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Department of Commerce Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Doug Wheelwright, Utility Technical Consultant Supervisor

Bob Davis, Utility Technical Consultant

Date: September 22, 2020

Re: **Docket No. 20-035-T08, Approve Tariff Sheet Changes**, Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 196, Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program.

Recommendation (Approval)

The Division of Public Utilities ("Division") recommends the Public Service Commission ("Commission") approve Rocky Mountain Power's ("RMP") proposed revisions to Schedule No. 196.2, Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program, effective November 1, 2020. The Division recommends the Commission direct RMP to continue reporting its variable Program costs in the Annual STEP Status Report and Annual Utah Solar Incentive Program ("USIP") Report.

Issue

On September 16, 2020, RMP filed with the Commission its proposed revisions to Electric Service Schedule No. 196, Sustainable Transportation and Energy Plan ("STEP") Cost Adjustment Pilot Program. RMP requests an effective date of November 1, 2020. On September 16, 2020, the Commission issued an action request to the Division requesting it investigate

RMP's filing and make recommendations. The Commission asked the Division to report back by October 1, 2020. On September 17, 2020, the Commission issued its Notice of Filing and Comment Period allowing any interested party to submit comments on or before October 5, 2020 and reply comments on or before October 13, 2020. This memorandum represents the Division's response to the Commission's request.

Background

On August 3, 2007, the Commission issued its Order in Docket No. 07-035-T14 approving Electric Schedule No. 107, Solar Incentive Program ("Program"). At the end of the five-year Pilot Program, the Commission approved an extension and expansion of the Pilot Program in Docket No. 11-035-104, which extended the Solar Incentive Program ("Program") through 2017 and provided approximately \$50 million in rebate incentives.¹ Electric Service Schedule No. 195 collected revenues from all rate payers to cover the Program obligations.

During March of 2016, the Legislature enacted, and the Governor signed into law, the Sustainable Transportation and Energy Plan Act (STEP). The STEP Act discontinued the Solar Incentive Program as of December 31, 2016 pursuant to Utah Code Annotated § 54-7-12.8(4) and authorized RMP to collect estimated unrecovered costs for the remaining Program obligations through the STEP Cost Adjustment Pilot Program STEP Surcharge.

On September 12, 2016, RMP filed its application to implement various programs authorized by the STEP Act in Docket No. 16-035-36. The Commission approved Phase One on December 29, 2016,² including changes to tariff schedules 107 and 195. The Commission allowed Schedule 107 to remain in place until the end of the pilot program in June of 2023 (five years after completion of the last installations). RMP did not accept any new applications after December 31, 2016 and any installations subject to incentives expired as of June 30, 2018. The Commission approved the removal of the Solar Incentive Surcharge portion of Schedule 195 and included it

¹ See <https://psc.utah.gov/2016/06/21/docket-no-11-035-104/>.

² See <https://pscdocs.utah.gov/electric/16docs/1603536/2909941603536porao12-29-2016.pdf>.

in Schedule No. 196. The Schedule 196 surcharge includes revenues to support the STEP Program including the incentive payment expense of the Program.

On March 8, 2019, RMP filed an application (“Phase Five”) in Docket No. 16-035-36 requesting that the STEP funds, previously allocated for the remaining Program obligations, be diverted to another STEP project, which was approved by the Commission on June 28, 2019.³

In Docket No. 19-035-T12, RMP believed that it could estimate the remaining Program obligations at a high degree of certainty. Many of the projects applied for by the end of December 2016 had expired, leaving a surplus of Schedule 195 Program funds and the use of anticipated STEP funds collected under Schedule 196 unneeded. RMP estimated the surplus from funds collected under Schedule 195 to be approximately \$3,060,020.⁴ The Commission approved RMP’s proposed revisions to Schedule 196 in Docket No. 19-035-T12⁵ to refund the surplus to customers over a twelve-month period beginning November 1, 2019.

Discussion

RMP explains in its current filing that the estimated balance at the end of the Program is now \$605,175, up slightly from last year’s estimate of \$546,723. The Division concludes this difference is attributable to incentive payout true-ups and the annual recalculation of the carrying charge from 4.37 percent to 3.88 percent.⁶ RMP estimates to refund an additional \$829,631 over the remainder of the twelve-month refund period including any lags. The Division notes that RMP’s revised post-refund rates compared to Schedule No. 196.2 pre-refund rates are reasonable.

In review of RMP’s advice letter for this matter, the Division reviewed Utah Administrative Code Rule 746- 405-2(D)(3)(g), which requires a statement that the tariff sheets proposed do not

³ See <https://pscdocs.utah.gov/electric/16docs/1603536/3089131603536rao6-28-2019.pdf>.

⁴ RMP Application, Docket No. 19-035-T12, July 23, 2019, pg. 5, Section 10.

⁵ See Commission Order, August 20, 2019. <https://pscdocs.utah.gov/electric/19docs/19035T12/30972919035T12o8-20-2019.pdf>.

⁶ RMP Electric Service Schedule No. 300, 9R.4, effective April 1, 2020. https://www.rockymountainpower.net/content/dam/pcorp/documents/en/rockymountainpower/rates-regulation/utah/rates/300_Regulation_Charges.pdf.

constitute a violation of state law or Commission rule. However, the rule also states that the filing of proposed tariff sheets shall of itself constitute the representation of the filing utility that it, in good faith, believes the proposed sheets or revised sheets to be consistent with applicable statutes, rules and orders. The filing does not appear to violate statute or rule.

Conclusion

The Division concludes that RMP's proposed rates are just and reasonable and in the public interest. The Division has reviewed RMP's filing and recommends the Commission approve RMP's proposed revisions to Schedule No. 196.2, Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program, effective November 1, 2020. The Division recommends the Commission direct RMP to continue the reporting of the variable Program costs in its Annual STEP Status Report and Annual USIP Report.

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