

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Advice Filing No. 11-06, Annual Update for Schedule 37 Avoided Cost Purchases From Qualifying Facilities (QF)	DOCKET NO. 11-035-T06
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**ROCKY MOUNTAIN POWER
RESPONSE TO COMMENTS OF UTAH CLEAN ENERGY AND
WESTERN RESOURCE ADVOCATES
September 20, 2011**

Introduction

On June 28, 2011, Rocky Mountain Power (RMP) filed Advice Filing 11-06 Schedule No. 37 Avoided Cost Purchases from Qualifying Facilities (QF). On July 28, 2011, Utah Clean Energy and Western Resource Advocates (UCE/WRA) submitted comments.

Advice Filing 11-06 was made in compliance with the Commission's February 12, 2009, Order in Docket 08-035-78 on Net Metering Service. The order required the Company to calculate and file Schedule 37 avoided costs annually in order to establish the value or credit for net excess generation of large commercial customers under the Schedule 135 Net Metering Service.¹ This filing requirement was not established to create a venue to annually review the Commission ordered methodology used to calculate Schedule No. 37 avoided costs.

Changes to avoided cost methodologies are known to be highly contested issues, and, under Commission rule R746-110, such issues cannot be addressed in an informally adjudicated proceeding, such as this one.² Therefore, absent a formal procedure, the scope of the current discussion must be limited to the decision of whether the Company's current Schedule 37 filing does in fact comply with the current Commission ordered methodology prescribed in Docket 94-2035-03, as modified by Docket 03-035-T10.

The last occasion that the Commission modified the methodology to calculate avoided cost prices was in Docket 03-035-14.³ That Docket opened in May 2003 and was litigated for over

¹ February 12, 2009 Order in Docket 08-035-78 at Page24.

² See Utah Administrative Code R746-110.

³ While Docket 03-035-14 related primarily to the methodology used to calculate avoided costs for large qualified facilities under Schedule 38, the Commission in its Order dated June 1, 2004 in Docket 03-035-T10 incorporated many of the results of Docket 03-035-14 into its decision.

three years by dozens of parties, including UCE/WRA. The Docket, which eventually resulted in a stipulation covering Schedule No. 37 and Schedule No. 38 avoided cost methodologies, involved hundreds of pleadings and even received comments from leadership in the Utah Senate and Utah House of Representative. Given the history of Docket 03-035-14, it should be expected that any changes to the established avoided cost methodology will be equally as contentious.

Despite being involved in its design, UCE/WRA in their July 28, 2011, submission proposed to make several piecemeal changes to Commission ordered Schedule No. 37 avoided cost methodology. First, UCE/WRA requested the Commission to modify its established avoided costs methodology by adding a planning reserve margin similar to that used in the 2011 Integrated Resource Plan (IRP) capacity models. Second, UCE/WRA requested that the Commission reconsider the established methodology used to determine the capacity component of short-run avoided costs. Third, UCE/WRA raises several questions regarding the equity of the established avoided cost methodology under the caption “In addition to the issues raised above we have the following additional questions.” The Company responds to each of these comments below.

Planning Reserve Margin

UCE/WRA maintains that the Commission ordered methodology requires the Company to include a planning reserve margin in its Schedule No. 37 avoided cost calculation, similar to that used by IRP models. UCE/WRA’s basis for this claim is a quotation from Commission Order dated December 14, 2009, in Docket 09-035-T14, where the Commission stated:

“And finally, contrary to both the Company and Division’s assertions, nowhere in the revised filing does the Company annotate the load and resource balance with the planning reserve margin assumption. *We direct the Company label Table 1 with the applicable planning reserve margin assumption (e.g. 12 or 15 percent) in all subsequent filings of Schedule 37 rates.*”(emphasis added)

By relying only on the emphasized portion of the above quotation, UCE/WRA suggests that the Commission ordered the Company to include the IRP’s planning reserve margin assumption in its load and resource balance; however UCE/WRA took the emphasized quotation out of context.

The actual intent of the above statement was to require the Company to *annotate* or *label* its reserve margin assumptions in Table 1 so that the Commission could have a better understanding of how the Schedule No. 37 load and resource balances related to the IRP. The Commission Order dated September 31, 2009, in the same Docket 09-035-T14 reveals the actual intention of the above statement:

“While the Division concludes the [load and resource balance] assumptions are reasonable, we note the Company does not provide information in its filing in Table 1 regarding the deficit or surplus of winter peak conditions as it has in its previous two Schedule No. 37 avoided cost filings. *In addition, the Company does not indicate what planning margin the load and resource balance represents so it is difficult to compare Table 1 with information contained in the IRP.* Based upon the representations of the Company and the Division that the changes to the load and resource balance in Table 1 are appropriate, and finding no objection, we accept the Load and Resource Balance.”(emphasis added)

UCA/WRA provides no evidence that the load and resource balances included in the current filing are inconsistent with the methodology adopted by the Commission in Docket 94-2035-03 as modified by Docket 03-035-T10. UCA/WRA further concedes that the load and resource balance in this Schedule No. 37 employed the same methodology that was reviewed and approved by the Commission in 10-035-T07,⁴ which is the same methodology that the Company has used in Schedule No. 37 filings since Docket 03-035-T10. For these reasons, UCA/WRA’s recommendation to change the reserve margin calculation for Schedule No. 37 constitutes a change to the avoided cost methodology and is therefore inappropriate to incorporate in this Advice Filing.

Short Run Avoided Capacity Costs

UCE/WRA further recommends that Schedule No. 37 short run avoided costs be based upon the full cost of a simple cycle combustion turbine (SCCT) rather than by the number of capacity deficit months. The short run capacity payment was argued at great length and was the result of a settlement between parties in Docket 03-035-14. The settlement methodology was then adopted in Docket 03-035-T10. The arguments put forth by UCE/WRA were considered in Docket 03-035-14, and absent any additional relevant information demonstrating that the prior settlement is no longer valid; the Company recommends that the Commission not implement UCA/WRA’s requested change to the avoided cost methodology in this Advice Filing.

UCE/WRA miscellaneous comments under caption: In addition to the issues raised above we have the following additional questions.

Finally, UCE/WRA briefly makes a number of additional comments regarding the appropriateness of the established avoided cost methodology. The first paragraph has to do with how the short-run capacity payment in the first year is calculated. UCE/WRA requests that the

⁴ See Docket 10-035-T07, Tariff Approval Letter Dated July 7, 2010.

Commission direct the Company to provide monthly information regarding capacity deficit for all years. The Company views this as a reasonable request and will provide the requested data provided that confidential information is subject to protective order.

The final two paragraphs in UCE/WRA's comments do not provide sufficient explanation to determine their purpose. If these comments are requesting modification of the established Schedule No. 37 avoided cost methodology, then for reasons stated above, they should not be the subject of this proceeding. While the Company is open to discussing such matter, additional detail would be required to provide a full response.

Summary

Methodological issues related to Schedule No. 37 avoided cost calculations were established by the Commission in Docket 94-2035-03 and Docket 03-035-T10. It should be clear that this docket is not the appropriate place for these established methodological issues to be modified. These issues have already been litigated before the Commission, settled between intervening parties and authorized by the Commission. UCE/WRA provided no evidence or analysis suggesting that the Company has deviated from the established methodology in the current filing, and their recommended changes to the methodology should be rejected.