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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF ROCKY MOUNTAIN POWER'S PROPOSED REVISIONS TO ELECTRIC SERVICE SCHEDULE NO. 37, AVOIDED COST PURCHASES FROM QUALIFYING FACILITIES

Docket No. 14-035-T04
Docket No. 14-035-55

ROCKY MOUNTAIN POWER'S RESPONSE TO UTAH CLEAN ENERGY, SUNEDISON LLC, AND SUSTAINABLE POWER GROUP, LLC'S REQUEST FOR AGENCY REVIEW, RECONSIDERATION OR REHEARING

Comes now, Rocky Mountain Power (the "Company") with its Response to Utah Clean Energy, SunEdison LLC, and Sustainable Power Group, LLC's Request for Agency Review, Reconsideration, or Rehearing (the "Request"). In support of its Response, Rocky Mountain Power states as follows:

INTRODUCTION

On November 20, 2014, SunEdison, LLC, Sustainable Power Group, LLC,¹ and Utah Clean Energy ("Petitioners") filed their Request with the Public Service Commission of Utah (the "Commission"), requesting that the Commission reconsider its October 21, 2014, Report and Order in Docket Nos. 14-035-55 and 14-035-T04 (the "Final Order") and find that: (1) wind and solar integration costs should not be included in Schedule 37 avoided cost pricing; (2) the capacity

¹ Sustainable Power Group, LLC did not petition to intervene in this proceeding and is not a party.

and energy payment option for Schedule 37 qualifying facilities (“QFs”) should not have been eliminated; (3) the simple cycle combustion turbine (“SCCT”) capacity cost component of Schedule 37 rates during the sufficiency period should not have been removed; (4) future carbon costs should not have been removed from the Company’s official forward price curve and other inputs; and (5) the Commission should stay the effective date of the Final Order until final resolution of these issues.

Petitioners argue: (1) that the inclusion of wind and solar integration costs in Schedule 37 pricing is not supported by substantial evidence in the record, was not adequately explained by the Commission, and are unjust, unreasonable and discriminatory; (2) that elimination of the capacity and energy payment option lacks an evidentiary basis; (3) that uncontested evidence in the record demonstrates that removing the SCCT capacity cost component undercompensates QFs for capacity; and (4) that removal of projected future carbon costs renders avoided cost prices unjust, unreasonable and discriminatory.

The Petitioners arguments, as set forth more fully below, ignore evidence presented by the Company on each of those points and also ignore the Commission’s directives from its Order on Phase II Issues in Docket No. 12-035-100 (the “Renewable QF Docket”). These arguments were largely also previously made by Ms. Sarah Wright in her direct testimony filed on behalf of Utah Clean Energy, and were rebutted in Mr. Gregory N. Duvall’s rebuttal testimony filed on July 11, 2014.

ARGUMENT

Wind and Solar Integration Costs

Contrary to Petitioners’ arguments, wind and solar integration costs are fully supported in the record by both the Company’s direct and rebuttal testimony.

Mr. Duvall's testimony first explained the rationale for including wind and solar integration costs in the Schedule 37 pricing: "[I]f no adjustment is made to avoided costs to account for the cost to integrate intermittent resources, retail customers must bear the cost of integrating these resources into the Company's system, violating the ratepayer indifference objective prescribed by PURPA." Duvall Dir. at 8; 164-167.

Mr. Duvall also noted that the Commission first approved integration costs in the Renewable QF Docket, and that this Application was based on the previously approved methodology.

Consistent with the Commission's order in the Renewable QF Docket, the Company proposes to publish distinct price streams for base load, wind, Fixed Solar, and Tracking Solar resources. Prices for wind and solar resources are adjusted (i.e. reduced) for integration costs consistent with the method approved in the Renewable QF Docket. In the current Schedule 37 filing, the Company used its most recent wind integration costs as filed in its 2013 Q2 Schedule 38 compliance filing. Solar integration costs were included as described in the Renewable QF Docket. When a solar integration study is available, the Company will use it to determine future adjustments for solar integration. *Id.* at 8; 171-178

Mr. Duvall's testimony also rebutted assertions by Ms. Wright on behalf of Utah Clean Energy that including integration costs without including an allowance for transmission system benefits is inconsistent with Schedule 38. Mr. Duvall explained that integration costs are considered independently from transmission system benefits under Schedule 38. Duvall Reb. at 2; 41 – 3; 49. Mr. Duvall also explained that, with respect to applying integration costs to wind and solar QFs, there is no reason to apply different standards to the two schedules; the Company has approximately 45 megawatts of Schedule 37 contracts, which is equivalent to one 45 megawatt Schedule 38 contract. *Id.* at 4; 84 – 5; 91.

The Company's inclusion of wind and solar integration charges is consistent with the Commission's Order in the Renewable QF Docket, which contains findings of fact supporting the

Company's position. Petitioners' arguments on this point ignore the substantial record that was made in support of the charges, and should be rejected.

Capacity and Energy Option

As described in the Company's application, and Mr. Duvall's testimony, the Company eliminated from the tariff the option for the QF to receive separate payments for capacity and energy. Mr. Duvall explained that continuing with that option violates the ratepayer indifference standard, and may discriminate between two similarly situated QFs:

Under the current Schedule 37 the two pricing options offered do not produce the same total payments to an individual QF. Furthermore, the separate capacity and energy payment structure may result in payments to low-capacity factor resources, such as wind and solar QFs that are inconsistent with the Company's ability to avoid capacity costs. Duvall Dir. at 14; 311 – 15; 318.

Mr. Duvall explained that the current methodology to determine the capacity payment for intermittent resources may result in capacity payments to a QF even though the Company cannot actually avoid capacity costs. Duvall Dir. at 17; 354-363.

Further, Mr. Duvall noted in his rebuttal testimony that Ms. Wright's proposal to modify the capacity and energy payment option to reflect the capacity values of renewable resources does nothing to remedy the concern that two different avoided costs could be paid to similarly situated QFs, and would continue to pay capacity costs to QFs based on the highest 15 minute output during a month. Duvall Reb. at 6; 127 – 7; 137. Petitioners' arguments on this point are nothing more than a restatement of Ms. Wright's testimony and should be rejected.

SCCT Capacity Cost

Petitioners contend that "credible, uncontested evidence in the record demonstrates that [eliminating the SCCT capacity component of Schedule 37 rates during the resource sufficiency period] undercompensates Schedule 37 QFs for capacity." Petitioners' Brief at 5. Petitioners'

arguments regarding under-compensation to Schedule 37 QFs relative to Schedule 38 overlook the main point of the Company's proposal, which is that it is based on Commission guidance from the Renewable QF Docket that was implemented to avoid overcompensating QFs for capacity.

[C]onsistent with the Commission's order in the Renewable QF Docket and consistent with the Company's 2013 IRP and IRP Update. Prior to the start of the deficiency period in 2027, the Company will not procure additional thermal capacity resources; rather, it will utilize FOTs, or wholesale market purchases, to meet its needs. Avoided cost prices during this period must be consistent with the Company's resource procurement *plans to avoid burdening retail customers with QF costs that are higher than the costs actually avoided by the Company*. Based on the Commission's order in the Renewable QF Docket, it does not make sense to include additional capacity payments during the sufficiency period for a QF under 3 MW when it is clearly not appropriate for a QF larger than 3 MW (emphasis added). Duvall Dir. at 12; 255-266

The citations to the record from the Division witness regarding whether ratepayers are indifferent or harmed if the avoided cost rate is too low to allow QFs to be built is irrelevant. Petitioners' Brief at 16. The Commission's explicit finding, that adding capacity values based on an SCCT would result in "excessive" prices, properly protects ratepayers from avoided costs that are higher than the costs actually avoided by the Company.

Carbon Costs

As explained in Mr. Duvall's direct testimony, the Commission previously addressed the issue of inclusion of carbon costs in the avoided cost calculation and concluded that removing the potential costs was appropriate. Duvall Dir. at 13; 282-286.

The Company acknowledged that it has previously used a carbon tax for resource planning; however, Mr. Duvall explained that the Company's exclusion of those costs is consistent with previous Commission orders on the subject. Id. at 14; 287-306.

Petitioners attempt to argue that there is no evidence in the record that the Company is expected to incur no future carbon-related costs during the 20 year term of a typical QF contract.

This is not what the Commission has based its decision on. Rather the Commission found, in previous orders that were incorporated in the Company's application, that, to the extent potential costs exist with respect to environmental risks, they can be accounted for in the integrated resource planning and modeling process. Petitioners seem to ignore the fact that environmental costs will influence the Company's long-term resource plan, which will then impact the avoided cost price that is calculated. Petitioners' arguments, if anything, highlight the fact that to include these costs as an adder to the avoided cost price paid to QFs would, in effect, be double counting those costs, resulting in unreasonably high prices that do not reflect the Company's actual avoided costs. Accordingly, Petitioners' arguments with respect to carbon costs should be rejected.

Request for Stay


Rocky Mountain Power respectfully submits that, because each of Petitioners' other arguments should be rejected by the Commission, a stay of this matter for further consideration is not necessary.

CONCLUSION

The Commission should deny Petitioners' Request for Agency Review, Reconsideration, or Rehearing. As noted above, the arguments were previously made in Utah Clean Energy's testimony, were rebutted by the Company's testimony, and rejected by the Commission in its Final Order. As demonstrated above, the Commission's decision is supported by extensive testimony presented by the Company, and results in rates that are just, reasonable, and in the public interest. The Commission's findings with respect to the proper calculation of avoided cost pricing under Schedule 37 have not been altered by the Request. Petitioners' Request should be denied.

DATED this 5th day of December, 2014.

Respectfully submitted,



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