State of Utah
Department of Commerce
Division of Public Utilities

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Memorandum

To: Public Service Commission

From: Chris Parker, Director

Artie Powell, Energy Section Manager

David Thomson, Technical Consultant

Abdinasir Abdulle, Technical Consultant

Jeff Einfeldt, Utility Analyst

Date: April 4, 2019

Re: Docket No. 19-035-01, In the Matter of the Application of Rocky Mountain Power to Increase the Deferred EBA Rate Through the Energy Balancing Account Mechanism.

RECOMMENDATION

The Division of Public Utilities (Division) has performed a preliminary review of Rocky Mountain Power's (Company or RMP) Application, as filed. Based on that review and the totality of information in the Energy Balancing Account (EBA) filing, the filing appears to not depart substantially from prior years' filings.

The Division recommends that the Public Service Commission (Commission) acknowledge the Company's filing as being complete and that interim EBA rates be approved effective May 1, 2019, with an approximate $23.2 million deferral to be amortized through April of 2020. Alternatively, the Commission may wish to find that the net power cost component in base rates is unreasonable because, given past history, it is less likely to match net power costs as well as the amount RMP seeks to include in interim rates. If the Commission does so, it may impose a charge, in accordance with Title 54, Chapter 4, Authority of Commission over Public Utilities, to adjust rates in a manner it finds to be just and reasonable until the conclusion of the Division's audit and related processes allow establishment of final rates.

ISSUE

In an order dated February 16, 2017, in Docket No. 09-035-15, the Commission ordered the Division to conduct a preliminary review of PacifiCorp's EBA applications that are to be filed on or about March 15 of each year. Within 45 days after the EBA application is filed, the Commission said, it will act on the Division's preliminary conclusion. If interim rates are approved they will have an amortization period of May 1 of the current year through April of the following year. This memorandum is the product of the Division's preliminary review.

DISCUSSION

The Company's current application shows an EBA recovery amount for the calendar year 2018 of approximately $23.9 million in deferred EBA costs or an approximate 1.1 percent increase. The Division will not repeat the detailed discussions included in the Company's application explaining the computations for the $23.9 million deferral.

The Division has reviewed the current application and has compared its supporting information to information included in prior EBA filings. The Division's comparative analysis included material such as filing requirements, worksheets, schedules, tariffs, and other materials. The Company's current application and supporting documents provided to the Commission were substantially consistent with that provided in prior years, and included workpapers and cost of service information.

The Division found some instances where certain supporting documents from prior filings were not contained in this filing. The missing information had little or no impact on the overall completeness of this filing. The 2019 filing includes two new adjustments that added or modified workpapers. These new line item adjustments were not in prior filings (see Company Exhibit 1 and supporting workpapers) but are included in the 2019 filing. The first adjustment is due to Commission approved provisions of Docket No. 14-035-114 – Recovery of export credits from Electric Service Schedule 136, the Utah transition Program for Customer Generator. The other adjustment is from a Commission 2018 EBA order in Docket No. 18-035-01. Both appear to be required for this filing.

In last year's filing, new workpapers and new cost of service exhibits were presented related to the Company's proposed change in the accounting treatment for recovery of the Deer Creek mine amortization. These new workpapers and new cost of service additions were required to understand the impact of the Company's proposed accounting change for the Deer Creek amortization. The proposal for the change in the Deer Creek amortization was a one-time Company proposal and thus the related workpapers and exhibits are not in this year's filing and will not be in future filings.

Attachment 1 summarizes the Division's comparison of the Company's current application and supporting documents with prior years. Under various bullet point headings, Attachment 1 lists items provided in previous years' EBA filings. The major categories include the EBA Application; Filing Requirements; Additional Filing Requirements; Workpapers; Cost of Service; and Proposed Tariff Revisions.

This is the third preliminary review of the Company's application as required under Docket No. 09-035-15. As with the other reviews, the Division determined that as part of its preliminary review it would specifically compare the information from each item as provided by the Company in the current filing to the information from last year's filing as to presentation, scope, and attention. A "Yes" on the attachment also indicates that the information in the current filings is consistent with prior years' filings. Items not applicable were deleted from the schedule. "New" items, if applicable, are so designated in the Attachment.

A "Yes" or "New" indication on the attachment does not indicate that the Division has reviewed and/or has formed any opinion to the accuracy or validity of the underlying data. Although the Division has performed the above procedures for its preliminary review of the current filing, the Division makes no judgment regarding the accuracy of the information provided for each item in Attachment 1 or whether the Division agrees with the accuracy and completeness of the information. It also expresses no opinion about the expenses' prudence. The preliminary review is a high level, limited scope overview of the filing.

Another component of the Division's review was spot checking calculations, arithmetic, and functionality in Excel workpapers and schedules. This included evaluating how the information met the purpose of the schedule or workpaper. Workpapers supporting the Company's Exhibit 1 – Commission Order Method were specifically singled out and spot checked because this schedule is the basis for the Company's computation of the current year EBA deferral recovery amount. Most, if not all, of the workpapers filed are in Excel format so spot checking could be done on cells, Excel formulation, rows and column summing, etc. if applicable. Limited checking of data transfer between worksheet tabs or related worksheets was done through cross-referencing.

Less spot checking was done for the information provided to meet filing requirements. Filing requirement information offers supplemental support for the basic information provided in the Excel schedules supporting Company Exhibit 1 and other parts of the filing.

The Company currently estimates a net over-collection of approximately $0.6 million by April 30, 2019 for interim 2018 EBA deferral currently being collected in Schedule 94, which includes a transfer of the balance from the 2017 EBA deferral. The Company is proposing to include this estimated over-collection in the 2019 EBA deferral, which results in a total target collection of approximately $23.2 million in Schedule 94 ($23.877 million deferral recovery for 2019 less the $0.651 million net over-collection).

Pursuant to the Commission Order in Docket No. 09-035-15, dated February 16, 2017, the Company proposes recovering a balance of $23.2 million from its customers over one year with interim rates beginning May 1, 2019. Any difference between the 2019 EBA recovery and the final amount approved by the Commission beginning May 1, 2020 would be included with next year's interim filing. Those differences have historically been smaller than the difference between base rates and the final amount.[1] The Stipulation in Docket No. 13-035-184 (2014 GRC

[1] See the information below for the last five completed EBA Dockets.

Docket Number	Company Filed Amount	Adjustment to Company Filed Amount
14-035-31	$28.3 million	$(3.0) million
15-035-03	$30.9 million	$(0.5) million
16-035-01	$18.9 million	$(3.9) million
17-035-01	$(6.5) million	$(2.8) million
18-035-01	$2.8 million	$(0.2) million

Stipulation) requires the Company to spread the EBA deferral amounts across customer rate schedules consistent with the NPC Allocators, which were included in the 2014 GRC Stipulation Exhibit A, page 4 (Exhibit A).

The Company's allocators and spread of the 2019 EBA deferral among the rate schedules is contained in the Exhibit RMP_ (RMM-1) page 2 of the Meredith Exhibits and Work Papers accompanying the direct testimony of Mr. Robert M. Meredith of RMP. The Division compared this Exhibit to Exhibit A and determined that the Company's spread calculation of the 2019 EBA deferral amount among the customer classes complies with this Stipulation. It was developed using the Step 2 present revenues and the billing determinants from the 2014 GRC Stipulation approved by the Commission. Pursuant to the requirement of Condition 15 of Schedule 73, after the Subscriber Solar program solar resources becomes commercially operational (December 30, 2016), the EBA adjustment rate schedule would not apply to the revenues from energy enrolled in Subscriber Solar Program during the period over which the 2019 EBA would be collected. The results of the 2019 EBA deferral spread based on the NPC Allocator are then proportionally adjusted for all customer classes that were reflected in the NPC allocators to collect a total annual amount of $23.2 million (Exhibit RMP_(RMM-1). In addition, Exhibit RMP_(RMM-1) shows the proposed increase by rate schedule and applicable contract customers of the Proposed EBA.

The Division notes that Schedule 21, Schedule 31, and Contract Customer 1 that are included in this filing were not included in the Company's cost of service study in 2014 GRC. For these customer classes, the Company proposes applying the same percent change as Schedule 9 (Exhibit RMP_ (RMM-1)) because Schedules 21 and 31 are more similar to Schedule 9 than any other Schedule. The contract terms for Contract Customer 1 require the 2019 EBA revenue allocation for contractor 1 be based on the overall EBA 2019 percent change. The Division believes that this proposal is reasonable.

The EBA Rate Determination provision in Schedule 94, states that:

> "…The new EBA rate will be determined by dividing the EBA Deferral Account Balance allocated to each rate schedule and applicable contract by the schedule or contract forecasted Power Charge and Energy Charge revenues. The EBA rate

will be a percentage increase or decrease applied to the monthly Power Charge and Energy Charge of the Customer's applicable schedule or contract as set forth in the schedule.

In this filing, the new EBA rate is calculated in Exhibit RMP_ (RMM-2). The Division determined that this calculation is in accordance with the above rate determination provision in Schedule 94.

Finally, the Division tested the rate spread amounts for all schedules to verify the transition from the EBA rate percentage in the current tariff to the EBA rate percentages in the proposed tariff. Based on this test, the Division concludes that the present EBA amount has been properly transitioned to the proposed EBA amount. Furthermore, the Division verified that the billing determinants used in the EBA are consistent with the billing determinants of Step 2 of the 2014 GRC Stipulation.

Conclusion

The Division concludes, subject to the limited scope of its review, that the Company's 2019 EBA filing does not substantially depart from prior years' filings. New adjustment items not in prior filings (see Direct Testimony of Michael G. Wilding and Company Exhibit 1) are included and appear to be required for inclusion in this filing.

The Division believes that the Company's proposed rate spread, rate design, and billing determinants are consistent with the Commission approved Stipulations. The Division believes the Commission can use the Company's rate spread and rate calculation methods in its filing for interim rates or another adjustment mechanism, if so approved.

CC Jana Saba, Rocky Mountain Power
Michele Beck, Office of Consumer Services