- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Rocky Mountain Power to Establish Export Credits for Customer Generated Electricity	DOCKET NO. 17-035-61 ORDER ON AGENCY REHEARING

ISSUED: April 28, 2021

1. Procedural Background

This docket arises out of a settlement ("Settlement")[1] that stakeholders entered in 2017 concerning Rocky Mountain Power's (RMP) statutory net metering program ("NM Program").[2] The Settlement, which the Public Service Commission (PSC) approved in September 2017,[3] established a generation capacity cap beyond which RMP was statutorily authorized to discontinue offering its NM Program to customers not already participating in the program.[4] The Settlement further called for the PSC to open a new docket, *i.e.* this docket, to establish an

[1] *In the Matter of the Investigation of the Costs and Benefits of PacifiCorp's Net Metering Program*, Docket No. 14-035-114 [hereafter "NM Docket"], Settlement Stipulation filed August 28, 2017. More than a dozen parties executed the Settlement and several more did not sign but indicated they did not oppose it. Only two parties opposed the Settlement, one of which was an industry consumer group that opposed it on the basis that it insufficiently protected its members from cost-shifting associated with customer generation. *See* NM Docket, Order Approving Settlement Stipulation issued September 29, 2017 at 4. No party filed a timely appeal of the PSC's order approving the Settlement.

[2] *See* Utah Code Ann. § 54-15-103(1) (requiring certain electric utilities to offer a net metering program).

[3] NM Docket, Order Approving Settlement Stipulation issued September 29, 2017.

[4] *See* Utah Code Ann. § 54-15-103(2)-(3) (allowing certain electric utilities to discontinue their statutory net metering programs once they reach a certain cumulative generation capacity, subject to the PSC's authority to increase such cap).

appropriate export credit rate (ECR) for customer generation (CG) going forward.[5] Consistent with the Settlement, RMP initiated this docket on December 1, 2017.

After nearly three years of administrative process and an extensive evidentiary hearing, the PSC issued an order ("October Order") on October 30, 2020, approving an ECR.[6]

On November 30, 2020, RMP, Vote Solar (VS), Vivint Solar, Inc. ("Vivint"),[7] and Utah Clean Energy (UCE) filed motions requesting agency review, rehearing, or clarification of our October Order.

On December 23, 2020, the PSC issued an Order on Agency Review or Rehearing ("Order on Review") that supplemented and clarified our October Order, and granted limited rehearing with respect to the carrying charge and capacity contribution (CC) values that apply in

[5] In the interim, the Settlement provided RMP would offer a "Transition Program," allowing customers not previously enrolled in the NM Program who wished to install CG and export power to the grid to be compensated at a stipulated and fixed rate through 2032. The Settlement required the Transition Program to terminate on the date the PSC issued an order in this docket establishing an ECR.

[6] The PSC is confident that, as modestly revised in this order, the ECR it has established is just and reasonable and reflective of the underlying costs and benefits associated with CG. The PSC concludes, however, that even if some error were ultimately found to exist on an appeal stemming from this docket, it would not invalidate the net metering cap or time-limited Transition Program that were established as a consequence of our order approving the 2017 Settlement. As noted, nearly all stakeholders joined the Settlement and no party filed a timely appeal of the PSC's order that approved it. *See* n. 1. Accordingly, the consequence of any error in this docket would not be an extension of the grandfathered and transitional rates beyond the cap and deadlines established in our order approving the 2017 Settlement. Rather, pursuant to Utah Code Ann. § 54-15-103, RMP will be statutorily authorized to discontinue making a net metering or export credit program available to customers who are not otherwise entitled to the grandfathered or transitional rates.

[7] VS and Vivint jointly filed their Petition for Rehearing.

calculating the avoided generation, transmission, and distribution capacity cost components of the ECR ("Limited Rehearing Issues").

On January 20, 2021, the PSC issued an order allowing the parties an opportunity to submit additional written testimony on the Limited Rehearing Issues and setting the matter for hearing on March 9, 2021.[8] Consistent with that order, RMP, VS, the Division of Public Utilities (DPU), and UCE subsequently filed written sur-surrebuttal testimony. At hearing, on March 9, 2021, RMP, VS, DPU, and UCE offered testimony on the Limited Rehearing Issues.

2. Discussion, Findings, and Conclusions on the Limited Rehearing Issues

a. Carrying Charge

The October Order relied on testimony concerning RMP's current cost of equity and debt, 7.82%,[9] to determine an appropriate carrying charge to employ in the calculation of avoided generation, transmission, and distribution capacity cost components of the ECR. Based on additional testimony, we modify our decisions in the October Order and correct certain calculations.

[8] The PSC's October Order invited comments on the potential timing, procedure, and scope of annual updates to the ECR and set a deadline for responsive comments and reply comments. On January 26, 2021, RMP filed an unopposed motion to extend this comment period pending resolution of the Limited Rehearing Issues. The PSC issued an order on February 2, 2021 granting that motion.

[9] This is the cost of equity and debt reflected in the marginal cost study RMP submitted in connection with its recent general rate case. *See Application of RMP for Authority to Increase Its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 20-035-04 [hereafter "2020 GRC"].

i. We conclude that the calculation of avoided transmission capacity costs using PacifiCorp's OATT rate should not include a carrying charge.

In sur-surrebuttal testimony, RMP, VS, and UCE all agree that it is not appropriate to include a carrying charge in the calculation of the avoided transmission capacity cost component of the ECR, because the basis for this component, PacifiCorp's Open Access Transmission Tariff ("OATT") rate, is an annualized rate and already includes a carrying charge. Based on the parties' agreement and our review of PacifiCorp's method for calculating the OATT rate presented in its Federal Energy Regulatory Commission filings, we find and conclude that it is reasonable and appropriate to eliminate the carrying charge in calculating the avoided transmission capacity cost component. We therefore modify the October Order to exclude the carrying charge in calculating the transmission capacity cost component of the ECR.

ii. We conclude that the calculations for avoided generation and distribution costs should use applicable carrying charges provided in RMP's most recent Utah marginal cost study.

VS and RMP propose corrections to the manner in which we adjusted the carrying charge related to the avoided generation capacity cost in the October Order. Further, VS, RMP, and DPU disagree on the appropriate data source and magnitude of the carrying charge.

VS recommends using the carrying charge values reflected in the Utah Marginal Cost Study ("MC Study") that RMP filed in its 2020 GRC to determine avoided generation and distribution capacity costs. The values for the generation and distribution carrying charges from RMP's 2021 MC Study are 7.82% and 7.91%, respectively.

VS explains that the MC Study measures the change in total cost of service with respect to a small change in the demand of a resource or service at any given time. Because CG exports

reduce demand at the margin, the results of the MC Study inform the value that CG exports provide in terms of avoided marginal generation and distribution capacity costs. VS further argues that the MC Study estimates the opportunity cost of RMP's resources relative to their next best alternative use, such as the need to expand generation and distribution infrastructure to meet system load but for CG exports.

RMP recommends using a carrying charge of 6.96% to determine avoided generation capacity cost, consistent with the carrying charge assumptions for the next thermal resource in RMP's 2019 Integrated Resource Plan ("2019 IRP"). To determine avoided distribution capacity costs, RMP recommends using a carrying charge of 6.51%, the value used to calculate distribution deferral credits applied to energy efficiency in the 2019 IRP. RMP opposes using the MC Study to determine the carrying charge because this study is used for the allocation of revenue requirement among customer classes, not to determine the total revenue collected from customers overall.

DPU recommends the PSC approve a carrying charge based on RMP's approved weighted average cost of capital (WACC) from RMP's most recent general rate case, with the debt component adjusted using RMP's effective tax rate to reflect an after-tax rate. At hearing, DPU testified its method results in a carrying charge of 6.76% based on the PSC's decision in RMP's 2020 GRC. DPU asserts the carrying charge used in the calculation of the ECR should reasonably align to the investment timing of the resources avoided by CG exports.

Our October Order adopted one carrying charge, 7.82%, from RMP's 2021 MC Study. Based on the parties' testimony and our additional evaluation of the evidence and arguments, we

affirm this standard with one addition: we are persuaded that using the generation-specific and distribution-specific carrying charges presented in the MC Study will improve the accuracy of the ECR calculation. We find and conclude that using the MC Study's carrying charge values for generation and distribution is just and reasonable and in the public interest. Therefore we adopt avoided generation and distribution capacity cost calculations that use carrying charges filed in RMP's MC Study, which currently are 7.82% and 7.91%, respectively.[10]

b. CC Value

In our October Order, we adopted VS's method to determine the CC value used in calculating each avoided capacity cost component of the ECR. We find that a modification to the avoided generation CC calculation method offered by RMP in its sur-surrebuttal testimony is appropriate to remedy a time-period mismatch in the data used by VS to calculate its CC value. We also determine that the same CC value should be used to calculate the avoided generation, transmission, and distribution costs.

i. We adopt RMP's proposal to use 2019 actual Utah load as an input to VS's calculation of avoided generation CC.

The parties disagree about the proper method for calculating the CC value for avoided generation capacity cost. VS proposes determining the avoided generation CC using 2019 historical CG export data, shifted to align with 2021 days of the week and 2021 forecast Utah load data.

[10] We further acknowledge that we incorrectly applied the 7.82% carrying charge when calculating the avoided generation capacity cost. (*See, e.g.,* March 9, 2021 Hr'g Tr. at 123:8-12; *see also id.* at 94:24-95:17.) We correct the calculation accordingly in this order.

RMP argues that VS's method inappropriately accounts for weather and the CC of utility-scale solar and proposes using 2019 actual Utah load data instead of 2021 projected Utah load data as an input to VS's calculation.

UCE generally recommends we affirm the CC value methodology approved in the October Order. UCE asserts RMP is not seeking to make corrections to the calculation used to determine the CC value; rather they seek to re-litigate the CC methodology, an issue that has already been discussed and considered at length.

VS argues that using 2021 projected Utah load data is more appropriate because "this proceeding is focused on a rate for 2021."[11] RMP disagrees, arguing that the mismatch between the projected 2021 Utah load data and the actual 2019 CG export data creates weather-related distortions. RMP adds that the particular weather conditions at peak load hours strongly influence the extent to which CG is producing and CG exports are capable of contributing to load in those hours. Finally, RMP testifies that its projected load data (the data used by VS) is already weather normalized, such that, for any given hour's load, "the forecasted value is equally likely to be higher or lower than actual load."[12] Though VS ultimately advocates for using 2021 projected data, it testified at hearing that either data set is reasonable and each presents different compromises.

We find the evidence weighs in favor of matching actual CG export data to actual Utah load data from the same year, rather than using projected data for one input and historical data for another. Comparing actual CG export data to projected load data that has been normalized

[11] Sur-surrebuttal Test of M. Milligan at 6:103–7:108.
[12] Sur-surrebuttal Test. of D. MacNeil at 7:133–4.

will provide a less accurate CC value than using load data that, while lagging, represents actual load under conditions that match measured CG exports. Using matching 2019 CG export and load data estimates CC with reasonable accuracy, is a straightforward solution to weather normalization issues, and will facilitate efficient annual updates of the ECR by making future capacity values easy to calculate. We adopt an avoided generation CC calculation method that uses actual Utah load data compared to CG export data from the same time period.

ii. We do not adopt RMP's modification related to utility-scale solar resources.

RMP proposes a second modification to VS's avoided generation CC calculation method to account for utility-scale solar. RMP modifies VS's method by subtracting approximately 460 MW of utility-scale solar output expected to be online by April 2021 from the actual 2019 Utah load data set before performing VS's calculation. RMP argues that the utility-scale solar generation amounts should be subtracted from load before performing VS's calculation because Utah customers are "already paying for" and "receiving the benefits of the output from these resources."[13]

VS argues that its method inherently accounts for the resource portfolio by considering the contribution of each type of resource individually, and in doing so provides a reasonable estimate of the CC for CG exports.[14] Further, VS responds that RMP's method arbitrarily considers the contribution of utility-scale solar resources before the contribution of CG exports. Finally, VS generally criticizes RMP's method as an untested "[ad-hoc] method that has not been

[13] Sur-surrebuttal Test. of D. MacNeil at 10:184–8.
[14] Sur-surrebuttal Test. of M. Milligan at 5:84–6:90.

shown to be valid or reliable."[15] UCE adds that RMP fails to demonstrate that its "proposed methodology is common practice or used in other comparable circumstances."[16]

DPU recommends we approve a CC value based on the method prescribed by RMP in rebuttal and surrebuttal testimony. DPU, however, does not identify which of RMP's proposed CC values should be selected. DPU asserts RMP's method offers a reasonable determination for CG CC that is understandable, uses public data, and is easy to review annually.

We find that RMP's utility-scale solar decrement method is untested and find insufficient evidence in the record to support it. According to VS and UCE, RMP itself recently acknowledged potential resource-ordering issues in calculating CC, and in 2021 IRP proceedings has begun developing a "portfolio contribution" method that accounts for both first-in and last-in CC values.[17] However, RMP did not present that method here, nor did it present sufficient evidence that its proposed method better accounts for potential "first-in" and "last-in" biases than VS's proposal. Therefore, we decline to adopt RMP's proposed utility-scale modification to VS's method.

Applying the modification we adopt with respect to using actual Utah load data, we approve a generation CC value of 21.99%.

[15] Sur-surrebuttal Test. of M. Milligan at 14:243–44.
[16] Sur-surrebuttal Test. of K. Bowman at 3:9–12.
[17] *See* Sur-surrebuttal Test. of M. Milligan at 10:174–12:199 (discussing RMP's portfolio method proposed in public input meetings during its 2021 IRP cycle).

iii. We do not adopt RMP's proposed method of determining an avoided transmission CC value.

RMP proposes a new method of determining avoided transmission CC based on the level of CG exports during PacifiCorp's monthly transmission system peaks. RMP argues that its method reflects PacifiCorp's monthly transmission costs under its OATT, and "while the resource mix is an important factor in generation [CC], peak transmission system deliveries are more relevant to transmission [CC]." [18]

VS opposes RMP's proposed method and instead proposes using the avoided generation CC value for avoided transmission CC because the generation system peak is likely to correspond with transmission peaks. This position is unchanged on rehearing. VS argued at hearing that RMP uses monthly transmission peaks to allocate costs to all entities under its OATT and that using these peaks as an input to its avoided transmission CC calculation "comingles the transmission cost allocation issue with the CG capacity contribution measure, a measure of how much CG exports can reduce peak transmission load."[19] According to VS, RMP's analysis assesses "how to allocate previously-spent capital cost" instead of "determining what drives new capital investment."[20] VS argues further that RMP's method "suffers from . . . small sample size and biased sample weighting issues."[21] RMP acknowledged at hearing that its method was based on the allocation of transmission costs even though transmission system planning is based on peak load, not cost allocation. UCE also generally disagrees with RMP's

[18] Sur-surrebuttal Test. of D. MacNeil at 15:300–302.
[19] March 9, 2021 Hr'g Tr. at 125:8–11.
[20] *Id.* at 125:11–15.
[21] *Id.* at 125:21–25.

proposed method on the basis that RMP did not show that the method has been "tested against best practice methodologies."[22]

We find RMP has not adequately shown that its proposed method estimates the transmission CC of CG exports more accurately than using generation CC as a proxy, as VS proposes. We further find that RMP's method is not well aligned with the contribution of CG exports toward avoiding new capital investment in the transmission system at the transmission system planning level. For those reasons, we adopt a method that uses a transmission CC value that is equal to the value calculated for generation CC, currently 21.99%.

iv. We adopt the same CC value for avoided distribution as we do for avoided generation.

VS proposes using the avoided generation CC value as a proxy for avoided distribution CC. RMP agrees that the avoided distribution CC is related to avoided generation CC but argues modifications are necessary. RMP applies the same CC calculation to distribution as it proposes for generation with the exception that it does not remove certain utility-scale solar from Utah load when calculating the distribution CC. RMP testified that utility-scale generation resources are typically delivered across the transmission system, and it is therefore not appropriate to net them out of Utah load when considering the highest load hours that are likely to drive the need for distribution system upgrades.[23]

[22] *Id.* at 82:4–9.
[23] *See* Sur-surrebuttal Test. of D. MacNeil at 18:363–19:376 (discussing RMP's method for calculating distribution CC, which is similar to its method for calculating generation CC but does not net out Utah utility-scale resources).

Based on RMP's explanation and parties' partial agreement, we adopt a method for calculating avoided distribution capacity cost that applies the same CC value to distribution as is applied to generation. Based on our previous decision, we find and conclude an avoided distribution CC value of 21.99% value is reasonable and appropriate.

c. We Adopt an Updated ECR that Accounts for these Revised Methods of Determining Each Avoided Capacity Cost Component.

As indicated above, we find substantial evidence exists to support the use of VS's method for calculating the CC value for all three avoided cost components, with one modification proposed by RMP. Specifically, we modify VS's method by using 2019 actual load data, rather than projected data, to calculate the avoided generation CC value. We also find and conclude it is appropriate to use the carrying charges derived from the information presented in RMP's recent MC Study in the avoided generation and distribution cost calculation. Table 1 presents the ECR we approve itemized by component. The Table 1 values are calculated using the methods we adopt in this order for avoided generation capacity,[24] avoided transmission capacity,[25] and avoided distribution capacity.[26] Based on the testimony and other evidence in the record, we find this rate accurately reflects the costs and benefits associated with CG and is just and reasonable in light of those costs and benefits.

[24] We calculate avoided generation capacity using the formula ((((($641.58 per kW * 0.0782) + $34 per kW-year) * 0.2199 * 1.0908) / 896.27 kWh per kW) * 100 cents per dollar = 2.252 cents per kWh.
[25] We calculate avoided transmission capacity using the formula (($32.74 per kW-year * 0.2199 * 1.0908) / 896.27 kWh per kW) * 100 cents per dollar = 0.876 cents per kWh.
[26] We calculate avoided distribution capacity using the formula (($122.73 per kW * 0.0791 * 0.2199 * 1.0462) / 896.27 kWh per kW) * 100 cents per dollar = 0.249 cents/kWh.

Table 1. PSC ECR Component Values as Adopted

	Summer (¢/kWh)	Winter (¢/kWh)
Energy	**2.439**	**2.109**
Total Capacity*	**3.378**	**3.378**
Total ECR	**5.817**	**5.487**

* Generation: 2.252; Transmission: 0.876, Distribution: 0.249

ORDER

For the reasons discussed above:

1. We approve a carrying charge of 7.82% to be used in the calculation of avoided generation capacity costs and a carrying charge of 7.91% to be used in the calculation of avoided distribution capacity costs.
2. We approve a CC value of 21.99% to be used in the calculation of avoided generation, transmission, and distribution capacity costs.
3. We approve generation, transmission, and distribution avoided capacity credits of 2.252, 0.876, and 0.249 cents per kWh respectively.
4. We approve summer and winter export credit rates of 5.817 and 5.487 cents per kWh respectively. These rates are effective prospectively, and will apply to Schedule 137 customer bills beginning May 1, 2021.
5. RMP shall file updated tariff sheets reflecting this order.
6. We establish a comment period for potential timing, procedure, and scope of annual updates, with comments due by **Tuesday, June 8, 2021**, and reply comments due by **Tuesday, June 29, 2021**, as also provided in a separate notice.

7. We conclude that this order constitutes final agency action for the issues for which we have granted rehearing.

DATED at Salt Lake City, Utah, April 28, 2021.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#318459

Notice of Opportunity for Judicial Review

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. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on April 28, 2021, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Email:

Data Request Response Center (datareq@pacificorp.com, utahdockets@pacificorp.com)
PacifiCorp

Jana Saba (jana.saba@pacificorp.com)
Joelle Steward (joelle.steward@pacificorp.com)
Emily Wegener (emily.wegener@pacificorp.com)
Rocky Mountain Power

Jennifer Selendy (jselendy@selendygay.com)
Joshua S. Margolin (jmargolin@selendygay.com)
Philippe Z. Selendy (pselendy@selendygay.com)
Lauren Zimmerman (lzimmerman@selendygay.com)
Shelby Rokito (srokito@selendygay.com)
Spencer Gottlieb (sgottlieb@selendygay.com)
Co-counsel for Vote Solar
Sachu Constantine (sachu@votesolar.org)
Claudine Custodio (claudine@votesolar.org)
Vote Solar

Stephen F. Mecham (sfmecham@gmail.com)
Counsel for Vivint Solar, Inc.

Hunter Holman (hunter@utahcleanenergy.com)
Counsel for Utah Clean Energy
Sarah Wright (sarah@utahcleanenergy.com)
Kate Bowman (kate@utahcleanenergy.com)
Utah Clean Energy

Megan J. DePaulis (megan.depaulis@slcgov.com)
Counsel for Salt Lake City Corporation
Christopher Thomas (christopher.thomas@slcgov.com)
Salt Lake City Corporation

Elias Bishop (elias.bishop@auricsolar.com)
Auric Solar, LLC

Nancy Kelly (nkelly@westernresources.org)
Sophie Hayes (sophie.hayes@westernresources.org)
April Elliott (april.elliott@westernresources.org)
Western Resource Advocates

Ryan Evans (revans@utsolar.org)
Utah Solar Energy Association

Noah Miterko (noah@healutah.org)
Grace Olscamp (grace@healutah.org)
HEAL Utah

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

Madison Galt (mgalt@utah.gov)
Division of Public Utilities

Alyson Anderson (akanderson@utah.gov)
Bela Vastag (bvastag@utah.gov)
Alex Ware (aware@utah.gov)
(ocs@utah.gov)
Office of Consumer Services

_____
Administrative Assistant