



State of Utah  
DEPARTMENT OF COMMERCE  
Committee of Consumer Services

To: The Public Service Commission of Utah

From: The Committee of Consumer Services  
Michele Beck, Director  
Cheryl Murray, Utility Analyst

Copies To: The Division of Public Utilities  
Constance White, Director  
William Powell, Energy Manager  
Rocky Mountain Power  
Dave Taylor, Regulation

Date: June 26, 2007

Subject: Utah Committee of Consumer Services' Comments on the Division of Public Utilities Recommendations Regarding EPAct 2005 Amendments to PURPA – Fossil Fuel Generation Efficiency Standard – Docket No. 06-999-03.

## 1. Background

On May 18, 2007, the Division of Public Utilities (Division) submitted to the Public Service Commission (Commission) its recommendations regarding the Fossil Fuel Generation Efficiency Standard associated with the Energy Policy Act 2005 (EPACT 2005) Amendments to PURPA. The PURPA Fuel Efficiency Standard is as follows:

Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

On May 29, 2007, the Commission issued a request for comments responding to the Division's recommendations by June 26, 2007. This is the Committee of Consumer Services' (Committee) response to the Division's recommendations.

## 2. Division Recommendations

The Division recommends that the standard be adopted as written without assuming any specific plan but that a specific fossil fuel efficiency plan be included in each IRP. The Division further recommends that, if the Commission finds that the PURPA standard be adopted and a plan included in the IRP, this

docket should be kept open to inform the IRP process or the Commission could request specific comments on the 10-year fuel efficiency plan as part of the IRP review.

### 3. Committee Response

Earlier in this process the Committee had expressed concerns with this Standard. We would expect efficiency of the overall fleet to increase with each new generation resource, but it is unclear if fuel efficiency is to be defined as a simple input/output measurement or on what basis efficiency improvement is to be measured. While the goal of increased efficiency is laudable, at times it may be at odds with other worthwhile goals.

There are a number of things that can affect the efficiency of the utility's fleet:

- Normal declines in generation unit efficiency will affect the overall fleet efficiency levels. As generation plants age efficiency normally decreases. Maintenance can enhance efficiency but not back to prior levels.

- Adding environmental controls can decrease efficiency, but those controls can provide benefits in other areas and in some cases are mandatory.

- When considering the addition of new resources the type of technology may be impacted with requirements for improved efficiency. Dry cooled vs. wet cooled generation plant, efficiency considerations would likely lead to the selection of wet cooled technology but less water usage may be a valid consideration. The efficiency of coal plants is decreased with the addition of sequestration, should that technology become a reality.

That being said, the Division states that it does not believe adoption of the Standard requires an increase in fossil fuel generation efficiency each year without an environmental and cost benefit analysis. Any plan should be supported with a cost benefit analysis and include environmental improvements and obligations that could impact efficiency. The Committee supports the concept expressed in this statement as it alleviates some of our concerns expressed above.

The Committee agrees with the Division's recommendation that the ten-year fuel efficiency plan should be incorporated into the IRP and, in fact, believes that the IRP is the only appropriate place to evaluate the plan. The IRP will provide the foundation for analyzing the cost effectiveness of the plan, taking into account environmental improvements and obligations, resource needs and other considerations to balance costs and risks while determining the appropriate implementation process and timing.

However, the Standard as written requires that the ten-year plan be implemented but does not give guidance as to actual compliance. The Committee is concerned that unintended consequences may arise from adoption of this Standard unless the Commission makes clear that implementation of the plan must be evaluated as an integrated part of the IRP process.

#### 4. Recommendation

The Committee recommends that the Commission adopt the Fossil Fuel Generation Efficiency Standard as written. We further recommend that the Commission's order specify that the appropriate implementation of a ten-year plan will be determined through the IRP process.