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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  
Abdinasir Abdulle, Utility Technical Consultant

**Date:** August 9, 2019

**Re:** Approve Tariff Sheet Changes, Docket No. 19-035-T12 – Rocky Mountain Power’s Proposed Tariff Revisions to Electric Service Schedule No. 196, Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program.

### Recommendation (Approval)

The Division of Public Utilities (“Division”) recommends the Public Service Commission (“Commission”) approve Rocky Mountain Power’s (“RMP”) proposed refund to customers and its revisions to Schedule No. 196.2, Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program, effective November 1, 2019. The Division recommends the Commission direct RMP to add information in its Annual STEP Status Report and Annual Utah Solar Incentive Program (“USIP”) Report that explains the variable Program costs.

### Issue

On July 23, 2019, RMP filed with the Commission its proposed revisions to Electric Service Schedule No. 196, Sustainable Transportation and Energy Plan (“STEP”) Cost Adjustment Pilot Program. RMP requests an effective date of November 1, 2019. On July 23, 2019, the Commission issued an action request to the Division requesting it to review RMP’s filing and make recommendations. The Commission asked the Division to report back by August

7, 2019. On July 23, 2019, the Commission issued its Notice of Filing and Comment Period allowing any interested party to submit comments on or before August 9, 2019 and reply comments on or before August 16, 2019. This memorandum represents the Division's response to the Commission's request.

## **Background**

On August 3, 2007, the Commission issued its Order in Docket No. 07-035-T14 approving Electric Schedule No. 107, Solar Incentive Program ("Pilot Program"). At the end of the five-year Pilot Program, the Commission approved an extension and expansion of the Pilot Program in Docket No. 11-035-104, which extended the Solar Incentive Program ("Program") through 2017 and provided approximately \$50 million in rebate incentives.<sup>1</sup> Electric Service Schedule No. 195 collected revenues from all rate payers to cover the Program obligations.

In March 2016, the Legislature enacted, and the Governor signed into law, the Sustainable Transportation and Energy Plan Act. The STEP Act discontinued the Solar Incentive Program as of December 31, 2016 pursuant to Utah Code Annotated § 54-7-12.8(4) and authorized RMP to collect estimated unrecovered costs for the remaining Program obligations through the STEP Cost Adjustment Pilot Program STEP Surcharge.

On September 12, 2016, RMP filed with the Commission its application to implement various programs authorized by the STEP Act in Docket No. 16-035-36. The Commission approved Phase One in its Order on December 29, 2016,<sup>2</sup> including changes to tariff schedules 107 and 195. The Commission allowed Schedule 107 to remain in place until the end of the pilot program in June of 2023 (five years after completion of the last installations). RMP did not accept any new applications after December 31, 2016 and any installations subject to incentives expired as of June 30, 2018. The Commission approved the removal of the Solar Incentive Surcharge portion of Schedule 195 and include it in Schedule No. 196. The Schedule 196 surcharge includes revenues to support the STEP Program including incentive payments for the Program. The solar incentive payments are STEP Program expenses.

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<sup>1</sup> See <https://psc.utah.gov/2016/06/21/docket-no-11-035-104/>.

<sup>2</sup> See <https://pscdocs.utah.gov/electric/16docs/1603536/2909941603536porao12-29-2016.pdf>.

Finally, on March 8, 2019, RMP filed an application (“Phase Five”) in Docket No. 16-035-36 requesting that the STEP funds, previously allocated for the remaining Program obligations, be diverted to another STEP project, which was approved by the Commission on June 28, 2019.<sup>3</sup>

## Discussion

RMP believes that an estimate of the remaining Program obligations has a high degree of certainty. Many of the projects applied for by the end of December 2016 expired, leaving a surplus of Schedule 195 Program funds and the use of anticipated STEP funds collected under Schedule 196 unneeded. RMP estimates the surplus from funds collected under Schedule 195 to be approximately \$3,060,020.<sup>4</sup> RMP’s proposed revisions to Schedule 196 refunds the surplus to customers over a twelve-month period beginning November 1, 2019 by lowering the rates under Schedule 196. Additionally, RMP proposes to refund Special Contract Customers differently by issuing a one-time refund, specifically, (\$44,175) for Contract 1, (\$5,628) for Contract 2, and (\$182,586) for Contract 3.<sup>5</sup> Finally, RMP adds Schedule No. 22,<sup>6</sup> Indoor Agricultural Lighting, to its revised Schedule No. 196.2.

RMP explains that its refund calculations include a \$500,000 balance at the end of the Program to cover varying charges over the remainder of the Program through 2023. Although the upper limit of the Program incentive obligations is known with a reasonable degree of certainty, the timing of the incentives, the variable carrying charge rates set annually under Electric Service Schedule No. 300, and the amounts actually refunded to customers based on customer usage, might cause the balance to fluctuate.<sup>7</sup>

RMP has scheduled the STEP exit strategy meeting for November 2019, as directed by the Commission in its STEP Phase Five Order, which includes a discussion on the use of any unspent STEP funds. RMP proposes that parties discuss the use of the remaining Solar Incentive Program balance during the STEP exit strategy meeting.

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<sup>3</sup> See <https://pscdocs.utah.gov/electric/16docs/1603536/3089131603536rao6-28-2019.pdf>.

<sup>4</sup> RMP Application, Docket No. 19-035-T12, July 23, 2019, pg. 5, Section 10.

<sup>5</sup> *Id.*, pg. 6, Sections 13, 14 and 15.

<sup>6</sup> See <https://pscdocs.utah.gov/electric/19docs/19035T06/30911219035T06oat7-10-2019.pdf>.

<sup>7</sup> RMP Application, Docket No. 19-035-T12, July 23, 2019, pg. 5, Section 12.

The Division concludes that RMP's proposed rates are reasonable and in the public interest. The Division supports RMP's one-time refund to Special Contract Customers 1, 2, and 3 as the one-time refund would reduce the carrying charge obligation to other customers under Schedule 196.<sup>8</sup> However, the Division has concerns of the potential risk of these customers receiving a larger refund in the event that the Program costs change over the remaining years. The Division recommends the Commission direct RMP to include in its Annual STEP Report and Annual USIP Report an accounting of the USIP balance including the current variable charges explained above. The Division concludes that only Customers that might take service under Schedule 22 in the future that have been customers under other rate schedules subject to USIP surcharges in the past, are subject to a refund.

In review of RMP's advice letter 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 has reviewed RMP's filing and recommends the Commission approve RMP's proposed refund to customers and revisions to Schedule No. 196.2, Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program, effective November 1, 2019. The Division recommends the Commission direct RMP to add information in its Annual STEP Status Report and Annual USIP Report that explains the variable Program costs.

Cc: Joelle Steward, RMP  
Jana Saba, RMP  
Daniel Solander, RMP  
Michele Beck, OCS

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<sup>8</sup> *Id.*, pg. 6, Section 14. See S.B. 115 at 54-3-33(2), "The Commission shall exempt a customer that enters into a contract described in Subsection (1) from paying the costs recovered under Subsection 54-7-12.8(3), except the costs of the Utah Solar Incentive Program included in Subsection 54-7-12.8(3)(b)."