

Division Audit Report of

The Renewable Energy Rider “Blue Sky” program of Rocky Mountain Power

January 1, 2007 – December 31, 2007

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RECOMMENDED ACTION

The Company was unable to provide documentation supporting the allocation percentages of costs between states. Recommend the Company keep accurate records of all allocation percentages and how the allocation percentages were computed that were used in assigning costs to each state.

Recommend the Company be more forthcoming in providing an adequate sample of expense invoices for review.

PURPOSE

The Utah Division of Public Utilities (the "Division") has completed an audit of the Renewable Energy Rider or "Blue Sky" program. The intent of this audit was to review the revenues and expenses of the Blue Sky program as reported by the Company for the year ended December 2007. This is the first Division audit of the Rocky Mountain Power's ("RMP" or the "Company") program since its inception.

BACKGROUND

Two program options are available to Rocky Mountain Customers. The first program is a "block" option. One block equals 100 kWh of Renewable Energy at a cost of \$1.95 each and is available to customers receiving service under Schedules 1, 2, 6, 6A, 6B, 9, 9A, 9B, 10, 19, 21, 23, 23B or 25 (Rocky Mountain Power Electric Service Schedule No 70). The second program is the "bulk" option. One block equals 100 kWh of Renewable Energy but requires a minimum purchase of 121.2 megawatt-hours per year at a cost of \$7 per MWh and a fixed per year charge of \$1,500. This program is available to customers receiving service under Schedules 6, 6A, 6B, 9, 9A, 10, 21, 23, 23B or 25 (Rocky Mountain Power Electric Service Schedule Number 72). Once a customer signs up for the program they are billed monthly on their RMP statement as a separate line item.

Both programs are voluntary for customers interested in supporting the purchase and development of Renewable Energy. Therefore this program does not affect customers scheduled tariff rates. All revenues and costs associated with this program stay with the program and do not go to the utility.

Funds received from Customers under this program will cover program costs and match Renewable Energy purchases to Block purchases. Funds not spent after covering program costs

and matching Renewable Energy purchases may be used to fund “Qualifying Initiatives” such as solar panels installed on schools that are used for teaching renewable conservation.

SCOPE OF THE AUDIT

The Division performed the following audit procedures for the Company:

Revenues:

- Revenue recording procedures were reviewed and discussed with appropriate personnel.
- Compared revenues to prior years and reviewed month-to-month trends.
- Reviewed revenue accounts and compared balances with expected revenue calculations.
- Reviewed several revenue entries (including offsetting entries) and applicable supporting documentation.

Disbursements/Expenses:

- Expense recording and cost allocations procedures were reviewed and discussed with appropriate personnel.
- Compared expenses to prior years and reviewed month-to-month trends.
- Reviewed several operating expenditures (including payroll), with applicable receipts, invoices, and statements, etc.

Regulatory and Reporting Requirements:

- Reviewed the Annual Report submitted to the Commission for completeness and accuracy according to regulatory and reporting requirements.
- Reviewed revenue and expense accounts for propriety and proper regulatory reporting.
- Reviewed the most recent Tariff rates for compliance.
- Reviewed prior Commission Report & Orders for compliance.

AUDIT FINDINGS

The Division met with the Company and spoke with Blue Sky program managers and accountants on several occasions. Information was provided to the Division through the data request process. The Division found the Company to be fairly responsive however there was some difficulty obtaining a sufficient sampling of the Blue Sky expenses. It should be noted that the sample utilized for testing purposes was a judgmental rather than statistical sample.

The Company explained that no Company assets or lease contracts are assigned to the Blue Sky program; therefore no review of plant, equipment, depreciation or leasehold agreements was completed with the review.

Revenues:

The Blue Sky program is a voluntary program for Customers interested in supporting the purchase and development of Renewable Energy in the State of Utah. The revenues appear to be properly stated.

Disbursements/Expenses:

RMP administers the Blue Sky program in six states, California, Oregon, Washington, Idaho, Wyoming and Utah. Multiple invoices were review where allocations were made between the “Block” program, the “Bulk” program, and the six states. It appears that the allocation of expenses are first assigned by “Block”/”Bulk” and then allocated to states. The Utah allocation is based on the number of Blue Sky participating customers in Utah verses the total Blue Sky participating customers (DPU Data Request Response 4.4). This allocation calculation is completed on a monthly basis.

A comparison of the allocation percentages used to allocate costs to Utah as computed by the auditor showed differences in the percentage from what the Company calculated using customer counts. During the On-Site review of the program, the Company was asked to verify the allocation percentages used to allocate the program costs to Utah. The Company was unable to provide supporting documentation of the allocation percentages it used to assign costs to Utah. The differences in the allocation percentages calculated by the Division and those used by the Company were not material in nature.

The Division noted one error in allocating costs by causation. A cost was assigned to Utah that should have been assigned to Oregon. The expense was immaterial to the total program costs but should be noted since the invoice test sample provided by the Company was limited.

Regulatory and Reporting Requirements:

Based on a review of the Blue Sky tariff and other filings with the Utah Public Service Commission, the Company appears to be in compliance with regulatory and reporting requirements (Docket Nos; 01-035-T03, 02-035-T12, 03-035-T02, 04-035-T07, 07-035-T13, 08-035-T02, 00-035-T01, 09-035-T02).

The Division has recommended in the past that RMP include on the Blue Sky Program Annual Report the Utah Beginning Available Fund Balance and the deductions leading to the Utah Available Fund Balance before Community Projects. The Division reiterates this request in that it would make the Annual Report a more complete reporting of the funds available throughout the year.

