

October 3, 2014

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Steven V. King

Executive Director and Secretary

Washington Utilities and Transportation Commission

1300 S. Evergreen Park Drive SW

PO Box 47250

Olympia, WA 98504-7250

**RE: Advice 14-06—Schedule 95—Renewable Energy Revenue Adjustment**

 **Docket UE-100749—Compliance Filing**

Dear Mr. King:

Pacific Power & Light Company (Pacific Power or Company), a division of PacifiCorp, submits this filing in compliance with RCW 80.28.050, RCW 80.28.060, WAC section 480-100-028, and previous Washington Utilities and Transportation Commission (Commission) orders in Docket UE-100749. The Company requests an effective date of November 16, 2014.

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| Second Revision of Sheet No. 95.1 | Schedule 95 | Renewable Energy Revenue Adjustment |

This filing requests a rate adjustment to recover $5.2 million in over-credited revenues from the sale of Renewable Energy Credits (RECs). As previously ordered by the Commission, revenues from the sale of RECs are tracked and credited to customers separately from base rates.[[1]](#footnote-1) The Company’s appeal regarding historical REC revenues (January 1, 2009, through April 2, 2011) was resolved through a stipulation and one-time bill credit (Schedule 96) to customers in June 2014.[[2]](#footnote-2)

Now that the appeal is resolved,[[3]](#footnote-3) this filing requests a true up of REC sales proceeds, net of amounts credited to customers, from April 3, 2011, through December 31, 2013.[[4]](#footnote-4) The Company requests that the $5.2 million, or 1.6 percent overall, be recovered from customers over a one-year period beginning November 16, 2014. A residential customer using approximately 1,300 kWh per month would see a bill impact of $1.86 per month. The Company will publish a notice to customers in accordance with WAC 480-100-194 on or before October 16, 2014.

The following attachments are included with this filing:

Attachment A—Draft Customer Notice

Attachment B—List of Proposed Tariff Revisions

Attachment C—Table Showing Bill Impacts

Confidential Attachment D—REC Revenue Calculation

Attachment E—Revision to Schedule 95

**Background**

In Order 06 in Docket UE 100749, the Company’s 2010 general rate case, the Commission ordered Pacific Power to establish a mechanism to credit customers for REC sales proceeds.[[5]](#footnote-5) The Commission ordered Pacific Power to credit customers $4.8 million in estimated REC sales proceeds beginning April 3, 2011.[[6]](#footnote-6) Pacific Power filed a compliance tariff, Schedule 95, crediting the $4.8 million to customers over twelve months.[[7]](#footnote-7)

In Order 10, the Commission clarified that the mechanism should be based on actual REC sales proceeds rather than a forecasted amount with a true-up.[[8]](#footnote-8) The Commission also instructed the parties to develop an appropriate mechanism.[[9]](#footnote-9) On February 28, 2013, the Company, Commission Staff, Public Counsel, and the Industrial Customers of Northwest Utilities (ICNU) filed a joint letter with the Commission discussing the calculation and operation of the REC sales proceeds tracking mechanism.[[10]](#footnote-10) The letter outlined the parties’ agreement regarding calculation of the revenues, the applicable interest rate, and the filing dates.[[11]](#footnote-11) The parties agreed to a May 1 filing each year with a rate adjustment, if necessary, on June 1.

Because Pacific Power filed an appeal of Order 10, the Commission did not issue an order approving or rejecting the mechanism.[[12]](#footnote-12) Pacific Power is required, however, to submit annual compliance filings reporting the proceeds from the sale of RECs for the previous calendar year.[[13]](#footnote-13)

During the period April 3, 2011, through December 31, 2012, the Company over-credited customers for REC sales proceeds by approximately $3.6 million.[[14]](#footnote-14) In a letter filed January 16, 2013, Pacific Power requested that the Commission set Schedule 95 to zero due to this over-credit.[[15]](#footnote-15) On February 12, 2013, the Commission approved the Company’s request, effective immediately.

Consistent with the parties’ joint proposal, the Company submitted compliance filings on May 1, 2013, and May 1, 2014. In the May 1, 2014 filing, the Company reported an over-credit to customers of approximately $0.9 million for the sale of RECs in calendar year 2013. The Company did not pursue recovery of the over-credited amounts in the May 1, 2013 or May 1, 2014 compliance filings due to the ongoing controversy and appeal of the Commission’s orders. No party commented on these filings or requested that a rate adjustment be implemented associated with the over-credited amounts, nor did any party informally raise concerns with the Company.

The appeal regarding historical REC revenues was resolved through a stipulation and one-time bill credit (Schedule 96) to customers totaling $13.0 million, implemented in June 2014. The appeal was dismissed by the Washington State Court of Appeals in July 2014 and by the Thurston County Superior Court in August 2014. Now that the appeal is resolved, the Company requests a rate adjustment to true up the amount in the balancing account for the post-April 2011 amounts. Before making this filing, the Company informally notified Commission Staff, Public Counsel, and ICNU of its intent to request recovery of the over-credited amounts.

**Calculation of REC Sales Proceeds**

Consistent with the calculation of Washington-allocated REC sales proceeds described in the February 28, 2013 joint letter regarding the agreed-upon tracking mechanism, page 1 of Confidential Attachment D shows an accounting of actual proceeds from the sale of RECs from April 3, 2011, through December 31, 2013, calculated in compliance with Orders 10 and 11.[[16]](#footnote-16) Page 1 of the attachment shows a summary of the Washington allocation of actual revenues (line 1), the Washington allocation of imputed revenues associated with RECs held for compliance (line 2), an adjustment for Washington’s renewable portfolio standard (RPS) compliance requirements (line 3), the amount of credits passed back to customers through Schedule 95 (line 4), the amount of accumulated interest through December 2013 (line 5), and the accumulated interest through calendar year 2014 and the amortization period (line 6). Total Washington-allocated revenues are shown on line 7.

Pages 2 through 4 show the more detailed calculations that are summarized on Page 1. Lines 1 through 6 show the total 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 from the Commission-approved West Control Area inter-jurisdictional allocation methodology.

Lines 17 through 50 reflect the calculation of Washington’s allocation of the value of RECs held for compliance. These imputation calculations are categorized by renewable generation resource 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 transactions for that type and vintage of REC.

Lines 52 through 55 reflect 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. Total Washington-allocated REC sales proceeds, before interest and credits to customers, are calculated on line 57.

Page 5 shows a summary of the Company’s megawatt hours of renewable generation, quantities of RECs sold, quantities of RECs held for compliance, and revenues from sales of RECs for various types of renewable generation (wind, small hydro, large hydro, and biomass) from resources included in the west control area. Page 6 shows the calculation of interest using the Company’s after-tax weighted average cost of capital.

It is respectfully requested that all formal correspondence and Staff requests regarding this material be addressed to:

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

By regular mail: Data Request Response Center

 PacifiCorp

 825 NE Multnomah Street, Suite 2000

 Portland, Oregon, 97232

Informal questions should be directed to Natasha Siores, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6583.

Sincerely,

R. Bryce Dalley

Vice President, Regulation

Enclosures

cc: Service List for Docket UE-100749

1. *WUTC v. PacifiCorp, d/b/a Pacific Power & Light Co*., Docket UE-100749, Order 06, ¶ 204 (Mar. 25, 2011). [↑](#footnote-ref-1)
2. *WUTC v. PacifiCorp*, Docket UE-100749, Order 15 (Jun. 12, 2014). [↑](#footnote-ref-2)
3. The appeal was resolved through dismissal of the appeal by the Washington State Court of Appeals on July 14, 2014 (No. 44591-3-II) and by the Thurston County Superior Court (No. 12-2-02667-7) on August 7, 2014. [↑](#footnote-ref-3)
4. For administrative ease, revenues for the entire month of April 2011 are reflected in this filing. [↑](#footnote-ref-4)
5. Order 06, ¶ 203. [↑](#footnote-ref-5)
6. *Id.*, ¶ 204. [↑](#footnote-ref-6)
7. *WUTC v. PacifiCorp,* Docket UE-100749, Compliance Filing Pursuant to Order 06 in Docket UE-100749, Revisions to PacifiCorp’s General Tariffs (Mar. 30, 2011). [↑](#footnote-ref-7)
8. *WUTC v. PacifiCorp,* Docket UE-100749, Order 10, ¶ 58 (Aug. 23, 2012). [↑](#footnote-ref-8)
9. *Id.* ¶¶ 57, 60. [↑](#footnote-ref-9)
10. *WUTC v. PacifiCorp,* Docket UE-100749, Joint Letter re: Renewable Energy Credit Tracking Mechanism (Feb. 28, 2014). [↑](#footnote-ref-10)
11. In a later filing, Commission Staff, Public Counsel, and ICNU affirmed that they “agree with the calculation of REC revenues the Company supplied in its February 28, Compliance Filing.” *WUTC v. PacifiCorp,* Docket UE-100749, Joint Response on Behalf of Commission Staff, Public Counsel and ICNU to the Commission’s Notice Providing Opportunity to File in Compliance with Orders 10 and 11, ¶ 2 (Mar. 22, 2013). [↑](#footnote-ref-11)
12. *See WUTC v. PacifiCorp,* Docket UE-100749, Notice of Extension of Deadline for Compliance Filing (Jan. 23, 2014). [↑](#footnote-ref-12)
13. *WUTC v. PacifiCorp*, Docket UE-100749, Order 13, ¶ 8*.* [↑](#footnote-ref-13)
14. *See id.* ¶ 3. [↑](#footnote-ref-14)
15. No party disputed the over-credit. *See* Order 13, ¶ 6 (“No party disputes that PacifiCorp is over-crediting its customers under the current Schedule 95 or that reducing those credits to zero cents per kilowatt hour is reasonable in light of those over-credits and the REC sales proceeds the Company anticipates receiving in 2013. The Commission agrees and authorizes PacifiCorp to revise Schedule 95 as the Company has proposed.”). [↑](#footnote-ref-15)
16. The Company designates Attachment D as confidential under the protective order in Docket UE-100749 (Order 03). [↑](#footnote-ref-16)