

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of Rocky Mountain Power's)
Proposed Revisions to Electric Service) DOCKET NO. 14-035-T04
Schedule No. 37, Avoided Cost Purchases)
from Qualifying Facilities)
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In the Matter of Rocky Mountain Power's) DOCKET NO. 14-035-55
Schedule No. 37, Avoided Cost Purchases)
from Qualifying Facilities) NOTICE OF INTENT TO ALTER ORDER
) ON REVIEW AND ORDER STAYING
) PORTION OF ORDER ON REVIEW
)

ISSUED: January 16, 2015

SYNOPSIS

The Commission provides notice of its intent to modify the decision in its Order on Review issued in Docket No. 14-035-T04 on December 30, 2014 ("December Order") by eliminating the option for a qualifying facility to be paid a separate rate for its capacity and energy, consistent with the decision on this topic reached in the Commission's Report and Order issued in these dockets on October 21, 2014. The Commission stays, pending further order by the Commission, that portion of its December Order that retained the option for a QF to be paid a separate rate for its capacity and energy. Pending further order by the Commission, the remainder of the December Order remains in effect.

BACKGROUND AND PROCEDURAL HISTORY

On May 7, 2014, PacifiCorp, dba Rocky Mountain Power ("PacifiCorp"), filed Advice No. 14-04, proposing revisions to Electric Service Schedule No. 37 ("Schedule 37"), Avoided Cost Purchases From Qualifying Facilities ("PacifiCorp's Request to Revise Schedule 37"). PacifiCorp's revisions included the following changes to the method for calculating Schedule 37 rates: (1) include integration costs for wind and solar QFs; (2) reduce solar avoided capacity costs by the resource's capacity contribution; (3) eliminate the option for a QF to be

paid a separate rate for its capacity and energy; (4) exclude the capacity costs based on a simple cycle combustion turbine (“SCCT”) during the period in which PacifiCorp has sufficient resources to meet its energy requirements; and (5) remove the assumed future taxes on carbon dioxide (“CO₂”) from the official forward price curve (“OFPC”) used in the avoided cost calculation.

After a technical conference, rounds of testimony, discovery, and a hearing, the Commission issued its report and order on October 21, 2014, approving Schedule 37 rates as filed in PacifiCorp’s Request to Revise Schedule 37, including the previously listed changes to the method for calculating Schedule 37 rates proposed by PacifiCorp (“October Order”).

On November 20, 2014, Utah Clean Energy (“UCE”), SunEdison, LLC (“SunEdison”) and Sustainable Power Group, LLC (“sPower”) (collectively, the “Petitioners”) filed a request with the Commission for agency review, reconsideration or rehearing of the October Order (“Request to Review October Order”). In their challenge to the October Order’s decision to eliminate the option for a QF to be paid a separate rate for its capacity and energy, Petitioners state:

There is no evidence that the capacity and energy payment option, when adjusted for the capacity value of renewable resources, produces unreasonable avoided cost rates. All parties supported adjusting Schedule 37 pricing to account for the capacity value of renewable resources; nevertheless, no party attempted to calculate the capacity and energy payment option for renewable resources while also taking into consideration an adjustment for capacity value. The Division and Office recommended elimination of the payment option without performing or updating calculations

to reflect capacity contribution adjustments supported by all the parties in the Docket.¹

On December 5, 2014, PacifiCorp and the Division of Public Utilities (“Division”) filed responses to the Request to Review October Order. On December 10, 2014, the Commission issued an order granting review of the October Order. The Commission thereafter issued an order on review on December 30, 2014 (“December Order”), modifying its decisions in the October Order regarding: (1) elimination of the capacity and energy payment option; and (2) removal of the SCCT capacity cost component during the period of resource sufficiency. The December Order did not alter any of the other decisions reached in the October Order.

On January 9, 2015, PacifiCorp filed a petition for reconsideration, review or rehearing of the December Order (“Petition for Review of December Order”) in Docket Nos. 14-035-T04 and 14-035-55 and a motion for expedited approval of the capacity contribution study and CF method values in Docket Nos. 12-035-100 and 14-035-140 (“Motion for Expedited Approval”). The Petition for Review of December Order and Motion for Expedited Approval both include motions for stay of the December Order pending resolution of the respective requests.

Regarding elimination of the option for a QF to be paid a separate rate for its capacity and energy, PacifiCorp’s Petition for Review of December Order argues the Commission did not consider the evidence presented in the direct testimony of PacifiCorp’s witness Mr. Gregory N. Duvall. This testimony compares rates paid under the capacity and

¹ Request to Review October Order at pp.12-13.

energy avoided cost payment option and the energy only payment option, assuming PacifiCorp's proposed rates. This testimony includes a table that numerically demonstrates the different outcomes using these two options. PacifiCorp reproduced that table in its Petition for Review of December Order. This table highlights rate differences in the two payment options for base load, wind, and fixed and tracking solar resources, including the application of the Commission's approved capacity contribution values for these resource types. While the rates shown for base load and wind resources are roughly equivalent for each payment option, Mr. Duvall's testimony shows the rate for the capacity and energy payment option for fixed solar resources is approximately 24 percent higher than the rate for the energy only option. Similarly, the rate for tracking solar resources is about 12 percent higher for the capacity and energy payment option.

These differences in rates for solar resources call into question our finding in the December Order that no party produced evidence that incorporates our approved capacity contribution values and shows material differences between the energy only, and energy and capacity payment options. We appreciate PacifiCorp's efforts to call our attention to Mr. Duvall's testimony. His testimony demonstrates materially different avoided cost rates for solar resources between the two payment options. Moreover, his rate comparison table assertedly incorporates the capacity contribution values approved in the October Order.

NOTICE OF INTENT TO ALTER DECEMBER ORDER

The Commission recognizes it erred in overlooking Mr. Duvall's testimony (and in particular the table in his testimony) referenced above, in reaching the findings in the December Order concerning the energy only, and energy and capacity payment options. In light of this oversight, the Commission provides notice pursuant to Utah Code Ann. § 54-7-14.5 of its

intent to alter the December Order by eliminating the option for a QF to be paid a separate rate for its capacity and energy, consistent with the decision on this topic reached in the October Order. Parties are invited to comment on the Commission's notice of intent to alter the December Order no later than Monday, February 2, 2015.

ORDER STAYING DECISION IN DECEMBER ORDER

The Commission stays, pending further order of the Commission, that portion of the December Order that provides for a capacity and energy payment option. Pending further order by the Commission, the following changes proposed by PacifiCorp in Advice No. 14-04 to the method for calculating Schedule 37 rates remain in effect: (1) include integration costs for wind and solar QFs; (2) reduce solar avoided capacity costs by the resource's capacity contribution; (3) eliminate the option for a QF to be paid a separate rate for its capacity and energy; (4) remove the assumed future taxes on CO₂ from the OFPC used in the avoided cost calculation.

The December Order directed PacifiCorp to amend Schedule 37 and to file Schedule 37 rates consistent with the December Order within 20 days of issuance of the December Order. That filing requirement is extended to January 23, 2015. The rates filed shall be consistent with this order of partial stay of the energy and capacity option.

DOCKET NOS. 14-035-T04 AND 14-035-55

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DATED at Salt Lake City, Utah, this 16th day of January, 2015.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#263085

CERTIFICATE OF SERVICE

I CERTIFY that on the 16th day of January, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

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