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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Bob Davis, Utility Technical Consultant

Bhavana Venjimuri, Utility Analyst

Date: April 24, 2020

Re: **Docket No. 20-035-14**, Rocky Mountain Power's 2019 Annual Report of the Subscriber Solar Program for the Period of January 1, 2019 through December 31, 2019.

Recommendation (Acknowledge with Recommendation)

The Division of Public Utilities ("Division") recommends the Public Service Commission of Utah ("Commission") acknowledge Rocky Mountain Power's ("RMP") Subscriber Solar Program Annual Status Report ("Report") for the 2019 annual reporting period with the recommendations. The Division recommends RMP include a line item analysis of the liability account balance reconciliation located on the summary tab of Exhibit A in future reports that include the beginning balance, additions, interest, amortization, and ending balance for the report year. Further, the Division recommends the Commission direct RMP to update Exhibit B with any corrections as needed including RMP's current tax rate.

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Issue

On March 25, 2020, RMP filed its 2019 Report with the Commission. On the same day, the Commission issued an action request to the Division to review RMP's filing for compliance and to make recommendations. The Commission asked the Division to report back by April 24, 2020. On March 27, 2020, the Commission issued its Notice of Filing and Comment Period where any interested party may submit comments on or before April 24, 2020, and reply comments on or before May 11, 2020. This memorandum represents the Division's response to the Commission's action request.

Background

On September 21, 2015, RMP filed the parties' settlement agreement ("Agreement") in Docket No. 15-035-61. The Agreement set forth parameters and operational guidelines for the Subscriber Solar Program ("Program"). The Commission approved the settlement on October 21, 2015. The Subscriber Solar facility, located near Holden, Utah, began commercial operation during December of 2016.

On May 9, 2019, RMP filed its application with the Commission requesting approval for changes to its tariff Schedule No. 73, allowing subscriber solar program subscribers, when available, the ability to subscribe up to 100 percent of their usage from the program. The Office of Consumer Services ("OCS") filed comments on May 21, 2019. The Division and Utah Association of Energy Users ("UAE") each filed comments on May 23, 2019. The Division, OCS, and UAE had various concerns with RMP's proposal and therefore recommended that the Commission not approve RMP's tariff changes. On May 30, 2019, RMP filed reply comments requesting that the Commission suspend tariff Schedule No. 73 until it could meet with parties in an informal workshop to discuss the revisions to Schedule No. 73. The Commission approved the suspension on May 31, 2019. RMP held a workshop with the parties on July 12, 2019 to answer questions, provide additional information, and address parties' concerns. On November 18, 2019, the Commission issued its Order¹ approving the changes to Schedule No. 73 and ordered RMP to revise its Schedule No. 73 tariff sheets. The Commission approved the changes to tariff Schedule

¹ See <https://pscdocs.utah.gov/electric/19docs/19035T08/31114719035T08oatc11-18-2019.pdf>.

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No. 73 and tariff Schedule No. 73.4 on January 16, 2020, with an effective date of January 1, 2020.

RMP has filed four reports for the Program since its inception. On July 19, 2017, RMP filed a report for the first six months of operations. On March 30, 2018, RMP filed a status report for the full 2017 calendar year. On March 29, 2019, RMP filed a status report for the full 2018 calendar year. The 2019 annual report filed on March 25, 2020, is the subject of the Division's comments herein.

Discussion

The original Program offered Utah customers the opportunity to purchase 200 kilowatt-hour ("kWh") blocks of electricity from RMP's solar resource near Holden, Utah.² These 200 kWh blocks were offered on a first-come, first-served basis at a fixed price for a given contract length of two, five, seven, or ten years. The Program is offered through Schedule No. 73 for residential tariff Schedules 1, 2, 3, small non-residential tariff Schedule 23, and large non-residential tariff Schedules 6, 6A, 6B, 8, 9, and 9A. The Commission's recent Order allows customers to offset their energy needs with 100 percent subscription from the Program.

RMP's current report shows that 99.2 percent of the program's energy output was subscribed at the end of 2019 (47,749,442 kWh of the 48,133,302 kWh generated). The 2019 subscription is 238,748 blocks, comprising 81,988 residential and 156,760 commercial, which is a slight increase from last year's 238,524. The current allocation of the twenty mega-watt ("MW") facility is roughly 35 percent residential and 65 percent commercial. The Division concludes the subscription ratios remain at the approximate original design of 34 percent residential and 66 percent commercial.

RMP designed the Subscriber Solar Program ("Program") around a [REDACTED] solar facility located in South-Central Utah. The final PPA contract price with the solar provider was [REDACTED].³ The contract with the solar provider is based upon an average purchase of [REDACTED].

² Company Subscriber Solar Program Status Report, June 22, 2017, p. 1, Table 1.

³ The Company updated the generation cost at its July 19, 2017 Subscriber Solar Program Update, page 9.

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██████████ with on-peak defined as Monday through Saturday 9 a.m. to 11 p.m. and off-peak being all other hours plus holidays. However, the solar facility is capable of generating more than ██████████. RMP purchases all the generation the facility produces and books the difference to net power costs (“NPC”). Since inception, the facility generated a total of ██████████ of on-peak and off-peak energy over the period from January 2017 through December 2019. The generation sold over the same period is ██████████ or a difference of ██████████. The combined 2017, 2018, and 2019 generation compared to generation purchased results in ██████████ booked to NPC over the period. Compared to the ██████████ reported in 2018, this year’s NPC booked value to the Energy Balancing Account (“EBA”) of ██████████ illustrates the facility is mainly utilized by subscriber solar customers and costs are not being spread to other customers.⁴

RMP’s intent for the Program is that those participating in the program would pay all costs associated with the program. RMP’s cost, or pricing estimates, allow for an initial ramp or subscription period through 2019. Therefore, as long as the program meets RMP’s projected ramp rate and remains fully subscribed, the program would be underfunded in the ramp period but overfunded in the later years such that over the life of the program, subscribers would fully fund the program. However, if the program does not meet the ramp rate or is undersubscribed at any point, the associated costs of the program are borne by all ratepayers through the Energy Balancing Account (EBA) as a NPC. At the time of this report, the Subscriber Solar program is progressing better than planned. The program’s design cost at the end of 2019 was forecast at \$2,990,960. The actual program cost at the end of 2019 was \$2,097,616, roughly 30 percent below forecast or \$939,244 including the add-back of cancellation fees.⁵

The 2019 full-year expense break-down is as follows: generation PPA expense of \$2,541,018; program administration and marketing expense of \$126,636; and interest expense of \$72,631, for

⁴ RMP Exhibit A - 2019 Subscriber Solar Summary Report (Excel) 3-25-2020, “Summary” Tab.

⁵ Costs include Administration, Marketing, and Billing for years 2015, 2016, 2017, 2018 and 2019 (48,000, 1,531,000, 601,000, 612,000, and 198,960 respectively). There are \$230,059 in accumulated interest expenses, and \$45,900 in accumulated cancellation fees.

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a total 2019 program expense of \$2,740,285.⁶ These expenses are offset by revenues of \$3,021,595, and cancellation credit fees of \$45,900, for a total 2019 program revenue of \$3,067,495.⁷

The Division also monitors the liability account connected to the Program. As of January 1, 2019, the beginning balance of the liability account was \$1,663,323.⁸ The additions of \$126,636 and interest of \$72,631, less amortization of \$137,691, results in a liability account ending balance, as of December 31, 2019, of \$1,724,900.⁹ The Division recommends RMP provide the “Utah Liability Account Balance Reconciliation” section on the Summary tab of Exhibit A in the following format and include the analysis provided to the Division in response to its DPU Data Request 1.1:

Beginning Balance
Annual Additions
Annual Interest
Amortization
Ending Balance

Pursuant to correspondence from the Commission Secretary filed August 16, 2017, RMP was directed to include in its report the following: (1) the total number of kWh donated, broken out by the various classes of participants; (2) the avoided cost rate; and (3) the total dollar value of donated kWh.¹⁰ RMP added a “Solar Credit Donated” spreadsheet to its Exhibit A pursuant to the Commission’s Order.¹¹ RMP reports that 1,847,597 kWh were donated in 2019 consisting of: 948,269 kWh from Commercial customers; 605,204 kWh from Industrial customers; and 294,124 kWh from Residential customers. The avoided cost rates used to calculate the credit consist of the allocated¹² summer and winter, on-peak and off-peak, rates from the current

⁶ RMP Exhibit A – 2019 Subscriber Solar Summary Report (Excel) 3-25-2020.xlsx, “Summary” and “2019 Dashboard” Tabs.

⁷ Id., “2019 Dashboard” Tab.

⁸ RMP Exhibit A - 2019 Subscriber Solar Summary Report (Excel) 3-25-2020, “Summary” Tab.

⁹ RMP response to DPU Data Request 1.1, April 9, 2020.

¹⁰ Correspondence from the Public Service Commission, August 16, 2017, Docket No. 15-035-61, Gary L. Widerburg, at page 2. <https://pscdocs.utah.gov/electric/15docs/1503561/295997CorresWiderburg8-16-2017.pdf>.

¹¹ RMP Exhibit A – 2018 Subscriber Solar Summary Report (Excel) 3-29-19.xlsx, tab “Solar Credits Donated”.

¹² The avoided cost rate is first allocated by on-peak/off-peak time per day, then allocated again by number of summer and winter months.

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Schedule 37, Advice No. 19-08, Avoided Cost Purchases from Qualifying Facilities, non-levelized Tracking Solar Facility for 2018.¹³ Utilizing the July 1, 2019 authorized rates for non-levelized Tracking Solar, the reported total dollar amount of donated kWh is \$44,324.

The Renewable Energy Credits (“RECs”) produced by the solar generation facility are transferred to RMP’s WREGIS account on behalf of the subscribers and retired. The tariff allows RMP to transfer RECs to subscribers’ WREGIS accounts if requested. No subscriber customers have requested RECs transferred to their own personal WREGIS accounts as of this report.

The Division recommended that RMP update its Program Cost Model-Proprietary Exhibit B to reflect current tax laws as a result of the federal tax reform in its report last year. The tax rate does not have a material impact on the spreadsheet, or this year’s Subscriber Solar annual results. However, the tax rate is an input to the spreadsheet model and should match RMP’s current tax rate. The Division reiterates that RMP update its Program Cost Model-Proprietary Exhibit B to reflect all current conditions where applicable.

Conclusion

The Division has reviewed RMP’s Subscriber Solar Report for the 2019 annual reporting period. The Program continues to be 100-percent subscribed at the end of 2019 with a wait list of residential and commercial customers. The Program is running better than expected with a liability account balance of \$1,724,900 at the end of 2019 compared to \$1,663,323 at the beginning of 2019, a slight increase of \$61,577. The Division concludes the slight increase to the liability account is the result of time spent by RMP personnel to analyze the 100 percent subscription offer to commence mid-summer of 2020.

The Division recommends the Commission acknowledge RMP’s 2019 annual Subscriber Solar Status Report and direct RMP to make the corrections to its Report and Program Cost Model as mentioned herein.

¹³https://www.rockymountainpower.net/content/dam/pcorp/documents/en/rockymountainpower/rates-regulation/utah/rates/037_Avoided_Cost_Purchases_from_Qualifying_Facilities.pdf.