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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: August 4, 2017

Subject: Office of Consumer Services' Comments and Response to the Division of Public Utilities' July 17, 2017 RBA Audit Report. Docket No. 17-035-14, In the Matter of the Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account.

Background

On March 15, 2017, Rocky Mountain Power (Company) filed with the Utah Public Service Commission (Commission) an Application to revise rates in tariff Schedule 98 (Application), Renewable Energy Credits Balancing Account (RBA). The Company requested an effective date of June 1, 2017.

On April 27, 2017, the Division of Public Utilities (Division) filed initial comments recommending that the Commission approve the Application as filed with the proposed rate change becoming effective on an interim basis on June 1, 2017 pending the Division's Audit Report due July 7, 2017.

Following a May 16, 2017 hearing, the Commission on May 31, 2017 issued an order approving the Company's application to revise Schedule 98 and implement a \$0.968 million refund on an interim basis, effective June 1, 2017. The Commission noted that the interim rate was "subject to the PSC's right to order a refund or surcharge following final review of the DPU's audit and any associated comments."

The confidential "Division Audit Report of Rocky Mountain Power, Renewable Energy Credits Balancing Account" (Audit Report) was filed on July 7, 2017. The Division identified the scope of their audit and the audit findings stating:

"The intent of this audit was to review the REC revenue rate and the actual REC revenue received by the Company for the period January 1, 2016 through December 31, 2016 and test compliance of the RBA to the Utah

Public Service Commission (Commission) Orders and to Tariff Schedule
98.”

Following the audit, the Division concludes that REC revenue rates and actual revenue appear to be properly stated. They found nothing to cause the interim rates as accepted by the Commission to change or be modified.

On July 17, 2017, the Division issued an Amended Audit Report modifying paragraph two of the Audit Report to reflect correct information regarding the resource allocation of REC sales for November and December. That modification did not change the previous recommendation that interim rates be made final.

Office Analysis

The Office engaged the services of Donna Ramas to provide assistance in the review of the Company's Application as well as the Division's Audit Report. 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 and supplemental and revised responses submitted by the Company;
- Division of Public Utilities' Initial Comments, dated April 27, 2017;
- Division of Public Utilities' Audit Report, dated July 7, 2017; and
- Division of Public Utilities' Amended Audit Report, submitted on July 17, 2017¹.

In her review Ms. Ramas traced the actual 2016 REC sales and revenues presented on Confidential Exhibits RMP __ (MMW-2) and RMP __ (MMW-3), and response to Confidential Attachment DPU 1.1 2nd Supplemental², to the confidential contracts and agreements associated with the 2016 REC sales. These contracts and agreements were provided by the Company as confidential attachments to the response to OCS 1.2. In tracing the sales and revenues to the contracts a few minor variances were identified, however these variances were adequately explained by the Company in response to discovery.

The Office notes that the annual amount of REC revenues received by the Company are increasing. The 2015 REC revenues were \$2,612,476 on a Utah jurisdictional basis, which increased 26.8% to \$3,313,125 in 2016.

¹ The Amended Audit Report is dated July 18, 2017.

² The RBA was filed prior to the November and December 2016 assignment of REC sales to specific resources being finalized. In the 2nd Supplemental response to DPU DR 1.1, the Company provided the updated November and December 2016 sales and revenues with final amounts.

In the Division's Initial Comments filed on April 26, 2017, at page 4, the Division repeated its prior recommendation that "...the RBA be reviewed and likely cancelled during the next general rate case filing."

The Office agrees that if cancellation of the RBA is to be considered it should be in the context of a general rate case; however, given the increase in REC revenues being realized by the Company, coupled with the Company's outstanding proposals to expand its wind resources which would increase the RECs available for sale, the RBA benefits ratepayers by ensuring that they receive the advantage of the increased revenues³ during the long span between general rate cases.

Recommendation

The Office recommends that the Commission approve the previously authorized interim Schedule 98 rates and rate spread as final rates.

CC: Chris Parker, Division of Public Utilities
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Gary Dodge, UAE
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³ The Company is allowed to retain 10% of REC revenues.