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DEPARTMENT OF COMMERCE  
Office of Consumer Services

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Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director

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Date: May 30, 2014

Subject: Office of Consumer Services Comments. Docket No. 14-035-56, In the Matter of Rocky Mountain Power's Fossil Fuel Energy Efficiency Standard Plan

### Background

On April 30, 2014, Rocky Mountain Power (Company) filed the 2014 PacifiCorp Fossil Fuel Heat Rate Improvement Plan (HRIP). On May 1, 2014, the Public Service Commission of Utah (Commission) requested that any interested parties file comments on the 2014 HRIP by May 30, 2014. Accordingly, the Office of Consumer Services (Office) submits the following comments and recommendations.

### 2013 HRIP Commission Order

In the Commission's July 11, 2013 Order on the Company's 2013 HRIP, the Commission directed the Company to include certain information advocated for by the Office in future HRIPs. This information included:

1. A new section reporting on the Net Heat Rate Index of the Company's gas combined cycle units, in addition to the coal fired units.
2. An explanation of the major factors causing the deviation between the design and actual efficiency of its thermal resources.
3. A new section identifying the Company's coal and gas units with the best heat rates, discussing whether the availability of those units is consistent with current goals, and indicating steps taken to improve the availability of those units.

### Comments Regarding Compliance with the 2013 HRIP Order

First, the Office appreciates the effort that the Company has made to improve the HRIP. The 2014 HRIP contains significantly more background information and data on the Company's fossil fuel fleet heat rates than in previous HRIPs.

The Company appears to have mostly met the three directives from the Commission's 2013 HRIP Order listed above. However, the 2014 HRIP did not fully comply with item number 3 above. The information missing is a discussion on the availability of the units with the best heat rates.

As explained in the 2014 HRIP, the optimal dispatch order of fossil fuel generators is usually determined by a combination of three factors – the generator's incremental fuel cost, O&M cost and heat rate.<sup>1</sup> The generator with the best incremental heat rate may not have the lowest overall incremental cost. For example, gas resources have lower (better) heat rates than coal resources. However, the much lower cost of coal fuel versus gas fuel means that typically coal generators will be lower in the dispatch order than gas generators when all three factors are considered.

The four Jim Bridger Units and Huntington Unit 1 have the best incremental costs per kWh among all the Company-operated fossil fuel plants and have the best incremental heat rates among the coal fired plants.<sup>2</sup> As stated in directive number 3 listed above, the Company should include a discussion in the HRIP on the availability of these plants.

### **Additional Comments**

The Office offers two suggestions for potentially improving future HRIPs.

- The 2014 HRIP provides an extensive discussion of the factors that affect the efficiency of the steam processes involved in electricity generation. Some of this discussion would apply to CCCT gas plants but overall the discussion appears to primarily relate to the operation of coal plants. Therefore, a section devoted to discussing the factors that are unique to the efficiency of a gas plant would also be useful.
- The HRIP could benefit from having an Action Plan similar to what is found in the Company's IRP. In the introduction section of the 2014 HRIP, the Company quotes part of the fossil fuel efficiency standard adopted by the Commission: "each electric utility shall develop and implement a 10 year plan to increase the efficiency of its fossil fuel generation." The 2014 HRIP is very informative but it essentially is just a report on fossil fuel heat rates. The HRIP could be improved by providing an Action Plan on how the Company will "increase the efficiency of its fossil fuel generation" in the future.

### **Recommendations**

The Office has the following recommendations regarding the Company's future HRIPs.

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<sup>1</sup> Other factors cited in the 2014 HRIP are transmission constraints and reserve requirements.

<sup>2</sup> See the 2014 HRIP, Chart #5 and #6, pages 20 and 21.

- The Company should provide information on the historical availability and on plans to improve the availability of its least cost/best heat rate units.
- The Company should include a section discussing factors unique to the efficiency of its gas powered generating units.
- The Company should include an Action Plan detailing the actions it plans to take to improve fossil fuel heat rates in the future.

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