



State of Utah
Department of Commerce
Division of Public Utilities

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Preliminary Recommendation

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Mark Long, Utility Analyst

Date: April 28, 2021

Re: **Docket No. 21-035-05**, Application of Rocky Mountain Power for Authority to Revise Rates in Tariff Schedule No. 98, Renewable Energy Credits Balancing Account.

Recommendation (Approval)

After a preliminary review of Rocky Mountain Power's (Company) application, the Division of Public Utilities (Division or DPU) recommends the Utah Public Service Commission (Commission) approve the Company's application with the proposed rate change becoming effective, on an interim basis, on June 1, 2021.

Issue

On January 28, 2021, the Company submitted a Notice of Intent to file its 2021 Application to Revise Rates in Tariff Schedule 98, Renewable Energy Credits Balancing Account (RBA). The Company submitted its application to the Commission on March 15, 2021, requesting approval of a rate change in the Renewable Energy Credits Balancing Account (2021 RBA), Tariff Schedule No. 98, according to the terms and conditions of the tariff. On March 15, 2021, the

Commission issued an Action Request to the Division to review the application and make recommendations to the Commission by April 14, 2021. On March 24, 2021, the Commission held a scheduling conference in the above matter. The Commission's Scheduling Order dated April 1, 2021, established Wednesday, April 28, 2021, as the revised date the Division would file initial comments on the 2021 RBA application.

Background

Docket No. 21-035-05 requests to change the rate in the Renewable Energy Credits Balancing Account, Tariff Schedule No. 98.¹ Tariff Schedule No. 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, the Company files its RBA application 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 No. 98 is to be made annually, effective June 1. The application under this docket is the tenth deferred RBA rate adjustment under the RBA.

Discussion

The Company's 2021 RBA request will refund to customers a deferral balance of \$1.11 million over one year, beginning June 1, 2021, through May 31, 2022. Should this application be approved by the Commission, the proposal would result in an overall decrease in Schedule 98 of \$25 thousand, or 0.001 percent from the current rates. This net change is the difference between the current refund level of \$1.08 million and the new proposed refund level of \$1.11 million for the 2021 RBA.

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

The 2021 RBA deferral balance includes the following:²

2021 RBA Deferral Balance Calculation:	
2020 REC Revenue Deferred Balance @ December 31, 2019	\$ 670,986
True Up for using actual resource allocations for Nov.19 & Dec.19	-
REC Revenue Deferred Balance @ December 31, 2019 in this RBA filing	\$ 670,986
2020 Actual REC Revenue	2,857,472
10% retention incentive on incremental REC sales	(285,747)
2020 Leaning Juniper Contract Revenue	4,898
2020 Kennecott Contract Revenue	600,000
2020 REC Revenues in Base Rates	(2,000,000)
2020 Schedule 98 Surcharge/(Surcredit)	(303,758)
Estimated Schedule 98 Surcharge/(Surcredit) January 2020 to May 2020	(482,467)
Carrying Charges for Deferral Period (January - December 2020)	24,510
Carrying Charges for Interim Period (January 2021 - June 2021)	20,204
Total 2021 RBA Deferral Balance	\$ 1,106,098

The Company's proposal allocates the 2021 RBA deferral revenue across customer classes based on the rate spread approved in the rate case in Docket No. 13-035-184, Step 2 (the 2014 general rate case) with three modifications, consistent with modifications made in past filings.³

1. The first modification is to Schedules 7, 11, 12, and 15 (Metered Outdoor Nighttime Lighting). Because the 2014 Stipulation rate spread for the Metered Outdoor Nighttime Lighting was zero, a separate calculation is needed to adjust these schedules. This calculation includes 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.
2. The second modification includes Special Contract Customer 1 in the 2021 RBA revenue allocation approved by the Commission in Docket No. 17-035-72.

² Grant Bagby, Direct Testimony, Summary of Utah REC Balancing Account, <Tab> RMP_(GB-1).

³ Robert Meredith, Direct Testimony, 2-3.

3. The third modification removes Special Contract Customer 3 from the RBA as approved in Docket No. 16-035-33.

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 0.001 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 periodic REC reverse requests for proposals (RFPs).

This docket marks the second year of the inclusion of Kennecott Contract Revenue, which represents the revenue the Company received from the Non-Generation and REC Supply Agreement between Kennecott Utah Copper LLC and PacifiCorp, dated April 8, 2019.

Also included in this docket is a Confidential Settlement Stipulation between Rocky Mountain Power, DPU, and the Office of Consumer Services (OCS). On or about February 28, 2021, Rocky Mountain Power entered a Confidential Settlement Stipulation with the DPU and OCS wherein OCS and DPU agreed that the Company could transfer some of Utah's allocated RECs to be used on behalf of the Company's California retail customers for compliance with California's Renewable Portfolio Standard. Parties agreed on a price per REC as compensation for Utah customers, which will be booked in 2021 and included in the Company's 2022 RBA. RMP states that this Confidential Settlement Stipulation will not affect Utah's ability to meet its 2025 renewable portfolio goal. The Confidential Settlement Stipulation is provided in Michael G. Wilding's Direct Testimony as Exhibit RMP_(MGW-5). The Confidential Settlement Stipulation has been signed by all parties and is awaiting Commission approval.

As a signatory, the Division supports the Confidential Settlement Stipulation as just and reasonable, and in the public interest. The Division has for several years engaged in discussions with the Company on the possibility of transferring or selling some of Utah's available RECs to

other PacifiCorp states. As part of these discussions, the Division has reviewed Utah's REC balances⁴ and concludes that the number of RECs being transferred to California under the terms and conditions of the Confidential Settlement Stipulation will have no material effect on the Company's compliance under Utah Code Ann. § 54-17-602.

Conclusion

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

The Division participated in the Confidential Settlement Stipulation and it is just and reasonable and in the public interest.

The Division recommends the Commission approve the change to Schedule No. 98 as filed, approve the Confidential Settlement Stipulation, and approve the rate increase on an interim basis until the Division can complete a final audit of the REC revenues contained in this filing.

CC: Joelle Steward, Rocky Mountain Power
Emily L. Wegener, Rocky Mountain Power
Jana Saba, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List

⁴ Docket No. 20-035-13, OCS DR 1.12 RMP Confidential Response, CONFIDENTIAL Vintage RECS 2007 to 2020