
In the Matter of the Application of Rocky Mountain Power to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act

DOCKET NO. 16-035-36
PHASE TWO REPORT AND ORDER

ISSUED: May 24, 2017

SYNOPSIS

The Public Service Commission ("PSC") approves those components of PacifiCorp's Application the PSC has designated for adjudication in Phase Two of this docket with the exception of the second phase of the Cryogenic Carbon Capture program. The PSC generally adopts the recommended reporting requirements suggested by the Division of Public Utilities ("DPU") and the Office of Consumer Services ("OCS"). PacifiCorp shall work with the DPU and the OCS to develop adequate ongoing monitoring and evaluation procedures. PacifiCorp shall include all related operations, maintenance, administrative, and general costs in the respective STEP Program budgets.

I. BACKGROUND AND PROCEDURAL HISTORY

This docket arises out of PacifiCorp dba Rocky Mountain Power's ("PacifiCorp") Application to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act ("Application"), which PacifiCorp filed on September 12, 2016.

In March 2016, the Legislature enacted and the Governor signed into law the Sustainable Transportation and Energy Plan Act (the "Act"), now codified, among other places, at Utah Code Ann. §§ 54-7-12.8, 54-20-101, *et seq.* The PSC's Phase One Report and Order, dated December 29, 2016, contains a relatively broad overview of the Act. This Phase Two Report and Order discusses only those aspects of the Act pertinent to this phase of the docket. Parties are referred to the PSC's Phase One Report and Order for a more detailed summary of the law.

Because the Application involves numerous issues for which the Legislature has imposed different statutory deadlines for the PSC to act, the parties agreed to bifurcate the Application's adjudication into at least two phases. Initially, the docket was split into two phases. In its Phase Two Scheduling Order, issued October 21, 2016, the PSC designated all remaining issues (*i.e.*, all issues that had not been addressed in Phase One) for adjudication in Phase Two, noting the potential exception of PacifiCorp's proposed Electric Vehicle Incentive Program ("EV Program"). Later, in its Phase Three Scheduling Order and at the parties' request, the PSC determined that the EV Program would be addressed separately in Phase Three of the docket.

The PSC held a hearing on Phase Two issues on April 18, 2017, during which witnesses for PacifiCorp, the DPU, the OCS, and Utah Clean Energy ("UCE") provided sworn testimony.

II. PHASE TWO ISSUES

The parties have reached consensus on numerous Phase Two issues. However, testimony suggests the parties are not in complete agreement with respect to some specific suggestions the DPU, the OCS, and UCE offered.

a. Advanced Substation Metering Program (\$1.1 Million)

PacifiCorp proposes to purchase and install advanced meters on approximately 50 circuits connected to distribution substations that do not have these capabilities. PacifiCorp states these meters will provide greater visibility into the distribution system and facilitate the integration of distributed generation resources. (Hr'g Tr. at 6:25, 7:1-7.)

The DPU supports approval of the proposed program but reiterates its concerns regarding ongoing reporting, monitoring, and auditing requirements. Further, the DPU suggests all potentially affected customers should be properly notified of outage risks and otherwise educated about the program. (R. Davis Direct Test. at 8-9:133-145.)

The OCS supports approval of the proposed program. The OCS further testified:

1. The meters themselves will have no impact on the penetration level of distributed energy resources ("DER");
2. The information provided by the meters may reduce the number of studies PacifiCorp conducts when deciding whether to approve interconnection requests;
3. PacifiCorp provides no evidence of DER causing problems on its system in this docket; and
4. The meters themselves are incapable of directly addressing any specific potential harm caused by DERs.

(G. Mangelson Direct Test. at 7.) The OCS concluded: "[N]o evidence yet exists that the system is being unduly stressed in the ways that the meters intend to verify, and that the proposed metering units in and of themselves do not possess the capability to resolve any such issues."

(Id.)

The OCS recommends the following reporting requirements:

1. Annual and final comprehensive program evaluation reports as outlined in PacifiCorp's STEP Reporting Plan;
2. A final report of actual meter installation locations, including the reasoning for any deviations from the originally targeted locations; and

3. Any and all determinations that can be made or inferred from the information provided by the meters, including harm that can be substantiated, as well as those harmful effects that cannot be substantiated, as they have been described in Exhibit "C" of the Application.

(Id. at 8.)

UCE testified the proposed program is in the public interest to the extent the data gathered can be used productively and transparently to benefit PacifiCorp's ratepayers. (K. Bowman Direct Test. at 4:46-55.) UCE adds that the potential problems PacifiCorp cited as justifications for this program are not solely the result of DERs. (*Id.* at 9:167-173.) UCE recommends PacifiCorp provide stakeholders access to the data gained from this program, PacifiCorp provide regular updates to inform stakeholders as key milestones are reached, and PacifiCorp prepare a report outlining key findings when the program has been implemented. (*Id.* at 11:219-225.)

With respect to UCE's recommendation for information sharing, PacifiCorp stated that sharing information from STEP programs will allow parties to work together on future projects that support grid modernization and future innovative technology programs but it does not support distributing confidential customer information as a routine reporting requirement. (S. McDougal Rebuttal Test. at 4-5.) PacifiCorp represented at hearing that no new agreements have been reached between PacifiCorp and the parties regarding how the information might be shared but that the information would be available if a proper request were submitted. (Hr'g Tr. at 10:3-4.) PacifiCorp did not directly address the DPU's customer notification concerns or the OCS's specific reporting requests.

b. Woody Waste Fuel Program (\$790,000)

PacifiCorp proposes to undertake a Utah based woody waste co-firing test program. During this program, PacifiCorp proposes to use two different woody waste processing technologies to provide supplemental fuel for co-fire tests at Hunter Unit 3. PacifiCorp states the objective of the test is to determine whether the woody waste will cause adverse plugging or fouling of the boiler, and the benefit will be to determine the feasibility of using woody waste as a fuel source. (Application Ex. B at 5-6.)

The DPU believes the proposal has merit as the information gained may be beneficial for ratepayers in the future. The DPU recommends the PSC approve the proposed program subject to the reporting requirements the PSC approved in Phase One of this docket. (Hr'g Tr. at 30:18-31:6.)

The OCS testified that it supports the use of STEP funds as proposed by PacifiCorp for the Phase Two clean coal research projects provided PacifiCorp is required to file appropriate reporting for each project. (*Id.* at 44:6-9.)

Both in its rebuttal testimony and at hearing, PacifiCorp affirmed its willingness to work informally with parties regarding reporting requirements. (*Id.* at 10:10-11:5.)

c. Cryogenic Carbon Capture Program (\$1.175 Million First Phase; \$3 Million Second Phase)

In its direct testimony, PacifiCorp proposes to participate in a partnership with Sustainable Energy Solutions ("SES") to conduct a test of SES's cryogenic carbon capture technology. The program will be co-funded by the U.S. Department of Energy, Tri-State Generation and Transmission, and the Electric Power Research Institute for a long-term (six to

nine months) availability test of cryogenic carbon capture at either the Hunter or Huntington plant. PacifiCorp represents the long-term availability test is a necessary step to facilitate future U.S. Department of Energy funding to design, construct, install, and test a pilot scale (five to ten megawatt) facility. (Application Exhibit B at 7.)

The DPU testified PacifiCorp has not fully disclosed how it will fund its \$3 million financial portion of the program's second phase. (R. Davis Direct Test. at 16:281-287.) The DPU is concerned that funding for the second phase of this program will be requested for inclusion in a future general rate case. (*Id.*) The DPU recommended that PacifiCorp should report the results of the first phase of the program and provide justification for further support before the PSC approves the second phase of funding for the program. (*Id.*)

At hearing, PacifiCorp represented it is seeking approval of funds for only the first phase of the program, and that it is not seeking approval of funding for the second phase of the program at this time. (Hr'g Tr. at 24:13-23.) PacifiCorp further represented that if it proceeds with the second phase prior to receiving approval, it would need to support the prudence of its decision in a future proceeding, similar to any other investment it makes. (*Id.*)

d. Carbon Dioxide ("CO₂") Sequestration Program (\$150,000)

PacifiCorp proposes to co-fund and participate in the University of Utah's pre-feasibility study to evaluate the development of commercial scale carbon capture and sequestration storage in Utah. Other participants include the University of Utah Law School, Utah Geological Survey, Sandia National Labs, Utah Department of Environmental Quality, Schlumberger Carbon Services, Los Alamos National Lab and New Mexico Tech. (Application Exhibit B at 9.)

The DPU testified the program has merit and recommended its approval. (R. Davis Direct Test. at 18-19:331-353.) The DPU also expressed concerns regarding the source of funding for future phases of the program. (*Id.*) The DPU recommends that PacifiCorp should report the results after the first phase of the program before any additional funding for the program is approved. (*Id.*) The DPU notes it intends to have periodic workshops with PacifiCorp to monitor the program's progress. (*Id.*)

The OCS supports the use of STEP funds as proposed by PacifiCorp for the Phase Two clean coal research projects provided PacifiCorp files appropriate reports for each project. (Hr'g Tr. at 44:6-9.)

e. CO₂ Coal Bed Methane Recovery Program (\$275,000)

PacifiCorp proposes to partner with the University of Utah and its Energy & Geoscience Institute to perform a feasibility study to evaluate opportunities to use CO₂ for beneficial use for enhanced natural gas recovery from coal seams, specifically coal seams in the Emery County area surrounding the Hunter and Huntington power plants. During this study, the project team will assess the capability of local coal seams to sequester CO₂ and the potential for recovering coal bed methane. (Application Exhibit B at 10-11.)

The DPU testified the program has merit and recommends its approval. The DPU noted it intends to have periodic workshops with PacifiCorp to monitor the program's progress. (R. Davis Direct Test. at 22-23:408-418.)

The OCS testified that it supports the use of STEP funds as PacifiCorp proposes for the Phase Two clean coal research projects so long as PacifiCorp files appropriate reports for each project. (Hr'g Tr. at 44:6-9.)

f. Solar Thermal Capture program (\$187,000)

PacifiCorp proposes to partner with Brigham Young University to investigate the potential of integrating a solar thermal collection system to provide steam and/or feedwater heating into the Hunter 3 boiler/feedwater cycle. PacifiCorp maintains integration of a solar thermal collection system would have the benefit of reducing coal consumption and the attendant emissions associated with reduced coal use. (Application Appendix B at 11.)

The DPU testified it lacks the technical expertise to evaluate the proposal in depth but based on its review of the proposal it believes the program has merit and recommends its approval. (R. Davis Direct Test. at 23:436-25:458.) The DPU notes it intends to have periodic workshops with PacifiCorp to monitor the program's progress. (*Id.*)

The OCS testified that it supports the use of STEP funds as PacifiCorp proposes for the Phase Two clean coal research projects provided PacifiCorp files appropriate reports for each project. (Hr'g Tr. at 44:6-9.)

g. Commercial Line Extension Program (\$2,500,000)

PacifiCorp proposes a new commercial line extension tariff, Tariff P.S.C.U. No. 50, Electric Service Schedule No. 13, that would subsidize the construction of the "backbone" electrical infrastructure within non-residential or commercial developments. (Hr'g Tr. at 20:17-22.) PacifiCorp testified the current line extension practice results in piecemeal installation of the backbone facilities, which increases costs and increases the likelihood of space conflicts with other utilities. (*Id.* at 21:9-25.) Proposed Regulation No. 13, Sustainable Transportation and Energy Program (STEP) Commercial Line Extension Pilot Program, ties the increased subsidy to certain requirements for electric vehicle charging capability. (*See, e.g., id.* at 43:15-20.)

While the DPU recommends approval of the proposed program, it recommends that PacifiCorp should include an analysis quantifying the benefits of the Line Extension Program in the final STEP report required at the conclusion of the STEP project. (Hr'g Tr. at 35:11-16.) In addition, the DPU recommends that PacifiCorp should provide annual reports showing how the incentives from Regulation No. 13 are being used in each of the five years. (*Id.* at 35:17-20.)

The OCS also recommends approval but proposes modifications to PacifiCorp's suggested Regulation 13 tariff language and additional reporting requirements. Specifically, the OCS recommends the following improvements to the proposed program:

1. PacifiCorp should provide specific reporting demonstrating and measuring benefits from the commercial line extension allowance;
2. The Regulation No. 13 should accurately reflect that the allowance is connected with further electric vehicle charging infrastructure development; and
3. PacifiCorp should include annual and final reporting for the line extension program as described in its STEP Reporting Plan.

(D. Martinez Direct Test. at 2:37-44.)

PacifiCorp responded in its rebuttal testimony with tariff language that further modified Regulation No. 13 to address the OCS's concerns. (S. McDougal Rebuttal Test. at 4:79-88.) At hearing, the OCS confirmed PacifiCorp's proposed language was acceptable. (Hr'g Tr. at 43:8-9.) PacifiCorp reiterated that it is willing to work informally with the parties to identify meaningful cost comparison data for this program.

h. Reporting, Budgets and OMAG Costs

With respect to the entire set of proposals, the DPU and the OCS both testified that reporting requirements similar to the requirements adopted in Phase One are necessary to safeguard the public interest. At hearing, the witnesses for the DPU, the OCS, and PacifiCorp expressed their opinion that the reporting requirements surrounding OMAG costs and other reporting requirements were generally clear. (Hr'g Tr. at 10:10-25; 11:1-4; 32:15-22; 40:1-9; 42:16-25 and 43:1.)

PacifiCorp represented that it planned to work with the parties to develop reporting requirements but did not address the specific program-by-program recommendations of the parties on this issue. (*See S. McDougal Direct Test. at 3:70-72.*)

The DPU testified the PSC's approval should be limited to the budget request amounts (consistent with the Act) and that PacifiCorp, not ratepayers, should directly pay for any budget overruns. (*R. Davis Direct Test. at 25:464-471.*) PacifiCorp does not object to the DPU's proposal regarding budget limits. PacifiCorp stated its commitment not to charge more to a STEP program than authorized in the legislation. (*S. McDougal Rebuttal Test. at 1:23-24.*)

III. DISCUSSION, FINDINGS AND CONCLUSIONS

We understand all parties generally support the relief PacifiCorp seeks in Phase Two as to the following: (i) approval of all Phase Two STEP programs (with the exception of the second phase of the cryogenic carbon capture program); (ii) the proposed Regulation No. 13 as initially modified by the OCS and further modified by PacifiCorp.

As to these issues about which the parties have reached consensus, we agree PacifiCorp's proposals are consistent with the Act. In light of the Act's statutory mandates and the testimony of the parties, we find these proposals to be just, reasonable, and in the public interest.

Below we address those issues on which the parties did not reach consensus, or where further clarification is required.

a. Cryogenic Carbon Capture program (\$1.175 Million First Phase; \$3 Million Second Phase)

We agree with the DPU and the OCS that adequate reporting is critical to a finding that this program is in the public interest. PacifiCorp shall work with the DPU, and any other interested intervenors, to develop a reporting framework that will provide sufficient information for the PSC to make a timely decision regarding funding for the second phase of the program. PacifiCorp shall file a report by September 1, 2017 that details the agreement reached. Based on the testimony of the parties, we find the first phase of the program to be just, reasonable, and in the public interest and approve the requested first phase budget of \$1.175 million. We make no findings at this time with respect to the second phase of the program.

b. Commercial Line Extension Program (\$2,500,000)

Based on the agreement of the parties and the related testimony, we find the proposed language for Regulation No. 13 as modified first by the OCS and subsequently by PacifiCorp to be just, reasonable, and in the public interest. PacifiCorp shall file updated tariff sheets reflecting the final agreed-upon language.

c. OMAG Costs

Consistent with our direction regarding OMAG costs in our Phase One Report and Order, issued on December 29, 2016, we find value in PacifiCorp tracking and reporting the OMAG expenses associated with STEP programs. Based on the testimony of the parties, we conclude all STEP related OMAG expenses should be included in the STEP budget because they are integral to the execution of the programs. Accordingly, PacifiCorp shall book all STEP related expenses to the STEP budget and maintain records that will allow any ongoing STEP program to be properly accounted for during the next general rate case.

d. Ongoing Monitoring, Evaluation, and Reporting

Both the DPU and the OCS testified that adequate monitoring, evaluation, and reporting of these programs is essential to their being found to be in the public interest. We find that request to be reasonable. The DPU, the OCS, other interested stakeholders, and PacifiCorp shall work together collaboratively to develop an adequate monitoring, evaluation, and reporting plan, including a schedule for the various periodic workshops mentioned in the DPU's testimony. We adopt the specific reporting requirements mentioned in the DPU's and the OCS's testimony – subject to the agreements reached in the above ordered collaborative effort. PacifiCorp shall file the agreed-upon monitoring, evaluation, and reporting plan by September 1, 2017.

V. ORDER

1. We approve PacifiCorp's proposed Tariff P.S.C.U. No. 50, Regulation No. 13 as modified in rebuttal testimony. PacifiCorp shall re-file this tariff consistent with the rebuttal testimony.
2. We approve the Phase Two STEP programs addressed above, with the exception of the second phase of the Cryogenic Carbon Capture program, as outlined in the Application, the Phase Two and Three Scheduling Orders, and this Report and Order.
3. We approve the specific reporting requirements outlined by the DPU and the OCS for the advanced Substation Metering program, Cryogenic Carbon Capture program, CO2 Sequestration program, and Commercial Line Extension Program.
4. PacifiCorp shall file an updated monitoring, evaluation, and reporting plan, as directed above, by September 1, 2017.
5. PacifiCorp shall include all program-related OMAG expenses in the STEP budgets as explained above.

DOCKET NO. 16-035-36

- 14 -

DATED at Salt Lake City, Utah, May 24, 2017.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#294161

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the PSC within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on May 24, 2017, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
PacifiCorp

Bob Lively (bob.lively@pacificorp.com)
Vickie Esparza (vickie.esparza@pacificorp.com)
Rocky Mountain Power

Jennifer E. Gardner (jennifer.gardner@westernresources.org)
Nancy Kelly (nkelly@westernresources.org)
Western Resource Advocates

Sophie Hayes (sophie@utahcleanenergy.org)
Mitalee Gupta (mgupta@utahcleanenergy.org)
Utah Clean Energy

Gloria Smith (gloria.smith@sierraclub.org)
Travis Ritchie (travis.ritchie@sierraclub.org)
Joseph Halso (joe.halso@gmail.com)
Sierra Club Environmental Law Program

Gary A. Dodge (gdodge@hjdllaw.com)
Phillip J. Russell (prussell@hjdllaw.com)
Hatch, James & Dodge

Kevin Higgins (khiggins@energystrat.com)
Neal Townsend (ntownsend@energystrat.com)
Energy Strategies

Megan J. DePaulis (megan.depaulis@slcgov.com)
Salt Lake City Attorney's Office

Tyler Poulson (tyler.poulson@slcgov.com)
Salt Lake City Corporation

DOCKET NO. 16-035-36

- 16 -

Stephen F. Mecham (sfmecham@gmail.com)
Stephen F. Mecham Law, PLLC

Patricia Schmid (pschmid@agutah.gov)
Justin Jetter (jjetter@agutah.gov)
Robert Moore (rmoore@utah.gov)
Steven Snarr (stevensnarr@agutah.gov)
Assistant Utah Attorneys General

Erika Tedder (etedder@utah.gov)
Division of Public Utilities

By Hand Delivery:

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Administrative Assistant