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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager
Bob Davis, Utility Technical Consultant

Date: April 29, 2019

Re: **Acknowledge Annual Report with Recommendations, Docket No. 19-035-15** –
Rocky Mountain Power's 2018 Annual Report of the Subscriber Solar Program for the
Period of January 1, 2018 through December 31, 2018.

RECOMMENDATION (Acknowledge with Recommendation)

The Division of Public Utilities ("Division") recommends the Public Service Commission of Utah ("Commission") acknowledge Rocky Mountain Power's ("RMP") Subscriber Solar Program Annual Status Report ("Report") for the 2018 annual reporting period per the Commission's Order dated October 21, 2015. The Division recommends RMP update its Proprietary Cost Model worksheet to reflect the current tax law and include the liability account balance reconciliation on the summary tab in Exhibit A for future reports. Further, the Division recommends the Commission direct RMP to correct the tariff schedule reference errors on the Solar Credit Donated spreadsheet and refile it with the Commission as stated below.

ISSUE

On March 29, 2019, RMP filed its 2018 Report with the Commission. On the same day, the Commission issued an action request to the Division to review RMP's filing for compliance and to make recommendations. The Commission asked the Division to report back by April 29, 2019. On April 1, 2019, the Commission issued its Notice of Filing and Comment Period where

any interested party may submit comments on or before April 29, 2019, and reply comments on or before May 14, 2019. This memorandum represents the Division's response to the Commission's action request.

BACKGROUND

On September 21, 2015, RMP filed the parties' settlement agreement ("Agreement") in Docket No. 15-035-61. 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 reports for the Solar Subscriber program since its inception. On July 19, 2017, RMP filed a report for the first six months of operations. On March 30, 2018, RMP filed a status report for the full 2017 calendar year. The 2018 annual report filed in March, 2019, is the subject of the Division's comments herein.

DISCUSSION

The subscriber solar program offers Utah customers the opportunity to purchase 200 kilowatt-hour ("kWh") blocks of electricity from RMP's solar resource near Holden, Utah.¹ 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.

RMP's report shows that 94.4 percent of the program's energy output was subscribed at the end of 2018 (47,704,730 kWh of the 50,511,859 kWh generated). RMP claims the 2,807,129 kWh difference is due to the lag between customers dropping off and new customers signing up. RMP considers the program to be 100 percent subscribed based on the wait list of customers as of April 15, 2019.² The Division notes that this year's subscription is better than last year's reported 90.2 percent subscription rate. The 2018 subscription is 238,524 blocks, comprising

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

² RMP response to Office of Consumer Services Data Request 2.2.

82,718 residential and 155,806 commercial. This equates to a 5 percent year-over-year increase in subscriptions from 2017. The current allocation of the twenty mega-watt (“MW”) facility is roughly thirty-five percent residential and sixty-five percent commercial. The Division concludes the subscription ratios approximate the original design of 33.9% residential and 66.1% commercial.

RMP designed the Subscriber Solar Program (“Program”) around a [REDACTED] solar facility located in South-Central Utah. The final PPA contract price with the solar provider was [REDACTED].³ 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 and books the difference to net power costs (“NPC”). Since inception, the facility generated a total of [REDACTED] of on-peak and off-peak energy over the period from January 2017 to December 2018. The generation sold over the same period is [REDACTED] or a difference of [REDACTED]. The combined 2017 and 2018 generation compared to purchased generation results in [REDACTED] booked to NPC. Compared to the [REDACTED] reported in 2017, this year’s NPC booked value of [REDACTED] illustrates improvement in utilization of the facility when analyzing 2018 on its own.⁴

RMP’s intent for the Program is 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 Balancing Account (EBA) as a NPC. At the time of this report, the Subscriber Solar program is progressing better than planned. The program’s designed cost at the end of 2018 was forecast at

³ The Company updated the generation cost at its July 19, 2017 Subscriber Solar Program Update, page 9.

⁴ RMP Exhibit A – 2018 Subscriber Solar Summary Report (Excel) 3-29-2019.xlsx, “Summary” tab.

\$2,792,000. The actual program cost at the end of 2018 was \$1,898,349, roughly 32 percent below forecast or \$927,251 including the add-back of cancellation fees.⁵

The 2018 full-year expense break-down is as follows: generation PPA expense of \$2,666,446; program administration and marketing expense of \$170,986; and interest expense of \$66,021, for a total 2018 program expense of \$2,903,453.⁶ These expenses are offset by revenues of \$3,019,250, and cancellation credit fees of \$17,550, for a total 2018 program revenue of \$3,036,800.⁷ At January 1, 2018, the liability account balance was (\$1,437,398).⁸ The January 1, 2018 beginning liability balance, plus revenues of \$3,036,800 less expenses of \$2,903,453, results in a liability account balance, as of December 31, 2018, of (\$1,304,051) or \$133,347 less negative than at the beginning of the year. The Division recommends RMP continue to provide the “Utah Liability Account Balance Reconciliation” section on the Summary tab of Exhibit A.

Pursuant to correspondence from the Commission Secretary filed August 16, 2017, RMP was directed to include in its report the following: (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.⁹

RMP added a “Solar Credit Donated” spreadsheet to its Exhibit A pursuant to the Commission’s Order.¹⁰ RMP reports that 1,730,390 kWh were donated in 2018 consisting of: 783,657 kWh from Commercial customers; 669,894 kWh from Industrial customers; and 276,839 kWh from Residential customers. The avoided cost rates used to calculate the credit consist of the allocated¹¹ summer and winter, on-peak and off-peak, rates from the current Schedule 37, 18-035-T02, Avoided Cost Purchases from Qualifying Facilities, non-levelized

⁵ Costs include Administration, Marketing, and Billing for years 2015, 2016, 2017, and 2018 (48,000, 1,531,000, and 601,000, 612,000, respectively). There are \$157,428 in accumulated interest expenses, and \$33,600 in accumulated cancellation fees.

⁶ RMP Exhibit A – 2018 Subscriber Solar Summary Report (Excel) 3-29-2019.xlsx, “Summary” and “2018 Dashboard” tabs.

⁷ Id., “2018 Dashboard” tab.

⁸ Exhibit A – RMP 2017 Subscriber Solar Program Annual Report (Excel) 3-30-2018.xlsx, “Summary” tab.

⁹ 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>.

¹⁰ RMP Exhibit A – 2018 Subscriber Solar Summary Report (Excel) 3-29-19.xlsx, tab “Solar Credits Donated”.

¹¹ The avoided cost rate is first allocated by on-peak/off-peak time per day, then allocated again by number of summer and winter months.

Tracking Solar Facility for 2018.¹² Utilizing the July 1, 2018 authorized rates for non-levelized Tracking Solar, the reported total dollar amount of donated kWh is \$27,780. The Division notes that RMP's filing incorrectly references non-levelized Base Load Facilities from Advice No. 17-08 for 2018 Winter rates, and Docket No. 17-035-T07 for 2018 Summer rates. The Division recommends the Commission direct RMP to revise its Solar Credit Donated spreadsheet to reference the correct tariff Schedule and refile it with the Commission.¹³

The Renewable Energy Credits ("RECs") produced by the solar generation facility are transferred to RMP's WREGIS account on behalf of the subscribers and retired. The tariff allows RMP to transfer RECs to subscribers' WREGIS accounts if requested. No subscriber customers have requested RECs transferred to their own personal WREGIS accounts as of this report.

The Division recommends that RMP update its Program Cost Model-Proprietary Exhibit B to reflect current tax laws as a result of the latest federal tax reform. This change does not have a material impact on the spreadsheet or this year's Subscriber Solar annual results. The Division understands that RMP's "Proposed" tab on its Program Cost Model-Proprietary Exhibit B is for informational purposes only and will be filed with its proposal at a later date. The Division will review RMP's proposal and make its recommendations at that time as it is not part of this year's annual report.

CONCLUSION

The Division has reviewed RMP's Subscriber Solar Report for the 2018 annual reporting period. The program continues to be 100-percent subscribed at the end of 2018 with a wait list of residential and commercial customers and fully subscribed as of April 15, 2019. The program is running better than expected with a liability account balance of (\$1,304,051) at the end of the 2018 compared to (\$1,437,398) at the beginning of 2018 or an improvement of \$133,347.

The Division recommends the Commission acknowledge RMP's 2018 annual Subscriber Solar Status Report and direct RMP to make the corrections to its Report and Program Cost Model as mentioned herein.

¹²https://www.rockymountainpower.net/content/dam/rocky_mountain_power/doc/About_Us/Rates_and_Regulation/Utah/Approved_Tariffs/Rate_Schedules/Avoided_Cost_Purchases_from_Qualifying_Facilities.pdf

¹³ RMP corrected the tariff references in response to the Office of Consumer Services Data Request 2.1. The Division recommends the Commission direct RMP to refile that sheet to maintain clarity.

cc: Jana Saba, RMP
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Service List