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Division of Public Utilities

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Comments

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

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Date: June 8, 2021

Re: **Docket No. 17-035-61**, Application of Rocky Mountain Power to Establish Export Credits for Customer Generated Electricity.

Recommendation

The Division of Public Utilities (Division) files these comments in response to the Public Service Commission's (Commission) request for comments from the parties to determine the timing, procedure, and scope of the annual Export Credit Rate (ECR) filing and procedures in consideration of Commission Rule R746-405. The Division recommends Rocky Mountain Power (RMP) file its proposed updates to Schedule No. 137 by October of each year with an effective date of January 1st of the following year. The Division recommends that the Commission update the current Schedule No. 137 rates beginning later this year since the parties should have ample time to find agreement on the scope and procedure for the annual review.

Issue

The Commission issued its Order for the Agency Rehearing in this Docket on April 28, 2021, asking interested parties to submit comments on the timing, procedure, and scope of the annual update by June 8, 2021, and reply comments by June 29, 2021.¹

Background

For brevity, the record for Docket No. 17-035-61 will not be repeated here. This docket commenced on December 1, 2017 when Rocky Mountain Power filed its application with the Commission. On October 30, 2020, the Public Service Commission of Utah issued its (Order) in Phase Two of Docket No. 17-035-61 establishing tariff Schedule No. 137, Net Billing Service. The Commission approved, among other conclusions and findings, an annual update to reflect current assumptions applied to the models in order to determine reasonable export rates for summer and winter months. Several parties requested that the Commission review certain parts of the Order pertaining to the models and assumptions (Agency Rehearing).² The Commission suspended the annual tariff review comments until it conducted a rehearing and rendered its findings and conclusions to clarify specific assumptions used in the models for determining the rates. After issuing its order on Agency Rehearing, the Commission established June 8, 2021 for parties to submit comments on the annual review process.

Discussion

Timing of Annual Update

Schedule No. 137 became effective on October 30, 2020, in compliance with the Commission's October 30, 2020, Order.³ At the conclusion of the Agency Rehearing hearing on April 28, 2021, the Commission directed RMP to revise Schedule No. 137.3 to incorporate the Commission's conclusions from its Agency Rehearing with an effective date of May 1, 2021.⁴

¹ See Commission Order, Docket No. 17-035-61, April 28, 2021, page 13, Section 6, <https://pscdocs.utah.gov/electric/17docs/1703561/3184591703561o0ar4-28-2021.pdf>.

² Id.

³ At the conclusion of Rocky Mountain Power's General Rate Case, Docket No. 20-035-04, December 30, 2020, Rocky Mountain Power revised all of its Electric Service Schedules to P.S.C.U. No. 51 with effective dates of January 1, 2021.

⁴ *Supra*, n1, Section 4.

The Division considered aligning the ECR annual review with the expiration of excess credits that expire at the end of March. However, due to the workload required of RMP staff and others to prepare and review the myriad of end-of-year and other routine annual reports during the first and second quarter of the year, the Division concludes that the public interest would be better served if the ECR annual preparation and review were completed later in the year.⁵ The Division, therefore, recommends RMP file its Schedule No. 137 revisions by mid-October of each year allowing parties time to review and make recommendations with a Commission approved effective date of January 1st of the following year.

Procedure of Annual Update

Assuming RMP's annual filing is an update to its tariff, then any annual review may fall under the umbrella of the Commission's rules, Utah Code Annotated R746-405-2-E, Approval of Filed Tariff Sheets. The Division, therefore, proposes a process for the ECR annual update similar to the Commission approved process for reviewing and approving RMP's Schedule 38 updates.

- RMP's filing should be on a specific date such as October 5th (adjusted for weekends or holidays). RMP requires approximately 3 months to collect the necessary data for its filing. Therefore, the Division envisions the EIM and other data reflecting the 12 months ending June 30th of each year.
- The Company makes a filing, in which it designates changes or updates as routine or non-routine updates.
- Interested parties would have fifteen days to review the application and file comments.⁶
- If no party challenges any of the updates or proposes any additional changes or updates, then the rates become effective, after the Commission's order, on January 1st of the following year.

⁵ For example, the Results of Operations, Energy Balancing Account, Renewable Balancing Account, Subscriber Solar, STEP, Utah Solar Incentive Program, Schedules 37 and 38, etc. all of which occur in the first and second quarter of the year.

⁶ Utah Code Annotated, Public Service Commission Rules, R746-405-2(E)(4)(b).

- If any party challenges any of the updates or proposes additional changes to the tariff update, then rates would go into effect on January 1st with the unopposed or unchallenged updates and a process and schedule will be set to consider the challenged updates.
- Non-routine changes to the tariff approved by the Commission through proceedings that do not align in timing with the routine updates could become effective at the next annual review, or as directed by the Commission, so customers understand the tariff structure and rates throughout each annual billing cycle.

The Division recommends RMP maintain the models including EIM historical data, capacity contribution factors, current carrying charges, and line losses. These models should be filed with or made available with the annual ECR filing. This will facilitate an expedited review as proposed by the Division. The Division understands, as discussed above, that this process requires time and requires RMP to begin collecting data three to four months in advance of the proposed October filing deadline. The timing of the annual data collection might not align perfectly with the effective revision year but is better aligned to then-current conditions.

Scope of Annual Update

The Division's proposed process requires, in general, a relatively quick and intense review of RMP's filing. The complexity of calculating the export credit rate annually in consideration of Commission rules for timely review of tariff filings, requires a near consensus on the scope of the annual review for Schedule No. 137. To the extent possible, elements of the review should be distilled to relatively uncontroversial items, allowing a closer focus on items more susceptible to challenge. Whatever procedure and scope is adopted should be adaptable and relatively easy to understand. The Division recommends the parties consider the following components to determine the annual export credit rate per the Commission's Orders.

— Avoided Cost and Capacity Models

The Division suggests that RMP's annual filing include a functional version of the then currently approved avoided cost and capacity models and the data set used for the annual calculations. This should be included in the initial annual filing and be available to the parties to review.

— *EIM Data*

The Division recommends that the same Node(s) be used for the annual historical EIM data collection as those that were approved by the Commission. Any changes should be considered non-routine updates.

— *Capacity Contribution*

Given the variance in the models, assumptions, and timing of the assumptions the parties believe to be correct in how the capacity contribution is calculated, the Division recommends the Commission not update the capacity contribution annually until such time as deemed necessary based on market trends or the Integrated Resource Plan, but no longer than three years. Significant changes to the values may require more frequent review, the credit is designed to match actual resource value. The Division may monitor this data even in years without proposed changes.

— *Carrying Charge*

RMP does not update its marginal cost study on any specific time frame. The Division is concerned that the carrying charge may become stale and mismatched with actual carrying costs. If the mismatch becomes a problem, the Division or other parties may raise the issue as a non-routine update.

— *Line Losses*

The primary and secondary line loss assumptions for transmission and distribution should reflect those approved by the Commission until such time that RMP conducts a new line loss study for transmission and distribution.

— *Placeholders*

Distributed generation is changing the way energy is imported and exported. These changes are likely to require new rate structures and designs for how customers are billed and what services customers pay for or provide to the utility. As distributed generation matures, future value components relating to RMP's cost of service will need to be considered as they arise.

The Division recommends that any new ECR value component be determined in a separate process as a non-routine update from the annual routine updates and to the extent approved for inclusion, be added during the next annual update following Commission approval. This type of non-routine update may be, but should not be required to be, filed with the annual updates.

— *Miscellaneous*

Miscellaneous tariff items such as tariff language, consistency to comply with other Commission Orders, or other current events should be reviewed during the annual review as routine or non-routine.

The Division is amenable to a limited number of workgroup sessions for the remainder of this year with other parties to collaborate to ensure a smooth process for parties to review Schedule No. 137 annually. The goal of this collaboration is to avoid lengthy litigation processes each year. Of course, litigation may be necessary to resolve genuine differences.

Conclusion

Similar in complexity to the quarterly review of RMP's Schedule Nos. 38 and 37 Avoided Cost filings, the annual review of Schedule No. 137 requires review sufficient to support Commission findings. Models built through collaboration to determine the avoided energy costs, avoided generation, transmission, and distribution capacity costs for the winter and summer ECR rates, and the assumptions that are input into the models, offers an expeditious method for the annual review. As disputes arise, they may still be resolved within the boundaries of this general review process. The annual ECR review should be relatively easy to understand and timely. This offers the customer generator an opportunity to better align its generation and usage.

Therefore, the Division recommends an annual review beginning with RMP's filing of tariff revisions by October 2021, followed by a fifteen-day review by parties that allows time for the Commission to issue its findings and conclusions resulting with an effective date of January 1, 2022 and January 1st of each succeeding year.

Cc: Jana Saba, RMP
Michele Beck, OCS
Service List