

October 31, 2012

***VIA ELECTRONIC FILING***

***AND OVERNIGHT DELIVERY***

Washington Utilities and Transportation Commission

1300 S. Evergreen Park Drive SW

P.O. Box 47250

Olympia, WA 98504-7250

Attention: David W. Danner

Executive Director and Secretary

RE: **Docket UE-100749 – Compliance Filing; and**

**Advice 12-07, Schedule 95 – Renewable Energy Revenue Adjustment**

Dear Mr. Danner:

PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company) submits this filing to comply with paragraph 75 of the Washington Utilities and Transportation Commission’s Order 10, Order Establishing Disposition of Proceeds from the Sale of Renewable Energy Credits, issued in Docket UE-100749 on August 23, 2012. This paragraph directs:

Within 90 days of the date of this order, the parties must file either an agreed mechanism for crediting historic and future Renewable Energy Credits sales proceeds to PacifiCorp’s customers, or individual proposals for such a mechanism accompanied by supporting documentation demonstrating how the proposal complies with this order and Commission objectives.

On September 4, 2012, the Company filed a petition for reconsideration and a petition for stay of Order 10. The Commission has not yet ruled on these petitions, but did suspend the Company’s compliance obligations under Order 10—including its obligations under paragraph 75—until “the Commission rules on PacifiCorp’s Petition for Stay or until further order of the Commission.”[[1]](#footnote-1) In PacifiCorp’s reply in support of its petitions for reconsideration and stay, filed October 10, 2012, the Company clarified that it does not seek to stay implementation of a mechanism to credit the revenues from the sale of renewable energy credits (RECs) received from April 3, 2011, forward. The Company stated:

To be clear, the Company’s Petition for Stay seeks to stay implementation of a rate credit for REC revenues that pre-date April 3, 2011, when the Commission issued Order 06. The Company does not contest the forward-looking REC revenue credit established in Order 06. In compliance with Order 06, the Company began crediting $4.8 million in REC revenues on April 3, 2011. Since that time, the Company has credited approximately $7.0 million in REC revenues to customers. The Company has also recorded a regulatory liability for the contested REC revenues from January 1, 2009 to April 2, 2011.

Order 10 superseded Order 06 and required the parties to develop a new mechanism for crediting future REC revenues. To limit the scope of PacifiCorp’s Petition for Stay and address the revisions to Schedule 95 required by Order 10, the Company plans to make a compliance filing proposing such a mechanism. This filing will include an accounting of amounts credited to date under Schedule 95 and REC revenues accrued since April 3, 2011, along with proposals for necessary revisions to Schedule 95. The Company will make this filing by October 31, 2012.[[2]](#footnote-2)

Thus, consistent with the Company’s reply and in compliance with paragraph 75 of Order 10, PacifiCorp submits this compliance filing. This filing includes: (1) an accounting of amounts credited to customers to date under Schedule 95 and REC revenues accrued since April 3, 2011; and (2) a proposal to revise Schedule 95 to establish a new mechanism for crediting future REC revenues consistent with Order 10.

**Accounting of REC Revenues**

Confidential Attachment A[[3]](#footnote-3) shows an accounting of REC revenues accrued since April 3, 2011, calculated in compliance with Order 10. In addition, the attachment shows amounts credited to customers through Schedule 95. This attachment shows actual data from April 2011 through June 2012 and a combination of actual and forecast data for July 2012 through December 2012 based on known REC transactions through October 24, 2012. Confidential Attachment B shows transaction details for west control area resources by contract by month for calendar years 2011 and 2012 based on known transactions through October 24, 2012. This includes the resource from which the REC was generated, the vintage of the REC that was sold, the month in which the transaction was recorded in the Company’s SAP accounting system, the REC price, the quantity of RECs sold, and the total dollars from the transaction.

Page 1 of Confidential Attachment A shows a summary of the Washington allocation of booked revenues (line 1), the Washington allocation of imputed revenues associated with RECs held for compliance (line 2), and an adjustment for the Washington Renewable Portfolio Standard (RPS) compliance requirements (line 3). Line 4 shows the total Washington-allocated REC revenue of approximately $4.9 million for the period from April 2011 through December 2012. Actual credits to customers through Schedule 95 from April 2011 through September 2012 are shown on line 5. Estimated credits to customers through Schedule 95 for October and November 2012 are shown on line 6. Line 7 shows the total credits to customers from April 2011 through November 2012 of approximately $7.5 million. As shown on line 8, the Company estimates providing a net excess distribution to customers of approximately $2.6 million.

Page 2 of Attachment A shows the more detailed calculations that are summarized on page 1. The first step in determining Washington-allocated REC revenues is allocating booked revenues from the sale of RECs from west control area resources. Lines 1 through 5 show the total booked revenue from west control area resources. Lines 10 through 15 show Washington’s allocation of these revenues using the Control Area Generation West (CAGW) factor.

The second step is calculation of imputed revenues associated with RECs held for compliance according to section C of Order 10. From lines 17 through 50, the Company calculates the Washington allocation of the value of RECs held for compliance. These imputation calculations are categorized by REC type (wind, small hydro, large hydro, and biomass). The Company allocates Washington its CAGW share of all RECs held for compliance, and then multiplies that share by an average price based on actual transactions for that type and vintage of REC. As described in paragraph 45 of Order 10, these calculations assume 100 percent of these RECs would have been sold if the Company had not held them for compliance.[[4]](#footnote-4)

The final step in the calculation is shown on Lines 52 through 55 and reflects an adjustment for Washington’s RPS compliance requirement. This calculation uses the same average price assumption for wind RECs as used in the revenue imputation calculation for RECs held for compliance (described above). The total Washington-allocated REC revenue is shown on Line 57 and is carried forward to page 1, line 4.

**Revisions to Schedule 95 and Tracking Mechanism**

On March 30, 2011, in compliance with Order 06 in Docket UE-100749, PacifiCorp submitted Schedule 95—the Renewable Energy Revenue Adjustment—to implement a credit to customers for revenues from the sale of RECs. The initial REC revenue credit was estimated at $4.8 million per year. The Commission authorized a true-up of these initial credits to “be reconciled as credits are paid during the following 12 months.”[[5]](#footnote-5)

In Order 10, the Commission rejected the mechanism authorized in Order 06 and implemented through Schedule 95. The Commission ordered the Company and parties to “develop an appropriate credit mechanism based on the guidance we provide in this order.”[[6]](#footnote-6) The Commission specifically stated that the mechanism to credit REC revenues to customers “should be for actual REC sales proceeds, rather than forecasted amounts with a true-up.”[[7]](#footnote-7) Because the Commission rejected the forecast/true-up mechanism implemented in Schedule 95, the Company is modifying Schedule 95 to reflect a credit of actual REC revenues. Accordingly, the Company plans to make a compliance filing on May 1 of each year showing actual REC revenues for the prior year. As part of that filing, the Company will submit the appropriate revisions to Schedule 95 to account for the amount of Washington-allocated REC revenues.

The Company estimates that the net excess distribution to customers through Schedule 95 will equal approximately $2.6 million for REC revenues from April 3, 2011, through December 2012[[8]](#footnote-8); therefore, the Company proposes to revise Schedule 95 rates equal to zero cents per kWh for all rate schedules effective December 1, 2012 (included as Attachment C). As noted above, the Company will make a filing on May 1, 2013, showing the actual REC revenues for calendar year 2012 along with any necessary revisions to Schedule 95 to account for these revenues in customer rates. The Company understands that additional revisions to Schedule 95 may be necessary to reflect the resolution of issues currently contested in its petition for reconsideration, including the final resolution of REC revenues prior to April 3, 2011.

Accordingly, and in compliance with RCW 80.28.060, WAC Chapter 480-80, and WAC section 480-100-195, PacifiCorp includes as Attachment C to this letter one copy of the following revisions to Schedule 95, Renewable Energy Revenue Adjustment:

|  |  |  |
| --- | --- | --- |
| **First Revision of Sheet No. 95.1** | **Schedule 95** | **Renewable Energy Revenue Adjustment** |

Included as Attachment D to this filing is a table showing the revenue effect of the revisions to Schedule 95. The typical customer using 1,300 kilowatt hours will see a monthly increase of $1.61, or 1.53 percent.

The Company respectfully requests that all formal correspondence and Staff requests regarding this filing be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center

 PacifiCorp

 825 NE Multnomah, Suite 2000

 Portland, Oregon, 97232

By fax: (503) 813-6060

Informal questions regarding this filing should be directed to Bryce Dalley at (503) 813-6389 or by e-mail to Bryce.Dalley@PacifiCorp.com.

Sincerely,

William R. Griffith

Vice President, Regulation

Enclosures

cc: UE-100749 Service List

1. Notice of Extension of Opportunity to File Answers, Notice of Opportunity to File a Reply, and Notice Temporarily Suspending Compliance Deadlines (September 17, 2012). [↑](#footnote-ref-1)
2. PacifiCorp’s Reply to Answers to Petition For Reconsideration, Petition for Stay, and Motion to Reopen Record, ¶¶ 29-30 (October 10, 2012) (footnotes omitted). [↑](#footnote-ref-2)
3. The Company has designated Attachments A and B to this filing as confidential under the Protective Order in this docket, Order 03. [↑](#footnote-ref-3)
4. The Company has contested this assumption in its petition for reconsideration, and Staff agrees that the assumption is inappropriate. [↑](#footnote-ref-4)
5. Order 06, ¶ 205. [↑](#footnote-ref-5)
6. Order 10, ¶ 57. [↑](#footnote-ref-6)
7. *Id.*, ¶ 58. [↑](#footnote-ref-7)
8. Assuming the existing credit in Schedule 95 continues through November 30, 2012. [↑](#footnote-ref-8)