

Division Audit Report of

Rocky Mountain Power, Renewable Energy Credits Balancing Account (RBA)

January 1, 2024 – December 31, 2024

Docket No. 25-035-13

CONFIDENTIAL

Redacted

Prepared by the Utah Division of Public Utilities

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PURPOSE

The Division of Public Utilities (“DPU” or “Division”) has completed an audit¹ of Rocky Mountain Power’s (“RMP” or “Company”) Renewable Energy Credits Balancing Account (RBA) as it relates to the Renewable Energy Credits (REC) program. This audit reviews the REC revenue rate and actual REC revenue received by RMP and tests compliance of the RBA to the Public Service Commission of Utah (“PSC” or “Commission”) Orders and Tariff Schedule 98² for January 1, 2024, through December 31, 2024.

BACKGROUND

The RBA tracks the difference between REC revenues included in base rates and actual REC revenues collected from the sale of RECs by RMP. The variances between REC revenues included in rates and actual REC revenues collected are identified and deferred each month for one full calendar year by RMP. To incentivize RMP to sell RECs, in Docket No. 11-035-200, parties stipulated allowing RMP to retain 10% of the revenues obtained from sales.

Annually, around March 15, an RBA application is filed by RMP with the PSC to present the variances, including applicable carrying charges, with a 100% 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 98 must be made annually, effective June 1. The compliance work that could be completed from the information provided by the Company in its initial filing was reported to the Commission by the Division in its Initial Comments filed on April 29, 2025.

The Commission approved Rocky Mountain Power’s application to revise rates in Tariff Schedule 98 on May 30, 2025, effective on June 1, 2025, on an interim basis, subject to further review following an audit by the Division. As directed by the Scheduling Order and Notice of Hearing issued by the Commission on March 24, 2025, the Division must file its final audit report by Wednesday, July 23, 2025. This report meets that requirement.

¹ In using the term “Audit” the Division notes that it did not conduct an independent audit as defined and conducted under Generally Accepted Auditing Standards (GAAS) as promulgated under the Auditing Standards Board of the American Institute of Certified Public Accountants. In this instance, “Audit” means compliance review.

² Tariff Schedule 98, as set in Docket Nos. 10-035-89 (MPA Stipulation), and 10-035-124 (2011 Stipulation).

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SCOPE OF THE AUDIT

The Division performed the following compliance review in Rocky Mountain Power's 2024 RBA program:

Revenues

- For the Division to understand the RBA process, it traced REC revenue and reviewed revenue recording procedures.
- The Division compared revenues to prior years and reviewed month-to-month trends to determine abnormal or specific areas that required additional review.
- The Division reviewed revenue accounts and compared balances with expected revenue calculations. If found, the Division would have noted material forecasting differences.
- For the Division to ensure revenues were accurately reported, it examined several revenue entries (including offsetting entries) and applicable supporting documentation.
- The Division evaluated and verified that the fees billed by the Company to Kennecott Utah Copper LLC complied with the confidential Non-Generation and REC Supply Agreement between Kennecott and PacifiCorp (Kennecott Agreement), dated April 8, 2019.³

Disbursements/Expenses

- The RBA is a revenue-balancing account and does not contain disbursements or expenses.

Regulatory and Reporting Requirements

- The Division reviewed the application and calculations of the RBA spread among customer classes to determine if the RBA was applied correctly.
- The Division assessed RBA results from the year 2024 for reporting completeness and accuracy as outlined in the RBA Tariff Schedule 98 and Commission Orders.
- The Division traced the most recent RBA Tariff rates in the 2024 period for compliance with Commission-approved rates.
- The Division studied revenue accounts for propriety and proper regulatory reporting.

³ Docket Number 19-035-20, Commission order approving a confidential Non-Generation and Renewable Energy Credit (REC) Supply Agreement between RMP, and Kennecott Utah Copper LLC dated April 18, 2019. <https://pscdocs.utah.gov/electric/19docs/1903520/3094811903520oangarecsa8-7-2019.pdf>.

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AUDIT FINDINGS

The data request (DR) process provided the information to the Division. RMP was responsive in supplying the Division with the requested documentation of the RBA.

The Division's DR 1.13 requested RMP to provide the REC policies and procedures for the 2024 period and explain any changes implemented in the policies and procedures during the 2024 period. RMP provided copies of the following: The Company's Energy Risk Management Policies dated April 17, 2023, and July 23, 2024, are effective for REC transactions relevant to the deferral period in this RBA proceeding, calendar year 2024. Note: There is no difference regarding RECS between April 17, 2023, and July 23, 2024, versions.⁴

The Division has reviewed RMP's standard policies and procedures, specifically REC-related Appendix G and Appendix H, for 2023. If followed, the policies and procedures appear to place RMP at a reduced risk for errors. RMP assets or lease contracts are not assigned to the REC program; therefore, no review of plant, equipment, depreciation, or leasehold agreements is required for this review.

Revenues

As reported in Aaron J. Rose's testimony dated March 2025, the total 2024 Company REC revenues of approximately \$17.3 million (excluding REC sales from the Kennecott Agreement) were collected for the 2024 period. Utah's net allocation was approximately [REDACTED] after a 10% incentive retention reduction by RMP of roughly \$1.2 million from Utah's total allocation of approximately [REDACTED]. Also included in the total Utah allocated REC revenue in 2024 is an additional [REDACTED] from the REC sales from the Kennecott Agreement and roughly \$400,000 from Leaning & Juniper & Pryor Mountain for a total Utah allocated REC revenue of approximately [REDACTED].⁵

RMP's Total Company REC revenue for CY 2024 increased by approximately \$5.5 million (2.7%) compared to the CY 2023 RBA filing. RMP's 2024 Utah REC revenue for the 2024 period increased by approximately \$4.5 million (1.69%) compared to the CY 2023 RBA filing.⁶

⁴ Rocky Mountain Power's response to DPU Data Request 1.13, dated June 23, 2025. Confidential.

⁵ Direct Testimony and Exhibits of Aaron J. Rose for Rocky Mountain Power March 13, 2025, Workpapers RMP_(AJR-2).

⁶ Id.

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In RMP's efforts to sell RECs in 2024, it received 9 requests for proposals (RFP),⁷ issued one reverse request for proposals to the market,⁸ and engaged in 19 bilateral discussions with market participants regarding interests in REC purchase and sale transactions.⁹

The number of Total Company REC units sold in 2024¹⁰ was up by over 52,000 from 2023.¹¹ The number of RECs sold in 2024 was approximately [REDACTED], including RECS generated from [REDACTED].¹²

RMP generated or purchased approximately [REDACTED] RECs. RMP held roughly [REDACTED] of this amount for compliance with California, Oregon, and Washington RPS standards.¹³

RMP provided the orders or confirmation letters (contracts) for 2024 REC sales in response to DPU DR 1.4.¹⁴ The Division traced the quantity and pricing of the REC confirmation letters to RMP's Confidential Exhibit RMP__(MRH-2).

As part of the audit, the Division reviewed for accuracy and reporting compliance the January through December monthly transactions¹⁵ of REC purchase and sale agreement supporting documents for the 2024 calendar year.

Confidential Kennecott Agreement

This is the seventh year of the inclusion of the Kennecott Agreement, which represents the revenue the Company received from the confidential Non-Generation and REC Supply Agreement between Kennecott Utah Copper LLC and PacifiCorp, dated April 8, 2019.¹⁶ The agreement calls for RMP to retire 1.5 million Utah-allocated RECs on behalf of Kennecott, or a Kennecott affiliate, annually in exchange for Kennecott not generating power from its Unit 4 generation facility. In addition to the REC charges, the Kennecott Agreement requires Kennecott to reimburse the Company for all direct costs and pay a fee covering the Company's administrative costs relating to the Kennecott transactions.

⁷ Rocky Mountain Power's response to DPU Data Request 1.8, dated June 23, 2025.

⁸ Rocky Mountain Power's response to DPU Data Request 1.10, dated June 23, 2025. Confidential.

⁹ Rocky Mountain Power's response to DPU, Data Request 1.9, dated June 23, 20205. Confidential.

¹⁰ Direct Testimony and Exhibits Marcelina R. Hundis for Rocky Mountain Power 03-13-2025, Workpapers RMP_MRH-2, Confidential.

¹¹ Docket No. 24-035-12, Direct Testimony and Exhibits Marcelina R. Hundis, RMP_MRH-2, Confidential.

¹² Direct Testimony and Exhibits Marcelina R. Hundis, Confidential RMP Attachment C RMP_MRH-2.

¹³ Direct Testimony and Exhibits Marcelina R. Hundis for Rocky Mountain Power 03-13-2025, Workpapers RMP_MRH-1, Confidential.

¹⁴ Rocky Mountain Power's response to DPU Data Request 1.4, dated June 23, 2025. Highly Confidential.

¹⁵ Rocky Mountain Power's response to DPU Data Request 1.6-1 and 1.6-2, dated June 23, 2025. Highly Confidential.

¹⁶ Docket Number 19-035-20, Commission order approving a confidential Non-Generation and Renewable Energy Credit (REC) Supply Agreement between RMP, and Kennecott Utah Copper LLC dated April.

18, 2019. <https://pscdocs.utah.gov/electric/19docs/1903520/30948119035200aangarecsa8-7-2019.pdf> .

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In DPU DRs, 1.15 through 1.20,¹⁷ the Company replied to the Division's request for additional information regarding the REC charges and the other costs associated with managing the Kennecott Agreement. For the 2024 reporting year, the Division requested supporting documentation and verified the monthly billed REC Charge amounts of [REDACTED] for usage from January 2024 through December 2024 for a total billed amount of [REDACTED].¹⁸ Additionally, for the 2024 reporting year, the Division was able to verify payments for the [REDACTED],¹⁹ the [REDACTED],²⁰ and the [REDACTED].²¹

Disbursements/Expenses

The RBA is a revenue-balancing account and does not contain disbursements or expenses.

Regulatory and Reporting Requirements

The Division reviewed the application and calculations of the RBA rate spread among customer classes, as presented in Robert M. Meredith's direct testimony.²² It determined that the Company spread the 2024 RBA based on the cost-of-service factor 10 (F10) used in the 2020 general rate case, Docket No. 20-035-04, and is consistent with the 2021 through 2024 RBA.

The Division reviewed redacted 2024 billing statements from the following electric service schedules provided by RMP.²³ Schedules: 1, 2, 2E, 3, 6, 6A, 7, 8, 9, 9A, 10, 11, 12, 15 (Traffic and Other Signal Systems), 15 (Metered Outdoor Nighttime Lighting), 23, 31, 32 and 415. The Division verified that the Renewable Energy Adjustment cost per unit stated on the billings was correct based on the effective rates of Schedule 98. The Division also reviewed the computation of the RBA dollar allocation to RMP's customers was substantially correct.

Corrective Actions

The work performed followed the outline in the scope section of this report, and no corrective actions were required based on the procedures performed.

¹⁷ Rocky Mountain Power's response to DPU Data Request 1.15 through 1.20, dated June 23, 2025. Highly Confidential.

¹⁸ Rocky Mountain Power's response to DPU Data Request 1.19, dated June 23, 2025, Highly Confidential.

¹⁹ Rocky Mountain Power's response to DPU Data Request 1.15, dated June 23, 2025, Highly Confidential.

²⁰ Rocky Mountain Power's response to DPU Data Request 1.16, dated June 23, 2025, Highly Confidential.

²¹ Rocky Mountain Power's response to DPU Data Request 1.18, dated June 23, 2025, Highly Confidential.

²² Direct Testimony and Exhibits of Robert M. Meredith for Rocky Mountain Power, Workpapers RMP_(RMM-1) page 2.

²³ Rocky Mountain Power's response to DPU Data Request 1.2, dated June 23, 2025.

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Audit Summary

Based on a review of the associated 2024 REC tariff, Schedule 98, and related 2024 filings with the Public Service Commission of Utah, Rocky Mountain Power appears to be prudently managing the program overall. The program complies with regulatory and reporting requirements. Therefore, the interim rates appear to be in the public interest and should be made final.