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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of Subscriber Solar Program	)	DOCKET NO. 15-035-61 **COMMENTS RESPONDING TO INTERVENORS REGARDING THE SUBSCRIBER SOLAR PROGRAM**

Pursuant to the Public Service Commission of Utah's Scheduling Order issued June 29, 2015, Rocky Mountain Power hereby files its comments responding to the Division of Public Utilities ("DPU"), the Office of Consumer Services ("Office"), Utah Clean Energy ("UCE"), Utah Association of Energy Users ("UAE") and Salt Lake City in their comments filed August 12, 2015.

BACKGROUND

On June 16, 2015, the Company filed an application for approval of its Subscriber Solar Program ("Program"). On June 26, 2015, the Commission held a scheduling conference and issued a scheduling order and notice of hearing June 29, 2015 ("Scheduling Order"). On August 4, 2015, the Commission issued its Order Amending Comment Deadline wherein the deadline for parties to file comments was extended to August 12,

2015. On August 12, 2015, the DPU, Office, UCE, UAE and Salt Lake City filed comments. The Company commends the parties for their work and thorough participation in this docket and provides updated information and the following comments:

COMPANY UPDATE

To facilitate evaluation of the Program, the Company developed a matrix, attached as Attachment 1, describing the major Program components (i.e., eligibility and size, program mechanics, solar energy blocks, solar block facilities charge, program administration costs, billing, and regulatory treatment) and the various features within each component. The matrix shows, for each feature, the Company's original recommendation on the one hand and the Company's updated or revised position, on the other. The updated position reflects changes made pursuant to the results of the request for proposals ("RFP") issued to select the solar resource, and those made in response to parties' comments in this docket. While not all issues raised by the parties are reflected in the matrix, they are addressed below. In addition to the matrix, the Company provides an updated Schedule No. 73, attached hereto as Attachment 2, which reflects the updated Program terms outlined in these response comments.

Company Update: Program Administration Costs

Many of the comments submitted by parties and much of the work with stakeholders centered on Program costs, including administration, marketing and billing costs. In response to parties' comments and input, the Company has revised the proposed Program costs, resulting in a reduction of approximately 48 percent from the original filing, even though the size of the Program has been increased by more than 30 percent (from 15 MW to 20 MW). Adjusting for the increased size of the Program, the actual overall reduction is closer to 60 percent. Confidential Attachment 3 provides the detailed calculation of the Program administration costs. Below is a summary of the main cost categories related to Program administration:

1. *Administration Costs (direct and indirect labor): 28 percent reduction from original filing*

Administrative costs are directly tied to employee resources required to manage the Program operations including, but not limited to:

Development and management of an in-house reservation system
Processing subscriber transactions (sign-ups, transfers, cancellations)
Customer and regulatory reporting
Budget management
Customer relations
Delivering training to personnel

Reductions made to the administrative cost budget were primarily based upon stakeholder input in which parties' expressed a high degree of confidence that the Program will quickly reach 100 percent subscription, thus eliminating many of the costs budgeted after the first two years following the Program launch.

2. *Marketing Costs: 45 percent reduction from original filing*

Marketing costs include materials and outreach activities performed to advertise and promote the Program. The costs were based in part upon a review of the Blue Sky program marketing and communications activities. Examples of marketing costs include press releases, bill inserts, customer website interface (including specific rate-based calculators), newsletters and other media. Separate Program materials would be designed to target each eligible customer class (residential, industrial, commercial, etc.). As with the administration costs, reductions made to the marketing budget are based upon assumptions that the marketing efforts can be scaled back after the first few years of the Program under the assumption 100 percent subscription will be reached within the first few years. The costs cannot be eliminated even at 100 percent subscription since the Company anticipates additional costs will be incurred to retain current subscriptions, to find replacements when customers move outside of the service territory, or to re-market when customer contracts expire or customers cancel their subscriptions.

3. *Billing Costs: 77 percent reduction from original filing*

The original cost estimates filed with the Application were based upon manual billing activities that would need to occur to support the Program design. Since that time, the Company has designed enhancements that could be made to the Company's existing billing system prior to Program launch that will automate many of the billing functions that were originally identified as a manual billing process. This applies to residential and commercial customers who do not have interval meters and will remain on their otherwise applicable rate schedule. Although this cost element was the smallest of the Program costs, the system enhancements will substantially reduce the overall billing costs for the life of the program. Program participants billed under Schedule 32 will continue to pay the billing costs outlined in that tariff.

RESPONSIVE COMMENTS

DPU

The DPU is generally supportive of the Program and recommends approval with four modifications. The Company does not oppose three of the four modifications, but strongly opposes one modification. The DPU's proposed modifications are as follows:

1. *The Company should recalculate the program costs for each participating class in kilo-watt hours (kWh) at the conclusion of the RFP process when the final size and*

cost per mega-watt (MW) is known. Should the proposed facility's capacity and useful life change, the Company should recalculate the proposed administration, marketing and billing costs. The Company should recalculate the subscription charge based on the new assumptions;

Company Response: The Company does not oppose this condition. The Company has updated Program costs based on the initial results of the Company's RFP for the solar resource to support the Program. "Best and final" bids are due September 11, 2015 and the Company intends to include, in its September 15, 2015 filing, final Program costs and other relevant components, consistent with the final results of the RFP.

2. *The Company should bear an equal share of the risk of program under subscription with other rate payers;*

Company Response: The Company strongly opposes this condition. The Program was developed in response to customer interest, not resource needs by the Company. Stakeholders were involved in the development of just and reasonable Program administration costs. Stakeholders encouraged the Company to set Program costs based on a subscription rate of 100 percent, with the justification that low Program costs will incent strong customer participation, thus increasing the probability of a 100 percent subscription rate. Program costs based on a subscription rate of 100 percent eliminates the opportunity for the Company to financially benefit from the Program. Because the Company does not have the opportunity for financial reward as part of the Program, the Company should not bear the risk of under-subscription. It would be unreasonable for the Company to bear the risk when there is no offsetting opportunity for reward.

Regarding the DPU's comment about risk sharing, the Company evaluated a program structure in which Program costs would be fully recovered at a 50 percent subscription level. This structure would effectively double the Program cost for each customer compared to a 100 percent subscription level. While this structure would provide potential reward to the Company for subscription levels that exceed 50 percent (and allow the Company to accept some subscription risk) it would also lower the probable subscription rate due to the higher Program costs. Moreover, no other party in this docket has recommended that the Company share under subscription risk. Other parties' comments have stressed the importance of keeping Program administration costs as low as possible. Therefore, the Company recommends that the Commission reject the DPU's recommendation and continue with Program costs set at 100 percent subscription rate and fully recoverable regardless of the subscription level achieved by the Program.

3. *The Company needs to be clear in its marketing how the program billing will work for each of the participating classes of customers so they are not misled; and*

Company Response: The Company intends to include in its marketing and communication plans a clear description of how the Program rates and program billing will impact customers.

4. *The Company should be required to report certain metrics to the Commission after six months of program approval and annually after the program begins as described below.*

Company Response: The Company agrees to provide a report to the Commission six months after the Program is launched and annually thereafter for the life of the Program. The report will include key metrics of the Program, including information related to the numbers of subscribers.

OCS

The OCS is generally supportive of the Program but states some aspects of the Program need additional information and evaluation.[1]

Company Response: The Company has addressed each of the OCS' comments through the modifications shown in the attached Matrix. The Company believes that the planned supplemental information filed on September 15, 2015, after the RFP results are finalized, will satisfy the OCS' request for additional information. The Company acknowledges and appreciates the OCS' comments related to the need to continue to work together to evaluate information as it becomes available as the RFP process is completed. The Company intends to file final information in its September 15, 2015 reply comments.

UCE

UCE generally supports the Program in concept and has identified certain issues related to implementation.[2] First, UCE is concerned that Program costs, as initially filed, are unreasonably high. UCE further notes the Company communicated its intent to make adjustments to Program costs.

Company Response: The Company has adjusted Program administration costs that it believes will satisfy the concerns raised by UCE.

UCE also states its desire that Schedule 73 be evaluated as needed to ensure the delivery-related costs are set as intended.

Company Response: The Company intends to update Schedule 73 as needed to ensure the Solar Block Delivery Charge accurately reflects the delivery-related costs for transmission, distribution, and customer services that would be found in the customer's otherwise applicable rate schedule.

[1] August 12, 2015 Comments in Docket No. 15-035-61, Office of Consumer Services, page 2.
[2] August 12, 2015 Comments in Docket No. 15-035-61, Utah Clean Energy, page 2.

UCE indicates that this is a pilot program and should not set a precedent for any other proceeding or program.

Company Response: The Company agrees with UCE on this point and appreciates the collaboration with UCE and all the parties on the development of this Program. The Company expects that its September 15, 2015 filing will meet UCE's request for final Program specifics.

UAE

UAE does not object in principle to the Program and identifies a few aspects that, in their opinion, require further discussion. The Company will address each aspect below:

1. *The proposal may create a potential for unreasonable cross subsidization from non-participating customers*.

Company Response: The Company addressed the risk in the direct testimony of Paul H. Clements, pages 23-24. The Program costs include costs associated with the ramp up time period where the subscription rate may not equal 100 percent. At 100 percent subscription, non-participating customers will not be materially impacted by the Program. The DPU also assessed this risk and determined that no additional mitigation is necessary.[3] The Company agrees that the risk to non-participating customers has been mitigated to the extent possible in the proposed Program design and no further modification to Program terms is necessary.

2. *Participation in the proposed Subscriber Solar Program should not count against the 300 MW cap on Senate Bill 12/Schedule 32 resources.*

Company Response: The Company agrees that the Program will not count against the 300 MW cap under Schedule 32.

[3] August 12, 2015 Comments in Docket No. 15-035-61, Utah Division of Public Utilities, page 6.

3. *The "utility generation cost" component of the Solar Block Generation Charge requires greater explanation.*

Company Response: The utility generation cost is described in the direct testimony of Paul H. Clements on page 18. The cost was further explained at the July 10, 2015 technical conference. The Company has prepared a diagram that explains the regulatory accounting treatment for the Program. The diagram illustrates the calculation of the utility generation cost and is provided as Confidential Attachment 4. The Company intends to work directly with UAE to answer additional questions related to the utility generation cost.

4. *Greater clarification is needed with respect to the proposed treatment of the revenue credit for Schedule 32 customers.*

Company Response: The Company intends to address the treatment of Schedule 32 revenues as part of its filing in the next general rate case, as directed by the Commission in Docket No. 14-035-T02.

5. *The proposed administrative and marketing fees for the program require further support and evaluation.*

Company Response: The Company has provided updated Program administration costs and supplemental support and evaluation.

Salt Lake City

Salt Lake City supports the expansion of customer choice to include more renewable energy. The Company appreciates the participation of the Salt Lake City in this proceeding and notes its participation and input has been very instructive.

Dated: August 27, 2015.

Respectfully submitted,

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