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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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Director

To: Utah Public Service Commission

From: Office of Consumer Service
Michele Beck, Director
Cheryl Murray, Utility Analyst

Date: June 6, 2019

Subject: Rocky Mountain Power's Application for Approval of an Indoor Agricultural Lighting Tariff, Electric Service Schedule 22. Docket No. 19-035-T06

Background

On April 4, 2019, Rocky Mountain Power (Company) filed with the Utah Public Service Commission (Commission) an Application requesting approval of a new tariff – Indoor Agricultural Lighting Tariff, Electric Service Schedule 22.

On April 5, 2019, the Commission issued a Notice of Scheduling Conference to be held on April 16, 2019. On April 24, 2019, the Commission issued a Scheduling Order, Notice of Hearing, and Order Suspending Tariff. The Commission set the following schedule for this docket:

Comments, Thursday, June 6, 2019
Intervention Deadline, Tuesday, June 25, 2019
Reply Comments, Tuesday, June 25, 2019
Hearing, Tuesday, July 2, 2019.

Pursuant to the Commission's order, the Office provides the following comments and recommendations.

Discussion

In its Application, the Company proposes to implement a new tariff that would be applicable to indoor agricultural lighting customers with loads greater than one megawatt (MW). The Company explains that a customer with a tomato production business in Utah (Customer A) plans to expand its business either at its existing Utah site or at a location outside of the Company's service territory and asked the Company about alternative rate schedule options with electricity prices lower than Schedule 9 prices it currently pays.

June 6, 2019

The Company reviewed Customer A's energy consumption over calendar year 2018 and compared its usage pattern with typical Schedule 9 customers. Based on its evaluation, the Company determined that Customer A's usage patterns are different than those of typical Schedule 9 customers and that Customer A primarily uses energy outside of the summer months and during nighttime and morning hours, which has a negligible impact on the Company's peaks.

The Company has no current rate schedule that accounts for Customer A's unique load profile and energy consumption patterns. A special contract was considered but the Company concluded that there may be other potential customers with similar energy usage patterns, load profiles and load size that would justify creating a different class of customers as opposed to offering Customer A a special contract.

The Company asserts that providing this rate will allow Customer A to expand its operations in the Company's service territory and provide net benefits to all customer with minimal impact to the Company's system.

The tariff will be open to customers only after eligible load exceeds 30 MW, essentially after the expansion of Customer A. The Company's analysis shows that at approximately 30 MWs adequate revenue is generated to offset the lower tariff rate.

Determination of Schedule 22 Rates

The Company conducted a class cost of service study based on Customer A's usage pattern, load profile and load size. The result indicated that Customer A, on Schedule 9, was paying approximately 17% more than its cost of service. The Company then determined the marginal impact of an expansion of Customer A's facility and a decrease of its average price. The Company states "The incremental increased revenue from Customer A's expansion offset by a lower rate of \$1.965 million less the incremental expense of \$0.748 million associated with the additional load produces a net benefit of \$1.218 million." [Direct Testimony of Robert M. Meredith lines 232 – 234"¹]

The Company indicates that Schedule 22 "accurately reflects the cost to serve the customer's unique load profile and would not harm other customers, assuming the larger load from the Customer's tomato production business expansion remains in Utah." [Application at 10]

The Office does not take issue with the cost of service results presented by the Company however; we do have some concerns with the proposed tariff.

Office Concerns

Some of the Office's concerns with Schedule 22 include:

- 1) 30 MW minimum to avoid harm to other customers;

¹ The Company explains its calculation in the Direct Testimony of Robert M. Meredith lines 204 – 234.

- 2) Potential other customer requests for special tariff rates;
- 3) Tariff Design;
- 4) Surcharge Adjustments for Schedule 22; and
- 5) Future changes to Schedule 22.

The Office addresses each of these concerns below.

30 MW Minimum. The Office views the Company's assurance that Schedule 22 would not harm other customers as a critical element of its proposal. We note that the Company's analysis of no harm is based on a minimum 30 MW load.² Original Sheet No. 22.1 reads: "AVAILABILITY: At any point on the Company's interconnected system where there are facilities of adequate capacity and after eligible load exceeds 30 MW."

The Office is concerned that if in the future enough Schedule 22 load were to depart to reduce total load below 30 MWs, Schedule 22 would have a financial impact on other customers. If eligible load falls below 30 MWs, the Office asserts that the Company should immediately file with the Commission to suspend or cancel Schedule 22 and move those customers to an appropriate alternate schedule or demonstrate that Schedule 22 does not cause harm to other customers.

Potential Customer Requests for Special Tariffs. Creating a special tariff rate based on a single customer's characteristics could lead to additional customers claiming a unique load profile or circumstance that should allow the development of a new, tailored rate schedule for them.

In the Application for Schedule 22, the Company provided analysis demonstrating that Customer A has a distinctly different load profile than other Schedule 9 customers. For any future special tariff request based on a specific customer, the Company should provide justification as to the reasonableness and need for the tariff and demonstrate it will not result in cost shifting to other customers. The Commission may want to offer specific guidance as what considerations may warrant a special tariff. Further, in light of the precedent approval of this tariff may set for other customers the Commission may want to reject it.

Tariff Design. In the Application [page 4 at 11] the Company asserts, "Proposed Schedule 22 is appropriate for the Customer and others with similarly unique load profiles, characteristics and size, without increasing costs to other customers." Schedule 22 will be available for any customer with loads over one MW that uses at least 75 percent of its energy for indoor agricultural lighting. [Application at 17]³

² Thirty MWs may not be the precise point of no harm but according to the filing, it would be somewhat close to that amount.

³ Schedule 22 customers are required to have indoor agricultural lighting loads that have registered 1,000kW or more, more than once in the preceding 18-month period. This Schedule will remain applicable until the load has not registered 1,000 kW or more at any time for a subsequent period of 18 consecutive months. If energy usage for purposes other than indoor agricultural lighting exceeds 25% of the total

The tariff describes the energy requirements for service under Schedule 22, however, there is no description of the “unique load profile and characteristics” that the Company asserts helps maintain cost of service for participating customers without causing harm to other customers. The Office issued data request OCS 4.1 regarding the missing requirement.

OCS Data Request 4.1

In the Application, the Company states that Schedule 22 is to offer cost-based rates “that reflect the unique load profile of qualifying indoor agricultural lighting customers with loads greater than one megawatt (MW). There is nothing in the tariff that describes any qualifying “unique load profile.” Is it the Company’s position that the characteristics of the tariff will only be beneficial or attractive to customers with a load profile similar to Customer A and therefore self-limiting?

Company Response to OCS Data Request 4.1

The tariff is limited to customers who primarily use energy for indoor agricultural lighting. Customer A is currently the only large indoor agricultural lighting customer that the Company serves. Its load profile is unique, because it grows its crop with sunlight with it supplements with electric lighting when there is insufficient sunlight, primarily in the winter at night and in the morning hours. The Company’s proposed cost-based Schedule 22 rate design has lower power charges and greater cost recovery through volumetric energy charges with a particularly high on-peak summer energy charge. This rate design is attractive for growers like Customer A who are low load factor and use energy outside of the Company’s peak periods. It may not be as attractive for high load factor growers who do not utilize sunlight for their crops and use electric lighting more steadily around the clock and throughout the year.

Due to the unique load profile and characteristics the Company states are necessary to maintain cost of service for Schedule 22, the Commission may want to require that the Company provide a more detailed set of requirements for participation in the tariff. Also, it is clear that an evaluation will be required in every general rate case to ensure that no costs are being imposed on other customers from this specialized rate class.

Surcharge Adjustments. Original Sheet No. 22.2 of the tariff reads: SURCHARGE ADJUSTMENT: All monthly bills shall be adjusted in accordance with Schedule 80.

Proposed Schedule 22 is new and therefore not currently included on Schedule 80. The Office submitted OCS Data Request 3.1 asking the Company to “identify the rate

energy provided the customer will not be eligible for this schedule. Under both circumstances, the customer will then be served under another appropriate schedule. APPLICATION: ORIGINAL SHEET No. 22.1

June 6, 2019

adjustments to which the Company proposes Schedule 22 customers will be subject. The Company responded as follows:

“The Company proposes that Schedule 22 would be subject to the same rate adjustments as Schedule 9 including Schedule 91, Schedule 94, Schedule 98, Schedule 193, Schedule 196, and Schedule 197. If approved by the Public Service Commission of Utah, the Company intends to make a compliance filing that would include revisions to Schedule 80 and applicable adjustment schedules, so that they would incorporate proposed Schedule 22.”

The Office believes that it is appropriate that if Schedule 22 is approved those customers should be subject to the Schedule 80 surcharge adjustments identified in the Company’s response to OCS data request 3.1 as well as any appropriate future surcharge adjustments approved by the Commission. This should be clearly identified in its order if the Commission approves this tariff request.

Future Schedule 22 Modifications. Original Sheet No. 22.3 ELECTRIC SERVICE REGULATIONS includes the following: “Service under this Schedule will be in accordance with the terms of the Electric Service Agreement between the Customer and the Company. The Electric Service Regulations of the Company on file with and approved by the Public Service Commission of the State of Utah, including future applicable amendments, will be considered as forming a part of and incorporated in said Agreement.”

The Office asserts that the Company needs to make very clear to Customer A that all rates, terms and conditions of Schedule 22 are subject to change with Commission approval. Even the defined peak periods are subject to modification as usage patterns and technology may change both the hours and months of peak use. Customer A is currently a Schedule 9 customer and has likely experienced rate changes and tariff adjustments. In light of Customer A’s pending decision to expand its operation seemingly based at least in part on the approval of this tariff the Office believes it is important that Customer A not be able to assert some prior claim to a specific rate if changes to the tariff are necessary in the future.

Final Comments

Although the Office has identified several concerns associated with Schedule 22, we do not oppose implementation of the tariff. We believe that the recommendations we have proposed somewhat mitigate our concerns and will provide some protection to other customers.

Office Recommendation

The Office recommends that the Commission consider whether having such a narrowly defined customer class establishes a bad precedent.

June 6, 2019

If the Commission decides to approve proposed Schedule 22, the Office recommends that the following conditions be imposed:

- 1) If the total load of Schedule 22 falls below 30 MWs the Company should immediately file with the Commission to suspend or cancel the tariff or demonstrate that Schedule 22 does not cause harm to other customers;
- 2) Any future tariff requests of this nature should include justification of the reasonableness and need for the tariff and demonstrate that it will not result in cost shifting to other customers;
- 3) The Commission should specify that Schedule 22 is subject to all of the surcharge adjustments identified in Schedule 80 as being applicable to Schedule 9; and
- 4) The Commission should require the Company to advise potential future Schedule 22 customers that, as with all tariffs, all aspects of Schedule 22 are subject to change including rates, terms and conditions. This notice is especially important in the case of Customer A.