

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Rocky Mountain Power's)
2014 Avoided Cost Input Changes Quarterly) DOCKET NO. 14-035-40
Compliance Filing) ORDER
)

ISSUED: June 5, 2014

In its October 31, 2005, and February 2, 2006 Orders in Docket 03-035-14,¹ the Utah Public Service Commission (“Commission”) directed PacifiCorp dba Rocky Mountain Power (“PacifiCorp”), to record and file changes made to the Proxy and GRID models used in calculating avoided costs. In compliance with these orders, on April 8, 2014, PacifiCorp filed avoided cost input changes for the first quarter of 2014 (“2014.Q1 Compliance Filing”).

On April 8, 2014, the Commission issued an action request to the Division of Public Utilities (“Division”) to review the 2014.Q1 Compliance Filing and to submit comments and recommendations by May 8, 2014. On April 21, 2014, Mr. Robert Millsap, representing Renewable Energy Advisors (“REA”) submitted email comments. On May 8, 2014, the Division filed comments. No other party filed comments or reply comments.

COMMENTS

REA asserts the 2014.Q1 Compliance Filing’s Exhibit B, Table 1, Updated Avoided Cost Study, is erroneous. REA contends the exhibit’s formula for the levelized avoided cost calculation, based on annual data, is only correct at a single capacity factor (85 percent) of the illustrative qualifying facility. REA requests the Commission direct PacifiCorp to correct this error.

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

The Division reviewed the 2014.Q1 Compliance Filing and believes the updates identified are generally reasonable and the avoided cost prices are calculated according to the Commission-approved method. However, the Division found errors in the capacity factors and start dates of several potential qualifying facilities on page 4 of Appendix A. The Division represents PacifiCorp provided the Division with corrections to Appendix A. The Division states these corrections have no impact on the avoided cost calculations presented in the 2014.Q1 Compliance Filing.

The Division claims the apparent error identified by REA stems from PacifiCorp's use of monthly avoided cost data to calculate the levelized avoided cost price rather than the annual data shown in the exhibit. In its investigation, the Division states the 2014.Q1 Compliance Filing did not include the spreadsheet containing the monthly values used to calculate the \$44.53/MWh 20-year levelized avoided cost price shown in Exhibit B, Table 1.

Upon request, PacifiCorp provided the monthly data to the Division. According to the Division, PacifiCorp adjusted the 20-year levelized cost calculation based on annual avoided costs to reflect the monthly calculation of avoided costs because it believes the monthly calculation is the correct method. The adjustment is constructed so that no matter what capacity factor one inputs on Table 1, the adjustment exactly offsets the change so that the 20-year levelized cost is always \$44.53 and this is consistent with GRID model assumptions. The Division accepts \$44.53 is the correct 20-year levelized cost based upon an 85 percent capacity factor qualifying facility.

According to the Division, the 20-year levelized avoided cost calculation could be modified to reflect annual avoided cost inputs by removing the formula's monthly avoided cost

adjustment value. With this modification, the Division states one could make calculations for different capacity factors, but only capacity factors close to 85 percent would yield results to approximate the \$44.53 per megawatt hour levelized avoided cost. The Division claims this is because the underlying GRID model results are based upon the assumed illustrative qualifying facility plant size of 100 megawatts with an 85 percent capacity factor and any significant change in capacity factor would require a new GRID run to determine the underlying avoided costs.

The Division therefore disagrees with REA's characterization that the 2014.Q1 Compliance Filing's Exhibit B is erroneous and argues the calculations are consistent with the underlying assumptions in GRID. While the Division does not understand why the Company elected to make these calculations in what it terms to be a convoluted manner, it accepts the \$44.53 per megawatt hour levelized avoided cost price as the correct value. The Division concludes the avoided cost calculations are correct and claims PacifiCorp's input changes and updates included in the 2014.Q1 Compliance Filing appear reasonable.

DISCUSSION, FINDINGS, AND CONCLUSIONS

The calculation of the 2014.Q1 Compliance Filing's levelized avoided cost on the basis of monthly avoided cost data appears to be a relatively recent departure from prior practice in quarterly update compliance filings. We observe use of monthly rather than annual values for calculating the 20-year levelized cost began in the second quarter of 2013 without explanation. While we underscore the fact that the quarterly compliance filings are not posted prices, and therefore should not be used by potential qualifying facilities as indicative prices, we agree with

Mr. Millsap that, for transparency, the compliance filing should contain functioning formulas and adequate underlying data to understand the calculation.

To improve transparency going forward, we direct PacifiCorp to provide one of two remedies in its future quarterly update compliance filings. If PacifiCorp believes the calculation of levelized cost based on monthly data is necessary, it should provide the monthly spreadsheets for calculating the corresponding levelized value in addition to calculating the levelized value based on annual data, and provide notation regarding the meaning of the two values. Alternatively, PacifiCorp may provide only the 20-year levelized cost based on the annual values shown.

ORDER

If PacifiCorp provides 20-year levelized prices in future quarterly avoided cost compliance updates based on monthly rather than annual data, it shall also provide the underlying worksheet, including formulas, showing the development of this 20-year levelized avoided cost, and provide notation to describe the meaning and difference of the levelized cost using annual and monthly values.

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DATED at Salt Lake City, Utah, this 5th day of June, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#255844

CERTIFICATE OF SERVICE

I CERTIFY that on the 5th day of June, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

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