division and the Office, we find the Application is reasonable and consistent with our prior orders. Accordingly, the requested Schedule 98 rate changes are approved, effective June 1, 2016, on an interim basis, subject to further review of the Division's final audit report and any associated comments.¹¹

We note that the docket number is missing from PacifiCorp's filed Second Revision of Sheet No. 98. Therefore, we direct PacifiCorp to file a finalized Sheet No. 98 with the correct docket number within 14 days of the date of this order.

¹¹ The Scheduling Order in this docket allows parties an opportunity to submit comments on the Division's audit report by August 4, 2016 and the opportunity to provide reply comments by August 25, 2016.

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ORDER

PacifiCorp's Application for authority to revise Schedule 98 and implement a \$1.351 million revenue decrease is approved as filed on an interim basis, effective June 1, 2016, subject to the Commission's right to order a refund or surcharge following final review of the Division's audit and any associated comments.

PacifiCorp shall file a final Sheet No. 98 with the correct docket number within 14 days of the date of this order.

DATED at Salt Lake City, Utah, May 20, 2016.

/s/ Michael J. Hammer
Presiding Officer

Approved and Confirmed May 20, 2016, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#276849

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this 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 does not grant a request for review or rehearing within 20 days after the filing of the request, 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 §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on May 20, 2016, 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)
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