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DEPARTMENT OF COMMERCE  
Office of Consumer Services

MICHELE BECK  
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director  
Alex Ware, Utility Analyst  
Bela Vastag, Utility Analyst

Date: May 31, 2022

Subject: Docket 22-035-13

**IN THE MATTER OF:** Rocky Mountain Power's Fifth Annual Sustainable Transportation and Energy Plan Act (STEP) Program Status Report

## INTRODUCTION

On April 29, 2022, Rocky Mountain Power (RMP) filed its fifth Sustainable Transportation and Energy Plan Act (STEP) annual program status report with the Public Service Commission (PSC). On May 2, 2022, the PSC issued a Notice of Filing and Comment Period establishing that interested parties may submit comments about the report on or before May 31, 2022 and reply comments on or before June 15, 2022. The Office of Consumer Services (OCS) provides the following comments pursuant to that schedule.

## BACKGROUND

In accordance with a reporting template for the STEP program approved by the PSC in an October 12, 2017 letter in Docket No. 16-035-36, RMP has filed its fifth and final annual program status report. Per state statute<sup>1</sup>, calendar year 2021 was the final year of the five-year pilot program period. In this final STEP report, RMP states that "all STEP projects have been completed, pending a few final program activities such as final invoice payment and other close out activities." RMP states it also intends to hold at least one more stakeholder input meeting to discuss final closeout of the STEP program. Topics to discuss at such a meeting include:

- Closeout activities that extend into 2022,

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<sup>1</sup> Utah Code 54-20-102(2)

- Appropriate use of surplus STEP and Utah Solar Incentive Program (USIP) funds,
- How to handle ongoing STEP project costs,
- Tariff updates needed at the conclusion of the STEP program, and
- Identification of any remaining regulatory filings needed to close out the STEP program.

## **OCS COMMENTS**

The OCS reviewed RMP's fifth and final STEP annual report with a focus on identifying reported project outcomes and lessons learned. We appreciate that RMP included these elements in each program's final report.

### Remaining Unspent STEP Funds and Ongoing Costs

The OCS agrees with RMP's assessment that there are certain items stakeholders need to discuss and consider at the end of the pilot program, such as how to pay for any ongoing costs that have resulted from a STEP project. We were unable to find ongoing costs itemized in the annual report to review at this time. Therefore, we request that RMP provide this information to stakeholders well in advance of a meeting to discuss the end of the STEP program so it may be reviewed beforehand. Also, in response to DPU data request 1.6, RMP confirms there is a remaining balance of STEP funds but states it does not yet have a final estimate to discuss with stakeholders. Having a final estimate of the balance to review before a stakeholder meeting would also be helpful.

### Panguitch Solar + Storage Project and the Investment Tax Credit (ITC)

On page 8 of the STEP Panguitch project report, RMP states it claimed a \$2.2 million ITC benefit for the Panguitch project on its 2020 federal income tax return. This \$2.2 million benefit cannot be fully passed on to ratepayers without violating Internal Revenue Service (IRS) normalization rules;<sup>2</sup> and therefore, it appears that the benefit flows primarily to PacifiCorp's shareholders. Furthermore, in order to qualify the battery system for the full amount of the ITC, the IRS requires it only be charged by the Panguitch solar farm and not from the grid. RMP does not explain how this ITC-imposed battery charging restriction affects the functionality of the battery system and whether ratepayers still receive the full benefits on the 69 kV transmission line as promised by RMP in its original proposal for this almost \$9 million project. As RMP states on page 7 of the Panguitch report, harvesting the ITC (primarily for RMP's benefit) was not part of the original project proposal.

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<sup>2</sup> See IRS Revenue Procedure 2017-47. The ITC for the Panguitch project would have been 30% in 2019 when the project was constructed.

## **RECOMMENDATIONS**

The OCS recommends that the PSC acknowledge RMP's fifth STEP annual report. We also recommend that the PSC require RMP to provide updated STEP accounting data, including ongoing costs, before the next STEP meeting with stakeholders and require RMP to explain how the ITC-imposed charging restriction affects the level of benefits provided by the Panguitch Solar + Storage Project.

cc:

Jana Saba, Rocky Mountain Power  
Emily Wegener, Rocky Mountain Power  
Chris Parker, Division of Public Utilities  
Service List