- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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 ORDER

ISSUED: February 6, 2019

SYNOPSIS

The Public Service Commission ("PSC") approves PacifiCorp's application to modify funding amounts previously authorized by the PSC under the Sustainable Transportation and Energy Plan Act ("STEP") for the Clean Coal Technology Program ("CCT"), and to allocate additional funds from the Other Innovative Technology STEP budget category to the Solar and Storage Technology Project. The PSC also approves additional STEP reporting requirements.

I. BACKGROUND AND PROCEDURAL HISTORY

On December 29, 2016, the PSC issued its Phase One Report and Order ("Phase One Order") in this docket, approving PacifiCorp's request for a five-year, $50 million budget for implementation of STEP programs, with annual spending amounts between $8.2 and $11.8 million. The PSC also approved, among other things, PacifiCorp's request for authorization under STEP to implement: (1) a $5 million CCT, including a NOx neural network controls project and an advanced NOx control project ("NOx Project"), with budgets of $1.007 million and $1.412 million, respectively; and (2) a solar and energy storage technology program ("SSTP") under Utah Code Ann. § 54-20-105 with a STEP budget of $5.050 million for energy storage supplemented with an additional $2 million from Blue Sky community project funds to install a large-scale, company-owned solar project.

On May 24, 2017, the PSC issued its Phase Two Report and Order ("Phase Two Order") approving, among other things, PacifiCorp's request to implement under the CCT: (1) a woody waste co-firing test program ("Woody Waste Program") with a budget of $790,000; and (2) a cryogenic carbon capture program ("CCC Program") with a budget of $1.175 million for Phase One of the program.[1] The PSC also approved a commercial line extension pilot program ("Line Extension Pilot") under Utah Code Ann. § 54-20-105(1)(d) through new tariff Electric Service Regulation No. 13, Sustainable Transportation and Energy Program (STEP) Commercial Line Extension Pilot Program ("Regulation 13") with a budget of $2.5 million, or approximately $0.5 million per year.

On August 3, 2018, the PSC issued an Order ("August Order") in Docket No. 18-035-16, approving PacifiCorp's recommendation to abandon the NOx Project. The PSC further ordered that any remaining NOx Project STEP funds were no longer authorized to be spent until PacifiCorp receives PSC approval to reallocate them.[2]

On November 13, 2018, PacifiCorp filed an Application to Modify Funding Amounts Previously Authorized by the Sustainable Transportation and Energy Plan Act, and to Allocate Additional Funds to the Solar and Storage Technology Project ("Application"). In its Application, PacifiCorp seeks authorization from the PSC: (1) to revise the funding levels of projects associated with the CCT authorized in the PSC's Phase One and Phase Two Orders pursuant to Utah Code Ann. § 54-20-104; (2) to increase the per project incentive level in Regulation 13 approved in the PSC's Phase One Order; and (3) to increase funding for the SSTP

[1] In Phase Two, PacifiCorp also requested $3 million for a second phase of the cryogenic capture program. In the Phase Two Order, the PSC made no finding with respect to the second phase of the cryogenic capture program.
[2] *Rocky Mountain Power's First Annual Sustainable Transportation and Energy Plan Act ("STEP") Program Status Report*, Docket No. 18-035-16, Order issued August 3, 2018.

approved in the PSC's Phase One Order. According to PacifiCorp, these proposed modifications will help the STEP program achieve its objectives.

On November 28, 2018, the PSC issued a Scheduling Order and Notice of Hearing setting deadlines for comments and reply comments on January 3, 2019 and January 17, 2019, respectively, and a hearing date of January 22, 2019.

On January 3, 2019, the Division of Public Utilities ("DPU"), the Office of Consumer Services ("OCS"), and Western Resource Advocates ("WRA") filed comments, and on January 17, 2019, PacifiCorp filed reply comments. On January 22, 2019, Utah Clean Energy ("UCE") filed reply comments noting it had erroneously omitted the PSC when serving its comments on parties on January 17, 2019. The PSC held a hearing on January 22, 2019 to consider PacifiCorp's Application, at which PacifiCorp, the DPU, the OCS, and UCE provided testimony.

II. POSITIONS OF THE PARTIES

Clean Coal Technology Program

PacifiCorp requests approval to reallocate $1,161,501[3] of the remaining CCT abandoned NOx Project funding to the Woody Waste Program and the CCC Program in the amounts of $748,980 and $412,521, respectively, and to leave the remaining $83,964 of the abandoned NOx project funding unallocated ("CCT Reallocation Proposal"). Accordingly, the budgets for the Woody Waste Program and the CCC Program would increase to $1,538,853 and $1,587,378, respectively. PacifiCorp maintains that the Woody Waste Program expansion would: (1) increase the amount and type of sensors and measurements taken during the test burn thereby providing a

[3] The original budget for the NOx Project was $1,415,821 and PacifiCorp spent $170,356 prior to abandoning this project. Of the remaining $1,245,465, PacifiCorp now requests approval to transfer $1,161,501 to other CCT projects with the remaining $83,964 to be left unallocated.

clearer picture of aspects of boiler operation, characterization of fuels, measurement of gas species, and deposition sampling; (2) facilitate a longer test burn; and (3) provide for an engineer to assist with project planning and performance assessment. PacifiCorp states the CCC increase will fund planning for the next scale of CCC operation and exploring the scalability of these and related unit operations as part of this investigation. PacifiCorp asserts the expanded scope of the CCC Program will build upon its current objectives.

Based on its review of PacifiCorp's Application and responses to data requests, the DPU recommends the PSC approve PacifiCorp's CCT Reallocation Proposal. The OCS also recommends approval of the CCT Reallocation Proposal, maintaining the requested reallocation of CCT funds meets the STEP Act requirements. The OCS further recommends that if the PSC approves the Application it should reiterate that its prior requirements regarding accounting and reporting for the CCT continue for any additional funding approved in this docket. PacifiCorp does not object to this OCS recommendation.

Line Extension Pilot

PacifiCorp requests approval to raise the per project incentive payment upper limit in Regulation 13 to $250,000 from the currently approved amount of $50,000, with the total program budget remaining at $2.5 million over the pilot program period ("Line Extension Proposal"). PacifiCorp also requests approval of a revised Tariff Sheet 13R.1 reflecting the Line Extension Proposal, effective February 11, 2019. PacifiCorp states its Regulation 13 provides an incentive, currently 20 percent of the project cost or $50,000, whichever is less, that reduces the developer's costs when they install primary voltage backbone facilities. According to PacifiCorp, the current $50,000 incentive limit was proposed due to concerns that a very large developer could use up all the STEP funds allocated for a given year in two or three projects. Based on its experience, PacifiCorp now believes raising the incentive limit to $250,000 will expand the Line Extension Pilot to a variety of projects, potentially encouraging program participation by larger developers. PacifiCorp asserts its Line Extension Proposal is consistent with the original goal of promoting the use of electric vehicles by facilitating installation of electric vehicle charging stations.

The DPU recommends the PSC reject PacifiCorp's Line Extension Proposal until PacifiCorp provides stronger evidence the program goals will be better met with the larger incentives. The DPU believes PacifiCorp's Application for increasing the incentive amount suggests little more than that paying larger incentives will allow it to spend more of the budget for those incentives. The DPU suggests that perhaps higher incentive amounts can be justified but maintains PacifiCorp's Application has not done so. The DPU contends it is not clear that merely providing larger incentives to bigger projects is in the public interest.

The OCS recommends the PSC not approve the Line Extension Proposal.[4] The OCS recognizes PacifiCorp's desire to fully utilize the funds allocated to the Line Extension Pilot. However, it questions whether such a large increase in the incentive amount is reasonable. If the PSC approves the Line Extension Proposal, the OCS recommends the PSC require PacifiCorp to augment its STEP annual report related to the Line Extension Pilot by specifying: (1) the number of applications submitted; (2) the number of applications selected to receive incentives; and (3) whether recipients have received multiple incentive awards. Additionally, for each incentive

[4] At hearing, the OCS witness clarified the OCS does not support the increase and that its recommended reporting requirements were offered in the event the PSC approved the request.

awarded, the report should include the size of the project, its cost, the amount of the incentive awarded, and the number of charging stations added.

In its reply comments, PacifiCorp asserts it is not proposing to increase the incentive limit merely to ensure the funds are used. Rather, PacifiCorp maintains that after two full years running the Line Extension Pilot, participation rates have been lower than anticipated. PacifiCorp also maintains the benefits of the Line Extension Pilot remain the same regardless of the size of the installation and that increasing the incentive broadens the visibility of the program to a wider group of potential developments and developers. PacifiCorp does not object to including the OCS-recommended additional reporting information in future annual STEP reports.

While UCE supports the expansion of electric vehicle charging infrastructure, it asserts PacifiCorp's filing has not provided sufficient justification to demonstrate why an increase to the Line Extension Pilot incentives will result in improved electric vehicle charging infrastructure. UCE recommends no changes to the program until PacifiCorp provides more information about projects that have been awarded an incentive thus far and existing barriers that prevent utilization of the incentive as currently designed. UCE supports the OCS-proposed reporting requirements.

Solar and Storage Technology Project

PacifiCorp requests a $1.75 million increase in the SSTP budget ("SSTP Proposal"), from $7 million to $8.75 million, to complete the previously approved SSTP. Absent approval of this increase, PacifiCorp represents the project will be canceled. PacifiCorp's request is based on a revised project estimate reflecting the one detailed bid submitted in response to a Request for Proposal related to the SSTP Project. PacifiCorp believes the SSTP will still achieve the same goals of reducing, deferring, or eliminating the need for traditional capital investments on the radial transmission line, while also providing PacifiCorp with valuable information on the design, operation, commissioning, and maintenance of these new technologies being connected to the distribution system.

The DPU recommends the PSC approve PacifiCorp's SSTP Proposal. The DPU states this funding increase will come from the currently unallocated $7.85 million in the Other Innovative Technology[5] budget category in the PSC-approved overall STEP budget. The DPU concludes that without viable solar and storage resources, other investments will be required to alleviate voltage issues on the Sevier-Panguitch 69 kV radial feeder. The DPU believes the advantages of the SSTP as a poles-and-wire alternative remain the same as originally proposed and concludes building a new transmission substation would likely lead to a significantly higher-priced alternative in today's dollars. While this substantial funding request for the SSTP concerns the DPU, it believes the funding will support research concerning non-typical solutions to resolve issues such as the Sevier-Panguitch 69 kV radial feeder voltage issue. If successful, the DPU believes such solutions could provide lasting benefits based on the potential advantages of the SSTP versus the traditional line and power pole alternative.

The OCS recommends the PSC decline to approve PacifiCorp's SSTP Proposal at this time. The OCS agrees the SSTP is an important research project, however, the OCS believes PacifiCorp should provide additional detailed information on the SSTP capital, operations and maintenance ("O&M"), and administrative and general ("A&G") cost increases, particularly since the SSTP costs were determined from a single bid. The OCS asserts that without the

[5] *See* Application to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act, filed September 12, 2016, at Table 1 - STEP Funding Budget, p. 4.

additional information, the PSC lacks adequate information to determine the revised SSTP expenditures are in the public interest. The OCS notes the O&M/A&G costs will continue after STEP ends and recommends the PSC should also consider whether it is in the public interest for ratepayers to pay such high levels of these costs after 2021. The OCS requests the PSC affirm its requirement that all O&M/A&G costs associated with the SSTP be included and deducted from the project's budget and require PacifiCorp to update the Application with this information.

WRA supports PacifiCorp's SSTP Proposal and encourages the PSC to approve it. WRA maintains the SSTP is the best solution to the projected transmission congestion and will provide an excellent opportunity for PacifiCorp to pilot a large battery and solar installation on the distribution grid. WRA also believes the SSTP is economically undervalued in the current cost comparison with a traditional transmission upgrade.

PacifiCorp responds that the $1.75 million in additional funds is reasonable and that it performed a thorough review of the project and its benefits before submitting the Application. PacifiCorp asserts there is significant knowledge to be gained from this opportunity and believes the expressed intent of STEP is to fund new and innovative technologies that may not always be cost effective under normal business conditions. PacifiCorp argues the SSTP will provide a platform to objectively study and enhance the operational performance of a technology that is expected to permeate the system as increasing levels of distributed energy resources are connected to the grid.

UCE recommends the PSC approve PacifiCorp's SSTP Proposal. UCE also recommends the PSC require PacifiCorp to provide additional detail about SSTP costs, equipment, and system components in future STEP reports and when considering approval of future storage or generation and storage projects. UCE maintains that given the SSTP is the first of its kind for PacifiCorp, the information and experience gained as a result of this project is an additional benefit for ratepayers not accounted for in the analysis of the project. UCE believes additional and more detailed information about the project development and system component costs will help stakeholders understand and evaluate the value of this project going forward and maximize the value of this project to ratepayers.

III. DISCUSSION, FINDINGS, AND CONCLUSIONS

Clean Coal Technology Program

The DPU and the OCS recommend the PSC approve PacifiCorp's CCT Reallocation Proposal. These parties state the proposed reallocation of funds would be of value to ratepayers and is in compliance with the STEP Act. Based on our review of the filing and comments in this docket, and absent any opposition, we find the programs as modified by the CCT Reallocation Proposal are of value to ratepayers and conclude that they are consistent with the STEP Act's objectives. Therefore, we approve the CCT Reallocation Proposal, as described in PacifiCorp's Application, with continued accounting and reporting requirements for these CCT projects as requested by the parties.

Line Extension Pilot

Based on our review of the filing, parties' comments, and testimony at hearing, we conclude PacifiCorp's Line Extension Proposal is consistent with the intent of the STEP Act. In addition, based on PacifiCorp's experience running the program, the lower than expected participation rates, maintenance of the 20% cap for each project, and PacifiCorp's testimony that increasing the incentive level may encourage additional participation, we find PacifiCorp's Line

Extension Proposal is reasonable. We note the program funding is capped at $2,500,000 by statute. Therefore, if participation is higher than expected under the revised incentive level, the end result will simply be that the funds are spent somewhat faster than anticipated. Based on these findings, we approve the Line Extension Proposal.

We also find the reporting requirements proposed by the OCS are both reasonable and necessary to effectively evaluate the operation of the Line Extension Pilot and order PacifiCorp to provide the requested information in its future STEP reports. In order to ensure we are provided complete information regarding charging station installation under this program, we request PacifiCorp include not only the number of charging stations added, as requested by the OCS, but also the number of conduit extensions installed for future electric vehicle charging locations as provided for in Regulation 13.

On a related matter, upon reviewing PacifiCorp's proposed changes to Regulation 13, Sheet 13R.1, we note the Provisions of Service section mentions a "20% reduction" in two places and a "20% payment" in another. This language does not completely reflect other language on Sheet 13R.1 that a "developer's advance will be reduced by 20% or $50,000, whichever is less." Accordingly, we direct PacifiCorp to modify Tariff Sheet 13R.1 to clarify the amount of the developer's advance in these three instances.

Solar and Storage Technology Project

In our Phase One Order, we found the SSTP is the type of program "the Act authorizes PacifiCorp to implement." We further stated, "[t]he project PacifiCorp proposes should provide valuable experience for PacifiCorp with respect to integrating and optimizing renewable resources, as well as in facilitating storage."

Given PacifiCorp's explanations for the SSTP cost increases, continued support for the SSTP by the DPU, WRA, and UCE, and the SSTP's unique benefits and opportunities, we find PacifiCorp's proposed SSTP budget increase of $1.75 million to be reasonable and that the SSTP continues to be in the public interest. We further conclude the increase is consistent with STEP objectives. We therefore approve the SSTP Proposal of an additional $1.75 million for the SSTP.

We find the OCS's and UCE's requests for additional information concerning the SSTP are reasonable to assess the costs and benefits related to its operation. We direct PacifiCorp to meet with interested parties to: (1) provide the requested project cost data; (2) develop reporting requirements for this data in annual STEP reports going forward; and (3) discuss the types of information to be provided (and in what manner) after STEP ends.

IV. ORDER

1. We approve the reallocation of $1,161,501 in CCT funds, previously approved for the Alternative NOx, to the Woody Waste Co-Fire and Cryogenic Carbon Capture projects in the amounts of $748,980 and $412,521, respectively.
2. We approve the increased incentive limit for the Line Extension Pilot from $50,000 to $250,000, effective February 11, 2019. PacifiCorp shall provide the additional information as directed above in its annual STEP report.
3. We approve the requested $1.75 million budget increase for the SSTP. PacifiCorp shall meet with interested parties from this docket to develop information reporting requirements as outlined in this order.
4. PacifiCorp shall file, within 30 days, an updated Regulation 13, Sheet 13R.1 addressing our concerns in this order regarding the references to "20%."

DATED at Salt Lake City, Utah, February 6, 2019.

/s/ Michael J. Hammer
Presiding Officer

Approved and Confirmed February 6, 2019, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#306576

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the 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 fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, 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 Utah Code Ann. §§ 63G4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on February 6, 2019, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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