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
Brenda Salter, Assistant Director
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Justin Christensen, Utility Analyst

Date: April 26, 2023

Re: **Docket No. 23-035-15,** 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) Renewable Energy Credits Balancing Account application, the Division of Public Utilities (Division or DPU) recommends the Public Service Commission of Utah (Commission) approve the Company's Application with the proposed rate change becoming effective, on an interim basis, effective June 1, 2023.

Issue

According to the terms and conditions in the 2011 Settlement Stipulation,[1] the Company submitted its Application to the Commission on March 15, 2023, requesting approval of a rate change in the Renewable Energy Credits Balancing Account (2023 RBA), Tariff Schedule No. 98 (Application). The proposed change is a net 0.02 percent increase from the current RBA rates. The Commission directed the Division to review the Application and provide recommendations by April 27, 2023.

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[1] Tariff Schedule 98, as set in Docket Nos. 10-035-89 (MPA Stipulation), and 10-035-124 (2011 Stipulation).

Background

With its Application, the Company requests a change in the Renewable Energy Credits Balancing Account rate, Tariff Schedule No. 98. The change represents a net increase in Schedule 98 of approximately $369,000. 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 or about 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 eleventh deferred RBA rate adjustment under the RBA.

Discussion

The Company's 2023 RBA request will refund customers a deferral balance of $1.1 million over one year, beginning June 1, 2023, through May 31, 2024. Should this Application be approved by the Commission, the proposal would result in an overall increase in Schedule 98 of $369,000, or 0.02 percent from the current rates. This net change is the difference between the current refund level of $1.5 million from Docket No. 22-035-07 (2022 RBA) and the newly proposed refund level of $1.1 million for the 2023 RBA.

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The 2023 RBA deferral balance includes the following:[2]

2023 RBA Deferral Balance Calculation:		
2022 REC Revenue Deferred Balance @ December 31, 2021	$	1,932,711
True Up for using actual resource allocations for Nov-Dec 2021		13,352
Correction for OCS 2.4		34,261
REC Revenue Deferred Balance @ December 31, 2021, in this RBA filing	$	1,980,324
2022 Actual REC Revenue		4,020,071
10% retention incentive on incremental REC sales		(402,007)
2022 Leaning Juniper Wind Wake loss Revenue and Pryor Mnt. Revenue		376,817
2022 Kennecott Contract Revenue		600,000
2022 REC Revenues in Base Rates		(3,571,691)
2022 Schedule 98 Surcharge/(Surcredit)		(1,429,109)
Estimated Schedule 98 Surcharge/(Surcredit) January 2023 to May 2023		(580,145)
Carrying Charges for Deferral Period (January - December 2022)		71,305
Carrying Charges for Interim Period (January 2023 - May 2023)		20,606
Total 2023 RBA Deferral Balance	**$**	**1,086,169**

The Company proposes to allocate the 2023 RBA deferral revenue across customer classes based on the "cost-of-service factor 10" (F10 Factor) used in the 2020 general rate case, Docket No. 20-035-04 ("2020 GRC"). The Company proposes using this allocation because RECs are produced from renewable resources, and renewable resources are allocated to customer classes on the F10 Factor.

The Company made two modifications that are consistent with modifications made in past RBA filings. “First, consistent with the terms of the contracts approved by the Commission in Docket No. 21-035-69 and Docket No. 21-035-53, the 2023 RBA revenue allocation for Contract Customer 1 and Contract Customer 2 is based on the overall 2023 RBA percentage to tariff customers in Utah. Second, consistent with the terms of the contract approved by the Commission of Utah in Docket No. 16-035-33, Contract Customer 3 is no longer subject to the RBA, and therefore no share of the costs or credits will be allocated to it.”[3] The remaining deferred REC revenues are allocated to the other customer classes on

[2] Shelley E. McCoy, Direct Testimony, Summary of Utah REC Balancing Account (Schedule 98), <Tab> RMP_ (SEM -1).
[3] Direct Testimony of Robert M. Meredith, Docket No. 23-035-15

the F10 Factor. This proposal results in an overall increase of 0.02 percent from current rates.

This docket marks the fourth 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.

The Commission's standard for evaluating whether to approve an interim rate request in an Energy Balancing Account application is found in Utah Code Section 54-7-13.5(2)(k)(iii), which states that the Company must make an adequate prima facie showing that the proposed interim rate appears consistent with prior years' filings, and the interim rate requested is more likely to reflect actual costs than the current rates. The Division adopts this standard for the purpose of evaluating RMP’s interim rate request in this docket.

This is the eleventh deferred RBA rate adjustment under the RBA. The Division identified no material issues in its preliminary review of the Application, and the Application in form and substance appears to be consistent with past years’ applications. Compatible with previous RBA applications, the Company proposes to allocate the 2023 RBA deferral revenue across customer classes based on the F10 Factor. Therefore, based on the overall body of information as filed and the DPU's experience with RBA filings and audits, the Division concludes the Company has made prima facie showing that the Application appears consistent with prior years' filings, and the interim rate increase requested is more likely to reflect actual power costs than current base rates.

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 and meets statutory standards for such applications.

The Division recommends the Commission approve the change to Schedule No. 98 as filed 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
Jana Saba, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List