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Division of Public Utilities

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(CONFIDENTIAL)

TO: Public Service Commission

FROM: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Bob Davis, Utility Analyst

DATE: July 25, 2017

SUBJECT: **Docket No. 15-035-61** In the Matter Rocky Mountain Power's Subscriber Solar Program Status Report (2017).

The Division of Public Utilities (Division) has reviewed Rocky Mountain Power's (Company) Subscriber Solar Program Status Report for the first 6 months of 2017 per the Public Service Commission of Utah (Commission) Order issued October 21, 2015.¹ The Division recommends the Commission acknowledge the Company's status report.

Background

On September 21, 2015, the Company filed a settlement agreement (Settlement Agreement). The Settlement Agreement set forth parameters and operational guidelines for the Subscriber Solar Program. The Company, the Division, the Office, UCE, and Salt Lake City signed the

¹ Order Approving Amended Settlement Agreement, In the Matter of the Application of Rocky Mountain Power for Approval of its Subscriber Solar Program (Schedule 73), 15-035-61, October 21, 2015, Exhibit A, ¶ 23.

Agreement. UAE did not sign the Agreement but authorized the settling parties to represent that it did not oppose the Agreement.

On September 23, 2015, the Commission held a hearing on the Settlement Agreement. Counsel for the Company, the Division, the Office, and UCE appeared at the hearing along with their witnesses who testified in support of Commission approval of the Agreement. Part of that agreement, and so ordered by the Commission, was that the Company would present, within 6 months of the facility's in-operation date, a report detailing the status of the program.

On July 19, 2017, the Company presented its 6-month status report for the Subscriber Solar program to the Division, Office, Salt Lake City, and UCE.

Discussion

As proposed by the Company, the subscriber solar program offers Utah customers the opportunity to purchase 200 kilowatt-hour (kWh) blocks of electricity from the Company's solar resource, which was put into operation December 30, 2016.² These 200 kWh blocks were offered first-come, first-serve at a fixed price for a given contract length of two, five, seven or ten years. The program is offered through Schedule No. 73 for residential tariff Schedules 1, 2, 3, small non-residential tariff Schedule 23, and large non-residential tariff Schedules 6, 6A, 6B, 8, 9, and 9A. The current offering of the twenty mega-watt (MW) facility was originally allocated at roughly thirty percent for residential, thirty percent for small non-residential, and forty percent for large non-residential.

The Company reports that the program is 99.7% subscribed – 19,950 of the available 20,000 blocks. A total of 3,222 subscriptions with 2,556 residential, 666 commercial and no industry subscriptions. This equates to 79.33% residential and 20.67% commercial. The Company reports

² Company Subscriber Solar Program Status Report, June 22, 2017, p. 1, Table 1.

although it has had customers drop out of the program within the allowed time, there are many more customers wanting to participate in the program with a wait list of potential customers.³

The Company designed the program around a [REDACTED] solar facility. The designed price per MW was [REDACTED]. However, the Company had not entered into a PPA contract with the provider at the time of program design. The PPA contract with the solar provider is actually [REDACTED].⁴ The contract with the solar provider is based upon an average purchase of [REDACTED] with on peak defined as Monday through Saturday 9 a.m. to 11 p.m. and off-peak being all other hours plus holidays. However, the solar facility is capable of generating more than [REDACTED]. According to the Company's representatives, the Company purchases all the generation the facility produces. The Company was asked about the accounting treatment of this extra generation. The Company's representatives have not been able to respond due to lack of information. To keep the plan's expenses and revenues as designed, the Company adjusted its administrative, marketing, and billing costs to adjust for this generation price increase.

The Company's stated intent is that those participating in the program will pay all costs associated with the program. The Company's cost or pricing estimates allow for an initial ramp or subscription period through 2019. Therefore, as long as the program meets the Company's projected ramp rate and remains fully subscribed, the program will be underfunded in the ramp period but overfunded in the later years such that over the life of the program, subscribers will be fully funding the program. However, if the program does not meet the ramp rate or is undersubscribed at any point, the Company proposes that the associated costs of the program be borne by all ratepayers. At this time, the Subscriber Solar program is progressing as planned with some components of the program coming in under budget and some components over budget as expected. The projected spend was \$1,578,000 with \$1,279,110 actually spent leaving \$298,890 rolled from 2016 to 2017. The budget for 2017 is \$601,000 plus the \$298,890 or a total of

³ The Company's response to the 99.7 % subscription rate was that a timing lag of signing up new customers from the wait list and when the numbers were pulled for the report was the suspected cause of the 99.7% subscription rate. The Company is confident the program will be fully subscribed.

⁴ [REDACTED].

\$899,890. As of May 2017, \$70,781 has been spent. Total forecast spend through 2017 is \$400,000.

At the end of May, 15,057,360 kWh had been sold to program customers and 17,196,333 kWh purchased from the solar provider. The unsold 2,138,973 kWh equates to an unsold value of \$112,938. Program expenses of \$1,403,797 plus generation expenses of \$906,991 and the unsold energy value sums to \$2,423,726 of total expenses. These expenses are offset by revenues of \$953,424 leaving a deficit balance of \$1,470,302. The original program design forecasted a \$972,000 deficit at the end of 2017. The Company expects the program to be on-budget or slightly under-budget by the end of 2017.

The Renewable Energy Credits (RECs) produced by the solar generation facility will auto-transfer to the Company's WREGIS account and retired on behalf of the subscribers twice per year. The tariff allows the Company to transfer RECs to subscriber's WREGIS accounts if requested. No subscriber customers have requested to have RECs transferred to their own personal WREGIS accounts as of the date of this report.

The Company is launching (within the next month) an addition to their Subscriber Solar webpage that will allow customers and potential customers more interaction with the solar facility by allowing customers to name their panels and other marketing tools to promote the program and keep it fully subscribed.

The Company requests that the annual Subscriber Solar report be submitted at the same time as the Blue Sky Program report. The reports will be separate, formatted in a similar context, and submitted together by March 31st each year beginning 2018 and include information from the previous calendar year.

Conclusion

The Division has reviewed the Company's 6-month progress report for its Subscriber Solar program as ordered by the Commission. The Company's original proposal contained estimates that, at the time, were based on a per MW solar generation price that was unknown until the final project PPA was signed. The final PPA price per MW for the generation was slightly higher than

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forecast. To offset this generation cost increase, the Company adjusted its program administrative and marketing expenses to keep the program in alignment with the original program design.

The program is currently 99.7% subscribed with a wait list of potential customers wanting to sign up as blocks become available. The program is running at a deficit as expected but is trending towards the forecasted numbers.

The Division recommends the Commission acknowledge the Company's 6-month Subscriber Solar Status Report and direct the Company to file its Subscriber Solar Report annually in conjunction with the Blue Sky Annual Report by March 31st each year.

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Service List