

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Rocky Mountain Power for Approval of a Power Purchase Agreement between PacifiCorp and Tesoro Refining and Marketing Company)
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DOCKET NO. 10-035-111

ORDER APPROVING POWER PURCHASE AGREEMENT

ISSUED: December 22, 2010

By The Commission:

This matter is before the Commission on the application of PacifiCorp (“Application”), doing business in Utah as Rocky Mountain Power (“Company”), for approval of a power purchase agreement (“Agreement”) between the Company and Tesoro Refining and Marketing Company (“Tesoro”). The Company submitted its Application together with a copy of the underlying Agreement on October 4, 2010.

The Division of Public Utilities (“Division”) filed a memorandum recommending approval of the Application on November 15, 2010. The Administrative Law Judge of the Commission held a duly-noticed hearing on November 18, 2010. The parties represented included the Company, Tesoro, the Division, and the Office of Consumer Services (“OCS”).

Tesoro owns, operates, and maintains in Salt Lake City, Utah, a natural-gas-fired cogeneration facility. The facility is operated as a qualifying facility (“QF”), as defined in 18 C.F.R Part 292, with a nameplate capacity rating of 25.0 megawatts (“MW”). All interconnection requirements have been met, and the Tesoro facility is fully integrated with the Company’s system.

The Agreement will run for 12 months—from January 1, 2011 through December 31, 2011. Under the Agreement, the Company will pay Tesoro based on the pricing

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methodology approved by the Commission in Docket No. 03-035-14. The pricing calculation identified in the Agreement includes rates for both on- and off-peak periods. The rates also vary by month. On-peak pricing ranges from \$30.87 per megawatt-hour (MWh) to \$54.30. For off-peak hours the pricing ranges from \$16.64 to \$30.63 per MWh. The average price will approximate \$37.00 per MWh, which is two dollars less than the \$39.00 per MWh for 2010. Included in the monthly rate calculation is a line loss factor of 1.0366.

Under the Agreement, Tesoro will use the output of its cogeneration facility first to satisfy its own retail load. All generation in excess of its needs will be sold to the Company. This arrangement is identical to the current contract and similar to the contract in place in 2007. The 2006, 2008 and 2009 contracts called for Tesoro to sell all of its generation to the Company and then purchase from the Company its energy requirements at the approved tariff rate.

The primary driver determining whether Tesoro sells all of its generation and buys at tariff rates or sells on a net basis is the QF price in relation to the Schedule 9 price. According to the Division's analysis, during the years when Tesoro's contracts measured total output of Tesoro's plant, (i.e. 2006, 2008, and 2009), the output was fairly steady at about 23,000 kW, with a secondary level at about 15,000 kW. For the years when the measured power is net output as it will be in 2011 (i.e. 2007 and 2010), the Division also noted two output bands. The higher was about 8,000 kW and the lower was close to zero.

Tesoro has the option, but not the obligation, to provide and deliver all or a portion of its net output to the Company at the point of delivery. There is no minimum delivery obligation; however, Tesoro cannot sell net output to any entity other than the Company prior to

the termination of this Agreement. The net output is defined as all energy produced by the facility less station use and less transformation and transmission losses and other adjustments, if any. Tesoro estimates that the average annual delivered energy from the facility to the Company will be approximately 49,000 MWh, subject to any limitations created pursuant to maintenance schedules. The Division has evaluated historical generation output data showing the Tesoro facility has operated in a similar fashion to a “firm” resource.

The Agreement constitutes a “New QF Contract” under the PacifiCorp Inter-Jurisdictional Cost Allocation Protocol and, as such, Agreement costs are allocated as a system resource, unless any portion of those costs exceeds the costs the PacifiCorp would have otherwise incurred acquiring comparable resources. In that event, the Revised Protocol assigns those excess costs on a situs basis to the State of Utah. The Company represents that its costs under the Agreement do not exceed the costs it would have incurred acquiring other market resources. The Division accepts this representation based upon its prior analysis of the Company’s avoided cost reports.

The Division has reviewed the Application and Agreement and recommends their approval. The specifics of the Agreement are detailed in the Application, which includes the Agreement, and are summarized in the Division’s November 15, 2010, memorandum. The Division concludes the terms of the Agreement comply with the Commission’s guidelines and orders in Docket No. 03-035-14, pertaining to QF pricing methodology. The OCS does not oppose approval.

ORDER

Based on the unopposed Application submitted by the Company, and the recommendation of the Division, the Commission finds the terms and conditions of the Agreement to be just and reasonable, and in the public interest. Accordingly, the Application and the Agreement are hereby approved. As recommended by the Division, the Company shall provide to the Division, at least quarterly, data reflecting the hourly power purchased under the Agreement so that the Division may monitor contract performance.

Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of Sections 63G-4-401 and 63G-4-403 of the Utah Code and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah this 22nd day of December, 2010.

/s/ Ruben H. Arredondo
Administrative Law Judge

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Approved and confirmed this 22nd day of December, 2010 as the Order
Approving Power Purchase Agreement of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

G#70231