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Division of Public Utilities

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Action Request Response

To: Utah Public Service Commission

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

Date: May 23, 2019

Re: **Not Approve Tariff Sheet Changes, Docket No. 19-035-T08** – Rocky Mountain Power's Proposed Changes to Schedule 73, Subscriber Solar Program Rider Optional.

Recommendation (Not Approve)

The Division of Public Utilities ("Division") recommends the Public Service Commission ("Commission") not approve Rocky Mountain Power's ("RMP") proposed revisions to Electric Service Regulation No. 73 (Subscriber Solar Program Rider Optional). The Division concludes RMP's proposal may change the mechanics of the Subscriber Solar Program.

Issue

On May 9, 2019, RMP filed with the Commission proposed changes to Electric Service Schedule No. 73. On May 9, 2019, the Commission issued an Action Request to the Division to investigate RMP's filing and make recommendations by May 24, 2019. On May 10, 2019, the Commission issued a Notice of Filing and Comment Period. Any interested party may submit comments on or before May 23, 2019 and reply comments on or before May 30, 2019. This memorandum represents the Division's response to the Commission's requests for comments and recommendations.

Background

On September 21, 2015, RMP filed the parties' settlement agreement in Docket No. 15-035-61. On October 1, 2015, RMP filed the parties' amended settlement agreement ("Agreement"). On October 8, 2015, RMP filed an amended settlement agreement to clarify two remaining issues. The Agreement sets forth parameters and operational guidelines for the Subscriber Solar Program. The Commission approved the Agreement on October 21, 2015. The Subscriber Solar facility, located near Holden, Utah, began commercial operation during December of 2016.

RMP has filed three reports for the Solar Subscriber program since its inception. On July 19, 2017, RMP filed a status report for the first six months of operations. On March 30, 2018, RMP filed its report for the full 2017 calendar year. RMP filed its report for the 2018 calendar year on March 29, 2019. In this filing, RMP seeks Commission approval for changes to its tariff Schedule No. 73. The tariff changes are the subject of the Division's comments herein.

Discussion

The Subscriber Solar Program ("Program") is fully subscribed and performing better than expected with projected costs well below the forecasted ramp-up costs. On December 31, 2018, the program ended at $1.3 million below break-even or a $133,347 improvement from the beginning of 2018, and is on-track to break even by the end of 2019.[1]

In this application, RMP proposes changes to two main areas of the Program: (1) Changing Schedule No. 73 so customers can subscribe at 100 percent through variable blocks of energy; and (2) eliminating certain Schedules from the Program. Review of the evidence provided by RMP in its filing is inadequate to show the changes are in the public interest. It is not clear that the changes materially enhance the Program. Additionally, the Division is concerned RMP's proposal may change the fundamental mechanics of the Program agreed to by stakeholders.

Addition of 100 Percent Matching Program Offering

Schedule 73 currently allows customers to purchase or subscribe to, discrete 200 kWh fixed blocks of energy from the designated resource. The tariff allows customers under Schedules No.

[1] Division Comments, Acknowledge Annual Report with Recommendations, Docket No. 19-035-15, Bob Davis, April 29, 2019, pg. 5.

1, 2, 3, and 23 to take up to 100 percent of their prior 12-months usage.[2] Customers under Schedule Nos. 6, 6A, 6B, 8, 9, and 9A cannot exceed the lower of their 12-month prior usage or 2000 kW.[3] Because these blocks are fixed, the subscribed blocks will offset the customer's monthly usage but not necessarily match the customer's average monthly usage. If blocks are not available, new or existing customers wishing to subscribe to blocks are placed on a waitlist and offered, on a first come first served basis, blocks as they become available.

RMP claims that a significant amount (approximately 70 percent) of customers on the program would like the opportunity to purchase 100 percent solar power rather than a number of solar blocks and generation from other resources to meet their energy needs.[4] RMP states that the purpose of this filing is to specifically add an option to Schedule No. 73 so customers can subscribe up to 100 percent of their usage from the solar facility. RMP explains in its Advice 19-09 letter that some customers want to meet 100 percent of their energy needs with solar from the Program but because of the current fixed block restriction, they may over-subscribe or under-subscribe for various reasons. For example, when a customer uses less energy through energy efficiency measures or moves to a different site where it consumes less energy, the customer may find itself over-subscribed. On the other hand, a customer may find itself under-subscribed if its usage increases for some reason. Normally, in the case of the latter, customers would go on the waitlist unless blocks are readily available.

The Division has several concerns with RMP's proposal. First, RMP fails to address which customers, new or existing, will have priority to the available unsubscribed blocks. The Division believes the original program design gave customers on the waitlist priority over existing subscribers seeking to add blocks (variable blocks in RMP's proposal) to meet their full energy needs. In response to DPU Data Request 2.2, RMP explains that it handles subscription requests in the order received. If a current subscriber wishes to switch to the 100 percent option, they would be added to the waitlist and their request processed in the same order.[5]

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[2] Rocky Mountain Power Electric Service Schedule No. 73, Advice No. 17-06 Docket No. 17-035-T06, Special Conditions, Section 2.
[3] Id., Section 3.
[4] Rocky Mountain Power, Subscriber Solar Annual Report, Docket No. 19-035-15, March 29, 2019, Exhibit D – Subscriber Solar Customer Survey, February 2019, pg. 4.
[5] RMP response to DPU Data Request 2.2.

The Division is also concerned RMP's proposal might change the mechanics of the Program's original design. The pricing of the blocks comprise two components: (1) the solar block generation charge consisting of the solar generation and program costs; and (2) the solar block delivery charge. The solar block generation and program costs include the power purchase agreement ("PPA") cost of the solar facility, administration, billing, marketing, and the cost associated with utility generation required to meet customer usage outside their subscriptions. The solar block delivery charge only applies only to Schedules No. 1, 2, 3, 23, and applicable fees under Schedule 32 for Schedules No. 6, 6A, 6B, 9, and 9A customers that have interval meters. Customers taking service under Schedules No. 6, 6A, and 6B, that do not have interval meters, do not pay block delivery charges. The mechanics of the Program, as presented at inception, made program costs predictable.

The Division's concern with the proposed changes lies in how changing from known blocks of energy to variable blocks of energy might change the pricing of the solar generation block pricing. For example, a residential customer participating in the Program under the proposed Schedule 73 might not require the cost of utility generation mentioned above to offset their under-subscription as before. Therefore, the calculation of the pricing for the solar block generation charge might be different. The Division has not attempted to analyze how the proposed changes might actually impact the mechanics of the Program but concludes further analysis and explanation must be completed before making changes to the tariff. The Division assumes the billing changes RMP proposes may encompass this type of scenario.

Finally, the Division notes that the billing system would require updates to accommodate the difference between the current fixed subscribed blocks and RMP's proposed variable energy blocks. The associated changes in costs shown in Confidential Exhibit B, Column J, Row 60, require billing system updates to accommodate the changes. RMP proposes to reallocate savings from the administrative, billing, and marketing expenses to cover the costs of the billing system update. RMP claims there is no need for additional funds to support the Program with the reallocation. However, the Division notes the change pushes the break-even year for the Program into Year 5 versus the forecasted Year 3. In response to DPU Data Request 2.4, RMP explains the Program's break-even point is across the 20-year amortization schedule shown in the program cost model, Confidential Exhibit B, demonstrated by the zero net present value ("NPV") when evaluating all future cash flows. The only change proposed to the program cost model is reallocation of the savings from the first three years of the program into Year 4 and Year 5. The energy balancing account ("EBA") is affected only for any unsold generation each year, as discussed in Docket No. 15-035-61.[6] The Division's understanding of the program is that in the early years, during the ramp period of the program when subscriber revenues were less than costs, those costs would be deferred to an account borne by all rate payers with an associated carrying charge.[7] After the Program reaches full subscription, the revenues would exceed the costs and pay for itself over the Program's 20-year horizon. The Division's concern with the updated break-even year is the extension of the carrying charges. The Division could not determine if the NPV offsets the carrying charges along with the program costs. The Division suggests RMP provide further analysis of how the dynamics of the proposed changes might impact the Program other than simply saying the NPV remains at zero.

Removal of Eligible Rate Schedules

RMP recommends eliminating some customer groups from the program due to lack of interest. Customers under tariff Schedules No. 2, 8, 9 and 9A would be removed from the program under the proposal. Removing the schedules from the program makes sense because there is no participation from customers under these schedules. RMP claims that maintaining the billing accommodation needed for these rate schedules is a needless financial burden to the Program.[8] It is not clear why there is an ongoing financial burden to the Program if there are no customers participating under these rate schedules. The monies spent to create the billing system for these customers has already been spent and accounted for in the Program.[9] In response to the Office of Consumer Services ("OCS") Data Requests 2.1 and 4.1 asking about the expense incurred to date for these schedules, RMP explains that there are no current financial burdens on the Program for serving customers under rate Schedules No. 2, 8, 9, and 9A, because these

[6] Id., 2.4.
[7] Amended Settlement Agreement, Docket No. 15-035-61, October 8, 2015, ¶ 21.
[8] Rocky Mountain Power Advice Letter No. 19-09, Removal of Eligible Rate Schedules, pg. 2.
[9] The Division is not aware of RMP employing an exclusive FTE to manually calculate billing for customers participating under Schedule Nos. 2, 8, 9, and 9A. Therefore, the Division fails to see what savings there would be by eliminating the schedules from the Program.

customers have not expressed interest in participating. Removing these schedules from the scope of the tariff would enable the Program to avoid any potential future costs of manual billing that would be required for these customers.[10] The Division has no evidence to make a recommendation on this change. However, should one of these customers choose to participate in the Program in the future, discrimination may be a concern because the Schedules were removed from the Program. An articulable rationale for excluding these schedules beyond the fact of non-participation is likely required.

The Division's review of Advice No. 19-09 also includes a compliance review of the tariff sheets for this matter. The Division reviewed Utah Administrative Code Rule 746-405-2(D)(3)(g), which requires a statement that the tariff sheets proposed do not constitute a violation of state law or Commission rule. However, the rule also states that the filing of proposed tariff sheets shall of itself constitute the representation of the filing utility that it, in good faith, believes the proposed sheets or revised sheets to be consistent with applicable statutes, rules and orders. The filing does not appear to violate statute or rule.

Conclusion

The Division investigated RMP's changes to Electric Service Schedule No. 73 (Subscriber Solar Program Rider Optional), and concludes that RMP's filing lacks evidence to support the changes, may alter the fundamental mechanics of the Program, and does not obviously and materially enhance the Subscriber Solar Program. Therefore, the Division recommends the Commission not approve RMP's changes to Electric Service Schedule No. 73.

Cc: Michael Snow, RMP
Jana Saba, RMP
Michele Beck, OCS

[10] RMP responds to OCS Data Requests 2.1 and 4.1.