State of Utah
Department of Commerce
Division of Public Utilities

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Action Request Response

"Confidential – Subject to Utah Public Service Commission Rules R746-1-602 and 603"

To: Public Service Commission

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

Date: April 26, 2018

Re: **Acknowledge Annual Report, Docket No. 18-035-11** - Rocky Mountain Power's Annual Report of the Subscriber Solar Program for the Period of January 1, 2017 through December 31, 2017.

Recommendation (Acknowledge)

The Division of Public Utilities (Division) has reviewed Rocky Mountain Power's (RMP) Subscriber Solar Program Status Report for the 2017 annual reporting period per the Public Service Commission of Utah (Commission) Order issued October 21, 2015.[1] The Division recommends the Commission acknowledge RMP's 2017 annual report.

Issue

On March 30, 2018, RMP filed its Subscriber Solar annual report with the Commission. On the same day, the Commission issued an action request to the Division to review RMP's filing for

[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.

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compliance and to make recommendations with a due date of April 30, 2018. On April 3, 2018, the Commission issued its Notice of Filing and Comment Period where any interested party may submit comments on or before April 30, 2018. The following are the Division's comments and recommendations.

Background

On September 21, 2015, RMP filed the settlement agreement (Agreement) in Docket No. 15-035-61 reached by the parties. The Agreement set forth parameters and operational guidelines for the Subscriber Solar Program. The Commission approved the settlement on October 21, 2015. The Subscriber Solar facility, located near Holden, Utah, began commercial operation during December of 2016.

RMP has filed two status reports for the Solar Subscriber program since its inception. On July 19, 2017, RMP filed a report for the first 6-months of operations. On March 30, 2018, RMP filed a status report for the 2017 calendar year, the 2017 annual report. On both occasions, RMP met with interested parties to discuss the status of the program. The 2017 annual report is the subject of the Division's comments herein.

Discussion

As originally proposed by RMP, the subscriber solar program offers Utah customers the opportunity to purchase 200 kilowatt-hour (kWh) blocks of electricity from RMP's solar resource.[2] These 200 kWh blocks are offered on a first-come, first-served basis 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.

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

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RMP reports 90.2% of the program's energy output was subscribed at the end of 2017 (43,417,636 kWh of the generated 48,146,997 kWh generated). The difference of 4,729,361 kWh is due to the lag of customers dropping off and new customers signing up. RMP reports that there are more than enough customers on the wait list signing on as customers drop off to keep the program fully subscribed.[3] The total subscription comprises 217,089 customers in total, with 74,944 residential, and 142,145 commercial. This equates to 34.52% residential customers and 65.48% commercial customers. The Division concludes that these ratios approximately meet the original design of 33.9% residential and 66.1% commercial.

RMP designed the program around a 20 MW_{AC} solar facility located in South-Central Utah. The final PPA contract price with the solar provider was [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]. RMP purchases all the generation the facility produces. The facility generated a total of [redacted] of on-peak and off-peak energy over the annual period. The difference of [redacted] between the generated amount and the agreed purchase of [redacted] is booked to net power costs (NPC).

RMP's stated intent was that those participating in the program would pay all costs associated with the program. RMP's cost, or pricing estimates, allow for an initial ramp or subscription period through 2019. Therefore, as long as the program meets RMP's projected ramp rate and remains fully subscribed, the program would be underfunded in the ramp period but overfunded in the later years such that over the life of the program, subscribers would fully fund the program. However, if the program does not meet the ramp rate or is undersubscribed at any point, the associated costs of the program are borne by all ratepayers through the Energy

[3] The Company explains the less than full subscription rate of 90.2 % as a reporting or timing lag between customers dropping off and new customers signing up. There are 114 residential customers and 253 commercial customers on the waitlist as of March 29, 2018.

[4] [redacted].

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Balancing Account (EBA). At this time, the Subscriber Solar program is progressing better than planned. The program's designed cost[5] at the end of 2017 was forecast to be $2,180,000. The program cost at the end of 2017 was $1,569,934, roughly 28% below forecast.

The full-year expense break-down is as follows: generation PPA expense of $2,539,821; program administration expense of $290,824; and interest expense of $58,534, for a total 2017 program expense of $2,889,179. These expenses are offset by revenues of $2,747,714, and a credit for cancellation fees of $16,050, for a total 2017 program revenue of $2,763,764. At January 1, 2017, the liability account balance was ($1,311,983). The January 1, 2017 beginning liability balance plus revenues of $2,763,764 less expenses of $2,889,179 leaves the liability account balance as of December 31, 2017 at ($1,437,398). This is $742,602 better than the forecast of ($2,180,000).

The Renewable Energy Credits (RECs) produced by the solar generation facility are transferred to RMP's WREGIS account and retired on behalf of the subscribers twice per year. The tariff allows RMP to transfer RECs to subscribers' 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.

RMP's Subscriber Solar webpage allows customers and potential customers more interaction with the solar facility by allowing customers to name their panels and providing other marketing tools to promote the program and keep it fully subscribed.

Pursuant to correspondence filed August 16, 2017, and Commission order, the following should be included in the next report: (1) the total number of kWh donated, broken out by the various classes of participants; (2) the avoided cost rate; and (3) the total dollar value of donated kWh.[6]

[5] Costs include Administration, Marketing, and Billing for years 2015, 2016, and 2017 (48,000, 1,531,000, and 601,000, respectively). There were no generation costs, interest expenses, or revenues from dropouts.
[6] Correspondence from the Public Service Commission, August 16, 2017, Docket No. 15-035-61, Gary L. Widerburg, at page 2. https://pscdocs.utah.gov/electric/15docs/1503561/295997CorresWiderburg8-16-2017.pdf.

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These items do not begin to accrue until the 2018 reporting period so they are not included in the 2017 report.

The Division recommends that RMP update its Program Costs Model (08Mar2018.xlsm) to reflect the new tax rate as a result of the latest federal tax reform. This change does not have a material impact on the spreadsheet results.

Conclusion

The Division has reviewed RMP’s annual Subscriber Solar progress report for the 2017 calendar period. The program was 90.2% subscribed at the end of 2017 with a wait list of 367 potential residential and commercial customers. Given the lag time between when customers drop off and new customers sign on, the program is considered to be fully subscribed. The program is running better than expected with a liability account balance of ($1,437,398) versus a forecasted liability account balance of ($2,180,000) as of December 31, 2017, or $742,602 better than expected.

The Division recommends the Commission acknowledge RMP’s 2017 annual Subscriber Solar Status Report and direct RMP to make the corrections to its report as mentioned herein.

CC Jana Saba, RMP
Michael Snow, RMP
Michele Beck, OCS
Service List