State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

PHILIP J. POWLICK
Director, Division of Public Utilities

GARY HERBERT.
Governor

GREGORY S. BELL
Lieutenant Governor

MEMORANDUM

To: Utah Public Service Commission

From: Division of Public Utilities

Philip J. Powlick, Director
Artie Powell, Manager, Energy Section
Charles Peterson, Technical Consultant
Doug Wheelwright, Utility Analyst

Subject: In the Matter of Rocky Mountain Power for Approval of Partial Requirement Master Electric Service Agreement between Rocky Mountain Power and Tesoro Refining and Marketing Company
Docket No. 09-035-104

Date: December 1, 2009

RECOMMENDATION: Approval

The Division recommends that the Commission approve the Partial Requirement Master Electric Service Agreement between Rocky Mountain Power and Tesoro Refining and Marketing Company.

BACKGROUND

On November 24, 2009, Rocky Mountain Power (RMP, or Company), a division of PacifiCorp, filed an application for approval of a Partial Requirement Master Electric Service Agreement (ESA) with Tesoro Refining and Marketing Company (Tesoro). The effective date of this agreement is January 1, 2010. This agreement is submitted in connection with the Purchase Power Agreement (PPA) that was presented to the Commission on November 18, 2009 under Docket 09-035-102.

ANALYSIS

Tesoro owns, operates, and maintains a natural gas-fired cogeneration facility for the generation of electric power in Salt Lake City, Utah. This facility has a Nameplate Capacity Rating of 25.0 megawatts (MW) and is operated as a qualified facility (QF) as defined by 18 C.F.R. Part 292. A PPA has been submitted to the Commission for approval.

Tesoro will use the output of the QF generation to first satisfy their retail load and all generation in excess of their needs will be sold to the Company. During periods when Tesoro will not be generating or when the internal generation will be less than the total amount required, Tesoro will need to purchase electricity from Rocky Mountain Power. The proposed ESA is a contract to provide back-up, maintenance and supplementary power at the Tesoro facility. The total contract demand under this agreement is 18,250 kW under Schedule 31 Electric Service Schedule. The agreement was signed by both parties November 23, 2009 and is for a 12 month period beginning January 1, 2010 and ending December 31, 2010.

Schedule 31 is available for customers who obtain any part of their usual or regular electric requirements from any source other than the Company and require additional supplementary and back-up or maintenance power. The Tariff is designed so that Schedule 9 customers with the average load shape of the class would incur the same cost under Schedule 31 as they would under Schedule 9. The primary difference is Schedule 9 demand is calculated on a monthly basis and Schedule 31 is calculated on a daily basis. Power measurements are calculated based on the average usage over consecutive fifteen minute periods of time. Customers with contract demands in excess of 1,000 kW are required to submit a proposed maintenance schedule to the Company 12 months in advance and the schedule must be acknowledged by the Company. Scheduled outages can be included in the Company's resource planning.

This agreement is coming before the Commission due to the 10,000 kW back-up power cap that is written into the Schedule 31 tariff. This special contract will use the pricing in Schedule 31 but will allow up to 18,250 kW of back-up power at the Tesoro facility. According to the testimony of Paul Clements, the 10,000 kW cap was established as a limit to what the Company can typically serve with existing resources and would not require a separate capacity analysis. The Company feels that they have sufficient resources to meet the needs of this facility and other customers in 2010 and that at separate capacity analysis is not required.

The PacifiCorp 2008 Integrated Resource Plan (IRP) indicates that the Company has enough existing resources for 2010 to cover its prospective needs. However, unless additional resources are acquired, the Company will become resource short in 2011, and in 2012 it will become short on an energy basis. For this proposed contract, it appears that PacifiCorp/Rocky Mountain Power should have sufficient backup power. However, should the Company fail to acquire additional resources, there could come a time in the next two or three years when backup power for Tesoro and other special contracts would only be available through expensive spot market purchases, for which Schedule 31 rates would provide inadequate compensation.

Tesoro and Rocky Mountain Power entered into a similar contract for the calendar year 2007 (see Docket 07-035-06). In that year the ESA and the QF were put together into one agreement, whereas this year, they have been filed as separate agreements. The main difference between the 2007 contact and the proposed one is that in 2007 Tesoro reserved 15,000 kW for backup power and this year it is designating 18,250 kW for backup power.

Like the 2007 contract, this is a one year agreement. It is anticipated that the generation from the Tesoro facility in 2010 will be similar to production levels in previous years and will not impose additional generation requirements on the Company. Rates in this Agreement will change at the same time and with the same magnitude as changes to Schedule 31 pricing.

CONCLUSIONS AND RECOMMENDATIONS

Based upon its analysis, the Division recommends Commission approval of the proposed Partial Requirement Electric Service Agreement between Tesoro and Rocky Mountain Power.

CC: Paul Clements, PacifiCorp
David Taylor, PacifiCorp
Robert Reeder, Parsons, Behle, Latimer
Michele Beck, Office of Consumer Services
Cheryl Murray, Office of Consumer Services