



## State of Utah

GARY R. HERBERT  
*Governor*

SPENCER J. COX  
*Lieutenant Governor*

## Public Service Commission

THAD LeVAR  
*Chair*

DAVID R. CLARK  
*Commissioner*

RON ALLEN  
*Commissioner*

September 3, 2020

Re: Report from Public Service Commission of Utah (PSC) under Utah Code Ann. § 54-20-106.

Senators and Representatives,

Under Utah Code Ann. § 54-20-106, the PSC is required to submit a report and recommendation to the Legislature before the first day of the legislative session in the final year of the Sustainable Transportation and Energy Plan (STEP) pilot period. Under the STEP Act<sup>1</sup> the STEP pilot period for Rocky Mountain Power (RMP) will end on December 31, 2021.

The STEP Act requires us to recommend whether the Legislature should:

- (1) extend STEP or a portion of it as a ratepayer funded program;
- (2) implement STEP or a portion of it as a state funded program; or
- (3) discontinue STEP or a portion of it.

For the reasons described in this report we recommend that the Legislature take no action and thus discontinue RMP's STEP pilot program by allowing it to expire on December 31, 2021. This recommendation is consistent with the recommendation of every stakeholder who provided comment to the PSC.

### **STEP - Background and Program/Project Status**

The STEP Act defines STEP as the programs approved by the PSC and undertaken by RMP during the pilot period, including: (a) an electric vehicle incentive program; (b) a clean coal technology program; and (c) innovative technology programs. In addition, the PSC may authorize other programs if we determine them to be cost effective and in the public interest.

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<sup>1</sup> Utah Code Title 54, Chapter 20.

Since late 2016 RMP has proposed and we have approved 18 individual programs/projects funded through STEP. As shown in Table 1, these projects address a wide range of topics and technologies and have been implemented throughout the state in both rural and urban locations. All of the information pertaining to these projects can be found online in PSC Docket No. 16-035-36.<sup>2</sup> All are targeted for completion by the end of 2021.

**Table 1. STEP Project Approvals**

Phase	RMP Application Date	PSC Approval Date	Projects Approved	Authorizing Statute
1	9/12/2016	12/29/2016	Gadsby Emissions Curtailment Panguitch Solar and Energy Storage Project NO <sub>x</sub> Neural Network Implementation Alternative NO <sub>x</sub> Reduction* Utah Solar Incentive Program Funding	§ 54-20-105(1)(e) § 54-20-105(1)(c) § 54-20-104 § 54-20-104 § 54-7-12.8(6)(c) <sup>3</sup>
2	9/12/2016	5/24/2017	Woody Waste Co-Fire Biomass - Hunter #3 CO <sub>2</sub> Enhanced Coal Bed Methane (CO <sub>2</sub> Reduction) Cryogenic Carbon Capture (Emerging CO <sub>2</sub> Capture) Solar Thermal Assessment (Grid Performance) Circuit Performance Meters (Substation Metering) Commercial Line Extension CARBONsafe (CO <sub>2</sub> Sequestration Site Characterization)	§ 54-20-104 § 54-20-104 § 54-20-104 § 54-20-104 § 54-20-105 § 54-20-105(1)(d) § 54-20-104
3	1/31/2017	6/28/2017	EV Incentive Pilot Program	§ 54-20-103
4	8/15/2017	10/31/2017	Smart Inverter Project Microgrid Project	§ 54-20-105 § 54-20-105
5	3/8/2019	6/28/2019	Battery Demand Response Intermodal Hub Advanced Resiliency Management System	§ 54-20-105(1)(h) § 54-20-105(1)(h) § 54-20-107

Note: \* RMP abandoned the Alternative NO<sub>x</sub> reduction project after reviewing vendor responses.

## STEP Funding

The STEP Act identifies the funding level, mechanisms, and conditions pertaining to STEP projects. The PSC must authorize RMP to allocate on an annual basis \$10 million to STEP for a total of \$50 million during the pilot period.

The STEP surcharge rate we initially approved generally ranged from 0.53% to 0.69% applied to various customer charges, depending on the customer rate schedule. In November 2019 the STEP surcharge was modified and now generally ranges from 0.38% to 0.5%. For an average

<sup>2</sup> The following is a link to this docket on the PSC's website: <https://psc.utah.gov/2016/08/25/docket-no-16-035-36/>

<sup>3</sup> This Section requires the PSC to authorize RMP to recoup its unrecovered costs paid through the Utah solar incentive program from funds allocated to STEP.

residential customer using 700 kilowatt-hours per month, the annual surcharge is approximately \$3.50.

## **Stakeholder Feedback**

In May 2020 we solicited comments from stakeholders to help inform our recommendation in this report. We received comments from RMP, the Utah Division of Public Utilities (DPU), the Utah Office of Consumer Services (OCS), and the Utah Association of Energy Users (UAE).

## **Stakeholder Comments**

All stakeholders who submitted comments support the discontinuation of RMP's STEP when the pilot period ends. Their comments are summarized below. While we trust we have summarized their positions accurately, the full text of their comments can be found on the PSC's website: <https://psc.utah.gov/2016/08/25/docket-no-16-035-36/>.

### **RMP**

RMP recommends that the Legislature allow STEP to expire<sup>4</sup> since the pilot program has successfully met the objectives of the legislation. RMP states:

- RMP and its project partners have gained valuable knowledge and experience in areas such as electric vehicles, clean coal technologies, and other innovative and emerging technologies through these projects that would not have been possible without STEP.
- STEP has been a valuable tool for RMP and its partners to gain knowledge and identify practices that can be used to benefit RMP's customers and Utah as a whole in the future.
- RMP has shared and will continue to share this knowledge and experience with stakeholders through the annual STEP reports filed with the PSC.

### **DPU**

DPU proposes the Legislature discontinue STEP. DPU states:

- RMP's STEP, with the exception of the Alternative NO<sub>x</sub> reduction project, has been successful to this point, has provided valuable learning and outcomes to those who participated in the many projects and research, and has achieved the identified goals.
- RMP's STEP has served its purpose to find innovative ways to improve efficiencies and provide pollution mitigating solutions.
- RMP and interested stakeholders have discussed a STEP exit strategy to address wind-down financial, accounting, and reporting issues.

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<sup>4</sup> Some stakeholders used the term "sunset" in their comments, but the STEP pilot program expires pursuant to statutory definitions on December 31, 2021. The STEP Act itself does not have an associated statutory sunset date.

## **OCS**

OCS recommends that the Legislature should discontinue STEP. OCS states:

- There is no reason to extend or continue STEP.
- Ratepayers have contributed nearly \$50 million to STEP and are now faced with many other drivers of rate increases.
- RMP has stated that instead of continuing STEP as currently organized, it would be replaced with an EV program. It would not be in the public interest for ratepayers to fund both simultaneously.

## **UAE**

UAE recommends that the portion of STEP authorizing RMP to impose a line-item surcharge to collect funds for STEP projects be discontinued when the pilot period concludes.

## **PSC Perspective**

In our orders approving RMP's STEP projects we found them to be just, reasonable, and in the public interest. RMP has filed reports with the PSC identifying how it has gained information and experience on important and timely topics that may not have been possible absent STEP. We trust RMP will continue to evaluate the results of the projects to derive the maximum benefit from STEP expenditures.

Because RMP targets completion of the current projects by the end of 2021 and has proposed no new STEP projects, extending STEP for RMP is not necessary or justified. We received no comments in support of the continuation of RMP's STEP, either in whole or in part, as a ratepayer or state-funded program.

## **Recommendation**

Based on our review of the Annual STEP reports, stakeholder comments, and our evaluation of those reports and comments, we recommend that the Legislature take no action and thus discontinue RMP's STEP pilot program by allowing it to expire on December 31, 2021.

We hope this information is helpful. Please reach out to us with any questions or concerns.

Respectfully submitted,

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner