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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah
From: The Office of Consumer Services
Michele Beck, Director
Béla Vastag, Utility Analyst
Date: July 16, 2015
Subject: Office of Consumer Services Comments. Docket No. 15-035-T06, Rocky Mountain Power's Proposed Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities

Introduction

On April 30, 2015 Rocky Mountain Power (Company) filed Advice No. 15-07 with the Utah Public Service Commission (Commission) proposing revisions to Electric Service Schedule No. 37 (Schedule 37). On June 26, 2015, the Commission issued a scheduling order setting a deadline of July 16, 2015 by which parties may submit initial comments on the Company's filing.

The Office of Consumer Services (Office) offers the following comments regarding the Company's proposed revisions to Schedule 37.

Background

The Company is required to make an annual filing to update the prices paid to Qualifying Facilities (QFs) under Schedule 37. In this current filing, the Company has performed the standard updates which include such items as the Official Forward Price Curve, the load forecast and the alignment of other planning assumptions (e.g. sufficiency/deficiency period and costs of the avoided proxy resource) with the 2015 Integrated Resource Plan (IRP) that was filed on March 31, 2015.

In addition to these standard updates, the Company has incorporated two additional changes to the way Schedule 37 avoided cost prices are calculated:

1. The elimination from the price calculation of the fixed costs of a simple cycle combustion turbine (SCCT) during the sufficiency period, and
2. The manual shaping of the monthly flat average energy costs for all hours that are the output of the GRID model into on-peak and off-peak hourly prices using Palo Verde market prices as a proxy for this relationship.

These two changes are in response to the Commission's December 30, 2014 Order in Docket No. 14-035-T04. Because of concerns regarding the non-differentiation of on-peak and off-peak prices in the 14-035-T04 filing, the Commission declined to remove the SCCT cost component from the modeling of Schedule 37 pricing at that time. In that Order, the Commission stated: "We await the presentation of evidence in future Schedule 37 proceedings describing any alternative approach for valuing avoided capacity costs and peak and off-peak avoided costs during the period of resource sufficiency."

In response to the Commission's statement above, the Company has incorporated the Commission-requested evidence in this current Schedule 37 filing.

Comments on the Company's Filing

Removal of SCCT Costs During the Sufficiency Period

The Office has opined in its comments and briefs¹ that the removal of SCCT costs during the sufficiency period from Schedule 37 avoided cost modeling is supported both by federal and state law and is required to maintain the Public Utility Regulatory Policies Act of 1978 (PURPA) standard of ratepayer indifference to avoided cost pricing.

PURPA Section 210(b) states: "No such rule prescribed under subsection (a) shall provide for a rate which exceeds the incremental cost to the electric utility of alternative electric energy."

Utah Code Section 54-12-2(2) states: "The capacity component of avoided costs shall reflect the purchasing utility's long-term deferral or cancellation of generating units which may result from the purchase of power from qualifying power producers."

The Company's 2015 IRP preferred portfolio does not select an SCCT resource (i.e. generating unit) during the sufficiency period.² Therefore, including costs based on an SCCT during the sufficiency period would exceed the Company's costs and over compensate QFs for their power. This would violate the PURPA standard of ratepayer indifference. Utah statute states that the capacity component shall include the deferral of generating units that result from purchasing a QF's power. In this filing (based on the 2015 IRP), there are no generating units to defer during the sufficiency period.

The Office asserts that the Company's proposal to remove SCCT costs during the sufficiency period is proper and in the public interest.

¹ See Utah Office of Consumer Services' Reply in Docket No. 14-035-T04 filed January 26, 2015 and Brief of Office of Consumer Services and Division of Public Utilities filed in the Utah Court of Appeals on June 3, 2015 in Case No. 20150066-CA.

² See Preferred Portfolio in PacifiCorp 2015 IRP, Table 8.7, page 196, available at: http://www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Integrated_Resource_Plan/2015IRP/PacifiCorp_2015IRP-Vol1-MainDocument.pdf.

Shaping of Prices into On-Peak and Off-Peak Hourly Pricing

The Office believes that is appropriate to shape Schedule 37 prices to reflect differences in market prices for on-peak and off-peak power. The method used by the Company to shape prices appears to be reasonable. The Office notes that this produces slightly higher 20-year levelized prices for a tracking solar resource than for a base load resource.³

Recommendation

The Office recommends that the Commission approve this Schedule 37 update filing, including the proposed changes to remove the SCCT costs during the sufficiency period and the use of Palo Verde market prices to shape the Schedule 37 prices into on-peak and off-peak hourly prices.

CC: Chris Parker, Division of Public Utilities
Jeffrey K. Larsen, Rocky Mountain Power
Sophie Hayes, Utah Clean Energy
Service List

³ Testimony of Rocky Mountain Power witness Brian S. Dickman, April 30, 2015, Table 1, page 4.