GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Utah Public Service Commission

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

Date: August 9, 2019

Subject: Office of Consumer Services Initial Comments Regarding Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 196, Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program. Docket No. 19-035-T12

Introduction and Background

On July 23, 2019, Rocky Mountain Power (Company) filed with the Public Service Commission (Commission) its application for authority to refund revenues associated with the Solar Incentive Program (Application). On that same day, the Commission issued a Notice of Filing and Comment Period setting August 9, and August 16, 2019 as the dates by which parties may file comments and reply comments, respectively. Pursuant to the Commission's notice the Office provides the following initial comments.

Discussion

Through this Application the Company is requesting Commission authorization to refund a surplus balance of approximately $3.06 million to customers over 12 months beginning November 1, 2019. The refund would occur through a reduction in the Sustainable Transportation and Energy Plan (STEP) surcharge portion of Electric Service Schedule No. 196.

Source of the Surplus Funds

The Company explains that the surplus funds result from the Utah Solar Incentive Program (USIP), which was approved in 2007[1] as a five-year pilot program to provide financial incentives to customers who purchased and installed solar photovoltaic systems.

[1] Commission Order dated August 3, 2007 in Docket No. 07-035-T14.

The USIP was to expire at the end of 2011. However, in Docket No. 11-035-104, the Commission approved an extension and expansion of the USIP to provide approximately $50 million in rebate incentives from 2013 through 2017 (Program).

In March 2016, Legislation was signed authorizing the Sustainable Transportation and Energy Plan Act (STEP Act). The STEP Act discontinued the Program as of December 31, 2016 and authorized the Company to collect estimated unrecovered costs for the remaining Program obligations through the STEP Cost Adjustment Pilot Program (STEP Surcharge).

On September 12, 2016, the Company filed an Application to implement programs authorized by the STEP Act (Docket No. 16-035-36). At that time, the Company estimated the Program obligations would exceed projected Program funds being collected through Schedule 195[2], and would require an additional $13 million of the $50 million STEP funds as authorized by the STEP Act.

Final customer applications for the Program were processed as of December 31, 2016 and deadlines for project installation expired June 30, 2018. The Company believes that the remaining Program obligations can be estimated with a high degree of certainty. The Company states, that "Due to a high level of expired projects, the Program will not require any STEP funds as originally anticipated and has a surplus of revenues previously collected under Schedule 195".

Company Proposal for Refund

As of May 8, 2019, the Program balance, previously collected under Schedule 195, is $8,256,410 and Program obligations are $5,196,390 resulting in a net surplus of $3,060,020 (Surplus Program Balance). Rather than a bill credit or funding additional STEP projects, the Company proposes to reduce the Schedule 196 STEP surcharge rates to refund the Surplus Program Balance to customers over 12 months beginning November 1, 2019. The Office supports the general proposal to refund the Surplus Program Balance.

The Proposal results in a decrease of approximately 0.2 percent from the current surcharge[3]. As discussed below a different treatment is proposed for special contract customers.

If the Application is approved the Company anticipates the Program balance at the end of 2023[4] will be approximately $500k, due to carrying charges that will continue to accrue through 2023. A number of factors could cause the 2023 ending balance to vary, thus rather than attempting to achieve a zero remaining balance the Company suggests

[2] Collections for Schedule 195, the Solar Incentive Program Cost Adjustment Tariff, terminated December 31, 2016.
[3] The majority of customer classes will receive a 0.1 percent reduction.
[4] Large non-residential customer incentives were to be paid in five annual installment payments.

retaining this small cushion to ensure the Program has adequate funds, which the Office believes is a reasonable approach. The Company proposes to discuss the use of any Program funds remaining at 2023 in the STEP exit strategy meeting. The Office will participate in that discussion.

Refund to Special Contract Customers

The Company's proposal would provide a refund to most customers through a rate reduction in Schedule 196. However, special contract customers would receive a more traditional refund as a one-time credit and the USIP Cost adjustment would be removed from their rates. The Company notes that although special contract customers are not subject to the STEP surcharge[5] they are required to pay USIP and are therefore entitled to part of the excess revenue from that Program. Credits to special contract customers are based on the terms of the individual contracts and the amount each has paid into USIP. [6] The Office has no objections to the Company's proposed allocation and method of the refund.

Recommendation

The Office recommends that the Commission approve the Company's Application to refund revenues associated with the Solar Incentive Program.

[5] The Office notes that the language in each contract states they are subject to STEP, however it is only the portion related to USIP.

[6] Refund amounts would be ($44,175) for Contract 1, ($5,628) for Contract 2 and ($182,586) for Contract 3.