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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts	DOCKET NO. 12-035-100 **DIVISION OF PUBLIC UTILITIES' RESPONSE AND ANSWER TO ROCKY MOUNTAIN POWER'S REQUEST FOR APPROVAL OF CHANGES TO RENEWABLE AVOIDED COST METHODOLOGY AND MOTION TO STAY AGENCY ACTION**

Pursuant to Utah Code Ann. § 63G-4-204 and Utah Admin. Code R746-100-4, the Division of Public Utilities ("Division") responds to Rocky Mountain Power's ("Company") October 9, 2012 Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action ("Request and Motion"). The Division supports reevaluation of issues involving the avoided cost methodology and believes that the requested stay may be appropriate in certain circumstances.

BACKGROUND

The Commission has previously addressed the appropriate method for calculating the applicable pricing methodology for qualified facilities ("QF"). In 2003, in a docket addressing its Integrated Resource Plan, the Company sought approval of an avoided cost pricing methodology for qualifying facilities larger than one megawatt. Out of that docket, the 2005 Order was issued addressing avoided cost methodology for large QF wind resources. The 2005 Order established the Market Proxy Method ("Market Proxy") for wind QF resources up to an "IRP target" level and the Proxy/Partial Displacement Differential Revenue Requirement Method ("PDDRR") for wind resources exceeding the IRP target level.[1]

More recently, in September 2012, the Commission issued an order in Docket No. 12-2557-01 addressing the appropriate avoided cost pricing for the Blue Mountain wind project ("2012 Order"). There, the Commission ordered that "RMP shall provide Blue Mountain indicative avoided cost pricing for the Project based on the market price proxy method for wind resources up to the IRP target level using the Dunlap I contract."[2] In the 2012 Order the Commission also specifically "invite[d] any party believing a re-examination of the 2005 Order (as re-affirmed herein) is warranted, to pursue the changes it desires through a request for agency action."[3]

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[1] See In the Matter of the Application of PacifiCorp for Approval of an IRP-Based Avoided Cost Methodology for QF Projects Larger than One Megawatt, Docket No. 03-035-14.

[2] See In the Matter of Blue Mountain Power Partners, LLC's Request that the Public Service Commission of Utah Require PacifiCorp to Provide the Approved Price for Wind Power for the Blue Mountain Project, Docket No. 12-2557-01 (September 20, 2012), at p. 11.

[3] Id. at pp. 10-11.

RESPONSE TO REQUEST FOR CHANGES TO AVOIDED COST METHODOLOGIES

Stating "many changes have occurred since the Commission issued its 2005 Order,"[4] on October 9, 2012, the Company filed its Request and Motion seeking reexamination of avoided cost pricing methodologies for "renewable QFs exceeding the three (3) megawatt eligibility cap."[5] The Company does not request reevaluation of all aspects of the 2005 Order, but seeks evaluation of three specific issues:

> a. whether the Market Proxy method continues to produce avoided costs that are in the public interest, including (i) the definition the IRP target; (ii) the timing of the need for renewable resources; and (iii) the treatment of resources acquired for RPS compliance;
>
> b. what the proper implementation of PDDRR for renewable QF resources is, including (i) the capacity contribution of intermittent resources; (ii) the type of resource deferred (thermal or renewable); and (iii) integration costs; and
>
> c. what the ownership of renewable energy attributes ("RECs") from renewable QF resources is, including (i) the ownership of RECs under the Proxy/PDDRR method; and (ii) the right of a QF to buy-back RECs and the associated price.[6]

The Company claims that the "Market Pricing method is no longer appropriate"[7] and seeks "a reevaluation of how integration costs are included in the avoided cost for renewable resources"[8] when using the PDDRR Method. In addition, the Company seeks to have the ownership of Renewable Energy Credits ("RECs") addressed under the PDDRR Method.[9]

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[4] Request and Motion at p. 5.
[5] Id.
[6] Id.
[7] Id. at p. 6.
[8] Id. at p. 8.
[9] Id.

The Division supports the Company's request for reevaluation of avoided cost methodologies for large QF facilities. The Division's support for reevaluation is consistent with its Recommendation in the Blue Mountain Docket where the Division stated:

> The Division has reviewed Blue Mountain's Request and has had informal discussions with PacifiCorp. The Division believes that the issues raised by Blue Mountain may have precedence in future wind QF matters. Furthermore, it can be questioned whether the current procedure for determining wind QF energy pricing continues to be in the public interest. Consequently the Division believes that these issues deserve a formal process for determination by the Commission.[10]

<u>RESPONSE TO MOTION TO STAY</u>

The Company requested a stay of the Commission's 2005 Order on and after the filing date of its Request and Motion.[11] The Company cited issues with the existing methods and argued that "the currently effective avoided cost pricing methodology is outdated and may cause the Company's customers to incur costs that exceed avoided costs."[12]

The Division believes that a stay may be appropriate in some instances, and urges the Commission to consider and determine under what circumstances a stay would be ordered. The Division has been told that in addition to Blue Mountain, there may be as many as three other wind QFs in various stages of planning and development.

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[10] Division's Recommendation filed August 17, 2012 in Docket No. 12-2557-01, p. 2.
[11] Blue Mountain would not be affected by the stay and would receive the price established by the 2012 Order. Request and Motion at p. 9.
[12] Id.

The Division recommends that the Commission examine each project in the queue at this time, and determine at what project stage a stay would be appropriate. For example, Long Ridge Wind LLP asserts that on April 20, 2012, it "submitted all Wind QF requested documentation and submitted hard copy to the Company."[13] It seems that when a project such as Long Ridge Wind has allegedly complied with the requirements of Schedule 38, upon verification of such compliance, a stay should not be granted. Ordering a stay, which would in effect put on hold a project that has completed the requirements for Schedule 38 pricing, could adversely impact the project's lender and investor financing and could jeopardize the project because of the delay inherent in the administrative process of determining the appropriate avoided cost methodology. The Division notes, however, that compliance with Schedule 38 may not be the sole appropriate criteria pertaining to a stay and that other criteria might also provide an appropriate basis for distinguishing between currently known projects when determining whether a request for stay should be granted. The Division supports a stay for all projects not already known.

RELIEF REQUESTED

For the reasons stated above, the Division supports the Company's request to reexamine issues pertaining to avoided cost methodologies.

While the Division believes that a stay may be appropriate in some circumstances, the Division requests that the Commission examine the status of affected projects and determine at what stage of development a stay is appropriate. In the absence of other appropriate criteria, the Division suggests that compliance with the

[13] Long Ridge Wind LLP's Objection to Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action at p. 2.

requirements of Schedule 38 warrant exception from a stay. The Division supports a stay for projects not already known.

Dated this _______ day of October 2012.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of October, 2012, a true copy of the foregoing document was sent via email to the following:

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