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Division of Public Utilities

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DIVISION OF PUBLIC UTILITIES INITIAL COMMENTS
CONFIDENTIAL

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 27, 2017

Re: **Application of Rocky Mountain Power for Authority to Revise Rates in Tariff
Schedule 98, Renewable Energy Credits Balancing Account**

Docket No. 17-035-14

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, 2017.

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 (2017 RBA), Tariff Schedule 98, pursuant to the terms and conditions of the tariff. The application was filed on March 15, 2017. On March 15, 2017, the Commission

issued an Action Request for the Division to review the application and make recommendations to the Commission by April 14, 2017. On March 23, 2017, the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order dated March 23, 2017, established April 27, 2017 as the date the Division would file initial comments on the 2017 RBA application.

DISCUSSION

Docket No. 17-035-14 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 (or as ordered by the Commission). 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 sixth deferred RBA rate adjustment under the RBA.

The Company's request includes refunding to customers over a one year period beginning June 1, 2017 through May 31, 2017 the 2017 RBA Deferral Balance of a \$1.4 million along with collecting the remaining 2015 RBA Deferral Balance of \$414 thousand for a total combined refund of \$968 thousand.

The 2017 RBA deferral balance begins with the 2016 ending balance adjusted for the November and December 2015 true up for a total of \$361,582. It includes Utah's share of actual 2016 REC revenues in the amount of \$3.3 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 the period amounted to \$331,313. Included in the 2017 RBA filing is the REC

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.

revenue of \$3,087 from the Leaning Juniper I wind project. REC revenue in base rates for 2016 was projected at \$2.0 million from the 2014 rate case.³ The carrying charge for the deferral and interim period is \$35,614.

2017 RBA Deferral Balance Calculation:

2016 REC Revenue Deferred Balance @ December 31, 2016	\$	361,127
True Up for using actual resource allocations for Nov.15 & Dec.15		456
		361,582
REC Revenue Deferred Balance @ December 31, 2016 in this RBA filing		361,582
2016 Actual REC Revenue		3,313,125
10% retention incentive on incremental REC sales		(331,313)
2016 Leaning Juniper Contract Revenue		3,087
2016 REC Revenues in Base Rates		(2,000,000)
Carrying Charges for Deferral Period (January - December 2016)		11,149
Carrying Charges for Interim Period (January 2017 - May 2017)		24,465
Total 2017 RBA Deferral Balance		\$1,382,095

The remaining 2014 and 2015 RBA deferral balance of \$11.7 million is offset by RBA funds collected of \$11.3 million consisting of the 2016 actual collection and the Company's estimated collection through May 2017.

Remaining 2014 & 2015 RBA Deferral Balance Calculation:

2014 RBA Deferred Balance @ December 31, 2015	\$	(7,843,679)
2015 RBA Deferred Balance @ December 31, 2015		(3,831,032)
REC Revenue Deferred Balance @ December 31, 2015 in this RBA filing		(11,674,711)
Carrying Charges for Collection Period (June 2016 - May 2017)		-
2016 Schedule 98 Surcharges		7,962,043
Estimated Schedule 98 Surcharge January 1 - May 31, 2017		3,298,700
Total 2014 RBA & 2015 RBA Remaining Deferral Balance	\$	(413,967)
Total Deferral Balance to be Returned to Customers	\$	968,128

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

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

case) 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 0.4 percent from current rates.

The Company has indicated that it is actively marketing RECs through bilateral discussions with counterparties and brokers and plans to issue quarterly REC reverse request for proposals (RFPs). The Company indicated to the Division that the price of RECs increased in 2016. This is evidenced by Total Company RECs sold decreasing from ██████████ in 2015 to ██████████ in 2016 but Total Company revenue increasing from \$4,242,325 in 2015 to \$5,397,171.

As with the 2015 and 2016 RBA 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 likely cancelled during the next general rate case filing. 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 0.4 percent from the current rates.

The Division recommends the Commission approve the change to Schedule 98 as filed and approve the rate decrease 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