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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power 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

POST-HEARING BRIEF OF THE UNIVERSITY OF UTAH

Pursuant to the November 12, 2020 Amended Scheduling Order and Notice of Electronic Hearing issued by the Public Service Commission ("Commission") in this docket, the University of Utah ("University") hereby files its Post-Hearing Brief. The University filed testimony in Phase II of this docket addressing rate design of Schedule 32 and responding to proposals for Schedule 32 submitted by Rocky Mountain Power ("RMP" or "Company") and the Utah Association of Energy Users ("UAE"). The University's post-hearing brief addresses this matter, as well.

I. PHASE II – SCHEDULE 32 RATE DESIGN

The University addresses the following matters relating to Schedule 32 rate design:[1] A) the history of Schedule 32; B) the University's interest in and reliance on Schedule 32; C) a discussion of the University's and RMP's Schedule 32 rate design proposals; and D) alternatives to the rate design proposals offered by the parties.

A. <u>The History of Schedule 32</u>

In 2012 the Utah State Legislature enacted Senate Bill 12 ("SB 12"), which added Utah Code Sections 54-17-801 to -805. SB 12 enables a contract customer to receive electricity directly from a renewable energy facility.[2] RMP later sought approval of a tariff consistent with SB 12 and this Commission opened Docket No. 14-035-T02 to address RMP's proposal and to consider recommendations by UAE and others. On March 20, 2015, the Commission issued a Report and Order ("Schedule 32 Order"),[3] in which it approved what is now Schedule 32. In that order the Commission ruled that SB 12 "does not mandate that Schedule 32 charges be the same as, or even based upon, 'otherwise applicable' rate schedules (*i.e.*, Schedules 6, 8 or 9)."[4] The Commission also ruled that "nothing in SB 12 mandates the manner in which the 'applicable tariff rates' will be determined," except that, consistent with Utah Code § 54-17-805(3)(b), "kilowatts of demand delivered by the Schedule 32 customer must be excluded from that customer's applicable tariff charges, based on whatever 'monthly metered kilowatt demand measurement' the Commission may adopt as just and reasonable for Schedule 32."[5]

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[1] This University's Schedule 32 rate design recommendations are set forth in the testimony of Christopher F. Benson.
[2] Contract Customer and Renewable Energy Facility are defined in Utah Code § 54-17-801(1) and (4), respectively.
[3] The Schedule 32 Order is in the record in this docket as U of U Exhibit RD 2.1.
[4] Schedule 32 Order at 31.
[5] *Id*. at 32 (quoting UAE Brief).

The Commission then approved Schedule 32, adopting a mix of proposals offered by RMP, UAE and others. In particular, the Commission adopted UAE's proposed delivery facilities charge and RMP proposed power charge, each of which are addressed below.

1. Delivery Facilities Charge

In Docket No. 14-035-T02, RMP proposed a delivery facilities charge "based upon Schedules 6, 8, and 9 billing units identified in the 2014 GRC and the associated revenue requirement assigned to the transmission and distribution categories from its COS Study adjusted for the decreased revenue requirement authorized in that case."[6] UAE opposed RMP's proposal, noting that "the actual rates in the respective Schedules 6, 8, and 9 do not match the COS Study results used by PacifiCorp to develop its Delivery Charges," that "the COS Study is just one factor among several that are used in setting rates for full service customers," and asserted that RMP's approach would result in Schedule 32 customers Paying "different effective rates for delivery service than their counterparts taking bundled service under Schedules 6, 8, or 9."[7]

UAE further noted that "if the Delivery Charges are set higher than the effective rates embedded in Schedules 6, 8, and 9 then the portion of the demand charge that the Schedule 32 Contract Customer is able to avoid (*i.e.*, the generation portion) would be valued at less than the generation demand charges reflected in Schedules 6, 8, and 9," and asserted that this "appears to undermine the statutory requirements that 'any kilowatt of electricity delivered from the renewable energy facility that coincide with the Contract Customer's monthly metered kilowatt demand measurement' must be excluded from the Contract Customer's bill."[8] RMP argued that its

[6] *Id*. at 27.
[7] *Id*. at 12.
[8] *Id*. at 13 (quoting Utah Code § 54-17-805(3)(b).

proposal does not undermine the statute because "its full service tariff rates are not unbundled" and that, "therefore, there are no identifiable delivery components in Schedules 6, 8, or 9."[9] The Commission found that RMP's proposal would result in Schedule 32 customers "pay[ing] a different effective rate for delivery services than their full service counterparts who pay bundled rates."[10] The Commission then rejected RMP's proposal and adopted UAE's proposal instead.[11]

2. Power Charge

RMP and UAE also offered separate proposals for the power charge. RMP proposed a daily power charge while UAE proposed an hourly power charge. This Commission ultimately approved a daily power charge, stating as follows:

> We have no precedent or experience with functionally unbundled rates for service under Schedule 32 and no billing units. Additionally, ***we recognize prospective customers will be using Schedule 32 to make long-term resource decisions***. For these reasons, we find it reasonable to adopt a rate design for Schedule 32 that both achieves the objectives of SB 12 and ***maintains a measure of consistency with the way currently approved rates and schedules address demand charges***.[12]

The Commission went on to draw comparisons between Schedule 32 and "Schedule 31, a schedule that, like Schedule 32, also serves partial requirements customers."[13] "The use of this [daily] demand measure in Schedule 32 will avoid the potential for disparate treatment among customers who place a similar level of partial requirements on the utility and may only be distinguishable by the side of the meter from which their renewable resource serves them."[14]

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[9] *Id*.
[10] *Id*. at 28.
[11] *Id*.
[12] *Id*. at 32 (emphasis added).
[13] *Id*. at 33.
[14] *Id*.

B. The University's Interest in and Reliance on Schedule 32

The University makes up approximately 1% of the electrical load in Utah, which amounts to around $16 million in total annual electrical costs.[15] The University has committed to reaching carbon neutrality by 2050 and has developed roadmaps toward a carbon-neutral campus.[16] The University has implemented various strategies to reduce electricity demand, but has determined that Schedule 32 is an integral part of its efforts to reach its carbon-neutrality goal.[17]

Following this Commission's Schedule 32 Order, the University developed a strategy to match production resources and load with a combination of geothermal and solar resources.[18] The University did not commit to the Schedule 32 PPAs to avoid power charges.[19] The University concluded that the Schedule 32 rate design gave it the best tools to both advance its carbon neutrality goals and manage loads and costs over 25 years and advance towards its carbon neutrality goals, but that pursuing the Schedule 32 projects would be effectively price-neutral when compared to receiving electricity from RMP.[20]

In 2018, the University became the first (and, to date, the only) Schedule 32 customer when it entered into a renewable energy contract for a 25-year PPA for a 20 MW geothermal resource. That resource began delivering energy to the University in 2019.[21] The University entered into a second Schedule 32 contract in 2020, a 25-year PPA for a 20 MW solar resource located in Huntington, Utah that will begin delivering energy to the University in 2022.[22] Combined with

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[15] Phase II Direct Testimony of Christopher Benson at lines 48-49.
[16] *Id*. at 50-57.
[17] *Id*. at 70-92.
[18] *Id*. at 91-92.
[19] *Id*. at 95-96.
[20] *Id*. at 87-111.
[21] *Id*. at 126-130.
[22] Phase Surrebuttal Testimony of Christopher Benson at lines 22-25.

the University's on-campus initiatives, these two Schedule 32 contracts will bring the University to 71% of all electrical energy coming from renewable sources.[23]

In its Schedule 32 Order, this Commission acknowledged that "customers will be using Schedule 32 to make long-term resource decisions," and, therefore, it approved a rate design that "maintains a measure of consistency with the way currently approved rates and schedules address demand charges."[24] Consistent with the Commission's prediction, the University used Schedule 32 to make long-term resource decisions with the expectation that it would continue to maintain a measure of consistency with the way currently approved rates and schedules address demand charges. As set forth below, the University's proposal in this docket seeks to ensure that Schedule 32 customers pay the same amount for delivery services as their full requirements counterparts, while RMP's proposal would drastically differ from the way full requirements customers are charged for delivery service.

C. <u>Discussion of the University's and RMP's Schedule 32 Rate Design Proposals</u>

RMP proposes to set the Schedule 32 delivery facilities charge such that it would recover the full transmission and distribution fixed demand costs identified in the functionalized cost of service study. RMP advanced this same proposal in Docket No. 14-035-T02, and this Commission declined to adopt it because it would result in Schedule 32 customers "pay[ing] a different effective rate for delivery services than their full requirements counterparts."[25]

The University proposes to set the Schedule 32 delivery facilities charge at the same rate as the Schedule 6/8/9 delivery charges,[26] ensuring that Schedule 32 customers pay the same

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[23] *Id*. at 25-27.
[24] *Id*. at 32.
[25] Schedule 32 Order at 28.
[26] UAE offers a similar proposal and submits a separate brief on this matter.

effective rate for delivery service as their full requirements counterparts. When the Commission issued the Schedule 32 Order, RMP did not have unbundled rates and there were "no identifiable delivery components in Schedules 6, 8, and 9."[27] As such, UAE's proposal in Docket No. 14-035-T02 to derive a delivery facilities charge from the billing units and rates approved in the 2014 GRC settlement stipulation were an attempt to "functionally unbundle the rates" to match the delivery charges in Schedule 32 with the Schedule 6/8/9 delivery charges.[28] That effort is unnecessary in this docket because RMP has now unbundled its rates, setting a delivery charge in each of Schedules 6, 8, and 9. The Schedule 32 delivery charges should match those in the full requirements rate schedules, and the University's proposal seeks to do just that.

RMP asserts that the University's proposal could result in Schedule 32 customers underpaying delivery costs by avoiding daily power charges. RMP's assertion is based on its claim that there are delivery costs in the Schedules 6/8/9 power charges and that a Schedule 32 customer could avoid the daily power charges sufficiently to avoid paying delivery costs embedded therein. This claim is not supported by the record, for several reasons.

First, RMP had insufficient data to perform a cost of service study for Schedule 32 customers.[29] As such, there is no data to suggest that Schedule 32 customers could somehow avoid daily power charges sufficiently to underpay delivery costs if the Schedule 32 delivery charges were the same as in the full requirements rate schedules.

Second, Schedule 31—which, like Schedule 32, is a partial requirements rate schedule with daily demand charges—currently imposes delivery charges that are similar to those in Schedules

[27] *Id*. at 13.
[28] *Id*. at 26.
[29] *See* Phase II Direct Testimony of Robert Meredith at lines 192-208; Phase II Rebuttal Testimony of Robert Meredith at lines 1067-1077.

8 and 9, but RMP presents no evidence that those customers are underpaying delivery costs by avoiding daily power charges. Instead, RMP proposes that the Schedule 31 delivery charges—which are lower than the Schedule 32 delivery charges—be increased only by the average percentage price increase for the full requirements rate schedules. RMP's proposal would yield disparate treatment for Schedules 31 and 32 without any evidence to support that treatment.

Third, RMP has failed to adequately show that there are delivery costs in the Schedule 9 power charges. At the hearing RMP pointed to its November 12, 2020 errata pricing model, RMP Exh RMM 1SR, to assert that Schedule 9 power charges include some delivery costs and that a Schedule 32 customer that could somehow avoid daily power charges would underpay delivery costs. RMP filed versions of the pricing model with its direct and rebuttal testimony, but the November 12 errata is the *only* version that shows any delivery costs in the Schedule 9 power charges.[30] This is because the errata includes new types of costs in "delivery costs" that were not included in previous versions of the pricing model.[31] RMP's inclusion of new types of "delivery costs" in an errata exhibit filed after discovery and just before the hearing is not a substitute for a Schedule 32 cost of service study. Rather, it results in the inclusion of "delivery costs" in power charges—a contradiction in terms—and shows misalignment between RMP's proposed rates and the cost of service for both the full requirements rate schedules *and* Schedule 32.

Fourth, while RMP criticizes the University's proposal on the grounds that it includes delivery costs in the daily power charge, RMP's errata pricing model *also* shows delivery costs in

[30] *Compare* cell UT Pricing Model GRC 2020, "Blocking" tab (cell K1481-82) *with* UT Pricing Model GRC 2020 - Rebuttal, "Blocking-Step2" tab (cell K1481-82) *with* RMP Exh RMM 1SR "Blocking-Step2 tab (cell K1481-82). *See also* Exhibit RMP___(RMM-5) p.14; Exhibit RMP___(RMM-6R) p.34; Exhibit RMP___(RMM-1SR) p.11; errata RMP Exh RMM 1SR "Blocking-Step2 tab (cell K1481-82).

[31] *Compare* UT Pricing Model GRC 2020, "Blocking" tab (cell AA1495) *with* UT Pricing Model GRC 2020 - Rebuttal, "Blocking-Step2" tab (cell AA1495) *with* RMP Exh RMM 1SR "Blocking-Step2 tab (cell AA1495).

its proposed Schedule 32 daily power charges.[32] RMP has not explained what types of delivery costs are appropriate to include in Schedule 32 power charges and which should be excluded, and has failed to show that the University's proposal includes the wrong delivery costs power charges.

RMP's Schedule 32 proposal is without support and should be rejected.

D. Alternatives to the Rate Design Proposals Offered by the Parties

In rebuttal testimony, RMP suggested an alternative if the Commission were to decline to adopt RMP's and the University's proposals. The University believed RMP's alternative proposal was to treat Schedule 32 as it treats Schedule 31— maintain the current composition of demand charges by increasing the Schedule 32 facilities charge by the same percentage as the increase to the facilities charge for the corresponding full requirements rate. Based on RMP witness Robert Meredith's testimony at the hearing, RMP's alternative position is no longer clear. Nonetheless, the University notes that the alternative it believed RMP had proposed—which would maintain the status quo for the Schedule 32 rate design by increasing the Schedule 32 delivery facilities charge consistent with the percentage change to the facilities charges for full requirements rate schedules—would help mitigate the concerns addressed herein. If the Commission is concerned that there is a lack of sufficient data to justify the positions of any of the parties, it could maintain the status quo of Schedule 32 until more data can be collected and analyzed in a future rate case.

DATED this 30th day of November, 2020.

Respectfully submitted,

By: ____________________________

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[32] *See* errata RMP Exh RMM 1SR "Blocking-Step2 tab (cells K2556-K2570).

Certificate of Service
Docket No. 20-035-34

I hereby certify that a true and correct copy of the foregoing was served by email this 30th day of November, 2020 on the following:

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