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DEPARTMENT OF COMMERCE

Office of Consumer Services

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To: Utah Public Service Commission

From: Office of Consumer Service
Michele Beck, Director
Cheryl Murray, Utility Analyst

Date: July 25, 2017

Subject: In the Matter of Rocky Mountain Power's Subscriber Solar Program Status Report (Report). Docket No. 15-035-61

Background

On June 22, 2017, Rocky Mountain Power (Company) filed with the Utah Public Service Commission (Commission) its Subscriber Solar Program (Program) Status Report (Report). The Report, filed pursuant to the Amended Settlement Agreement filed October 8, 2015, is required six months after Program launch and annually thereafter. In this case the Report provides summary details regarding the Program launch and operations during the first five months of 2017.

On June 23, 2017, the Commission issued a Notice of Filing and Comment Period providing interested parties the opportunity to submit comments on the Report on or before Tuesday, July 25, 2017 and reply comments no later than Wednesday, August 9, 2017.

The Office will not comment on all aspects of the Report but provides the following observations on areas of particular interest and on the Report in general.

Discussion

Following Commission approval of the Amended Settlement in Docket No. 15-035-61, the Company launched a Subscriber Solar Program of 20 megawatts (MW). Available subscriptions were initially divided among customer classes: 30% residential (Schedules 1, 2 and 3), 30% commercial (Schedule 23), and 40% industrial (Schedules 6, 6A, 6B, 8, 9, and 9A). Six months after commencement of the Program, enrollment opened to any eligible customer, irrespective of the initial program split. The solar facility came on-line December 30, 2016.

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In the Settlement Agreement the Company agrees to file a report updating the Program subscription rate and other material program statistics six months after Program Launch, and annually thereafter¹. Other than the subscription rate no specific statistics are detailed in the Settlement Agreement.

In addition to the subscription rate the Report includes information on the following topics:

- Project Milestones Achieved
- Program Status Summary
 - Subscription Status
 - Solar Plant Generation
 - Revenues Collected
 - Project and Program Expenses
 - Program Reconciliation
- Planned Engagement Activities in Development

Initial Comments

The Company invited parties to a July 19, 2017 meeting to present the Report. The Office found the discussion to be very helpful and appreciates the Company reaching out to parties, particularly for this first Report.

The Office found the Report to be generally easy to follow and the information contained therein to be of value.

Subscription Status

As noted above certain percentages of the 20 MWs were allocated among the various customer classes. Since the beginning of 2017 the subscription rate has ranged from 92 to 99.8 percent, resulting in an effective subscription rate of 94.1 percent for the first five months of 2017. However, as of May 31, 2017, the Program is 99.7 percent subscribed with residential customers accounting for 34.3% and commercial customers 65.7% of the total enrollment. No industrial customers have enrolled in the Program. The Company explains that industrial customers do not find the rate structure of the Program advantageous to them. Currently, it appears that there is adequate interest to keep the Program subscription rate high enough to prevent cost shifting to other customers.

Program Reconciliation

We note that the Program is designed so that all Program costs are paid for by subscribers to the Program. However, the potential exists that some costs could be imposed on non-participating customers if Program costs are not fully recovered by subscriber revenue.

Paragraph 21 of the Amended Settlement Agreement reads in part: "The parties agree that Program costs not recovered by subscriber revenue can

¹ Amended Settlement Agreement, page 8 paragraph 23. Docket No. 15-035-61.

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be deferred and recovered through general rates provided they are consistent with initial Program cost estimates as detailed in Attachment 1.”

The inclusion in the Report of revenues collected, expenses and the reconciliation are very important to assist parties in monitoring any potential risk to non-participating customers.

A reconciliation of all Program revenues, expenses and generation costs are shown in Table 3 in the Report, provided below.

Table 3 – Reconciliation

| JAN-MAY 2017 – DETAIL SUMMARY | | | | | |
|-------------------------------|--------------|----------------|---------------|--------------|------------------------|
| Energy | Sold | Purchased | UNSOLD | Unsold Value | |
| | 15,057,360 | 17,196,333 | 2,138,973 | \$112,937.77 | |
| Rev/Expense | REVENUES - | EXPENSES - | GENERATION - | Unsold kWh = | BALANCE |
| | \$953,424.00 | \$1,403,797.38 | \$ 906,991.38 | \$112,937.77 | -\$1,470,302.54 |

Currently as shown in Table 3 the Program is in a deficit position of approximately \$1.47 million. However, this is not a totally unexpected result as much of the initial launch expense, particularly IT requirements, are a one-time charge so subsequent years are expected to have lower Program costs. The Company explains that as revenues increase and expenses decrease over the next two-years, the Program is expected to balance at a break-even point and is being managed to that end.

Planned Engagement Activities in Development

The Report identifies several projects and programs the Company is considering in order to encourage additional participation in the Program and to keep current participants engaged. More details will be provided as the plans progress.

The Office encourages the Company to keep parties informed of the development of these activities and to seek input prior to launch of these activities and programs.

Change in Date to Provide Report

As noted previously, the Company agreed to provide a status report on the Program annually. In this first update Report the Company proposes to submit the Subscriber Solar Annual reports by March 31st each year, beginning in March 2018. This date will align the filing of the Subscriber Solar Annual Report with the Blue Sky Annual Report

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filing but the two reports will be kept separate. The Office does not object to the Company's proposal.

Banked or Excess Energy

As per the Settlement Agreement participants' banked or excess energy will be cleared every 12 months on the anniversary of the start of subscription. Excess energy will be valued at the then-current Schedule 37 avoided cost rate for the applicable time period, and will be donated to the Low Income Program.

The Office recommends that once the clearing of excess energy and donation to the Low Income Program occurs subsequent status reports should include: 1) the total number of kWhs donated broken out by residential and commercial participants²; 2) the avoided cost rate; and the 3) total dollar value of the donated kWhs.

Final Comments and Recommendations

The Office believes that with this Report the Company provides a useful tool to assist parties in understanding and monitoring the subscriber solar program. We recommend that in subsequent status reports the Company continue to present all information provided in this update. We further recommend that information on banked or excess energy be included when appropriate.

As with most reports of this nature the Office expects that over time various parties may suggest modifications to the information presented.

² If industrial customers become subscribers that information should be included as well.