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Preliminary Recommendation

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
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Date: April 29, 2025

Re: **Docket No. 25-035-13**, 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 to Revise Tariff Schedule 98, 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 on an interim basis, with the proposed rate change becoming effective June 1, 2025.

Issue

Consistent with the terms and conditions in the 2011 Settlement Stipulation,¹ the Company submitted its Application to the Commission on March 13, 2025, requesting approval of a rate change in the Renewable Energy Credits Balancing Account (2025 RBA). The proposed change is a net 0.3 percent decrease from the current RBA rates. On March 13, 2025, the Commission issued an Action Request directing the Division to review the Application and provide recommendations by April 14, 2025. Subsequently, on March 24,

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



2025, the Commission issued a Scheduling Order and Notice of Virtual Hearing on Interim Rates directing the Division to provide its recommendations by April 29, 2025.

Background

In 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 of \$5.5 million in the RBA deferral balance. 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 of each year. The current Application is the thirteenth deferred RBA rate adjustment under the RBA.

Discussion

The Company's 2025 RBA request will refund to customers a deferral balance of \$8.8 million over one year, beginning June 1, 2025, through May 31, 2026. If approved by the Commission, the proposal would result in an overall increase in Schedule 98 of \$5.5 million, or 0.3 percent from the current rates. This net change is the difference between the current refund level of \$3.3 million from Docket No. 24-035-12 (2024 RBA) and the current proposed refund level of \$8.8 million for the 2025 RBA.

The 2025 RBA deferral balance includes the following:²

2025 RBA Deferral Balance Calculation:	
REC Revenue Deferred Balance as of December 31, 2023, in this RBA filing	3,621,946
2024 Actual REC Revenue	11,630,743
10% retention incentive on incremental REC sales	(1,163,074)
2024 Leaning Juniper Wind Wake Loss Revenue & Pryor Mountain Revenue	403,861
2024 Kennecott Contract Revenue	600,000
2024 REC Revenues in Base Rates	(3,571,691)
2024 Schedule 98 Surcharge	(2,666,543)
Estimated Schedule 98 Surcharge January 2024 to June 2024	(631,426)
Carrying Charges for Deferral Period (January 2024 - December 2024)	383,684
Carrying Charges for Interim Period (January 2025 - May 2025)	199,679
Total 2025 RBA Deferral Balance	\$ 8,807,179

The Company proposes to allocate the 2025 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.³

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 Public Service Commission of Utah in Docket No. 21-035-69 and Docket No. 21-035-53, the 2025 RBA revenue allocation for Contract Customer 1 and Contract Customer 2 is based on the overall 2025 RBA percentage to tariff customers in Utah." The remaining deferred REC revenues are allocated to the other customer classes on the F10 Factor. This proposal results in an overall decrease of 0.3 percent from current rates.

² RMP Attachment E – Rose Workpapers (AJR -1).

³ The F10 Factor, also known as the "cost-of-service factor 10", is a metric used in the 2020 general rate case, Docket No. 20-035-04 (2020 GRC), to allocate renewable resources to customer classes. Coincident Peak is 75% and Average use is 25%.

This docket marks the sixth 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 power costs than the current base rates." The Division used this standard to evaluate RMP's interim rate request in this docket.

This is the thirteenth 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 2025 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 an adequate prima facie showing that the Application appears consistent with prior years' filings and the interim rate 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 completes a final audit of the REC revenues contained in this filing.

cc: Max Backlund, Rocky Mountain Power
Jana Saba, Rocky Mountain Power
Michele Beck, Office of Consumer Services
Service List