

Sophie Hayes (12546)  
Utah Clean Energy  
1014 2<sup>nd</sup> Ave.  
Salt Lake City, UT 84103  
801-363-4046  
*Attorney for Utah Clean Energy*

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts

**DOCKET NO. 12-035-100**

**Response of Utah Clean Energy to Rocky Mountain Power’s Application and Motion to Stay Agency Action**

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Pursuant to Utah Code Ann. Section 63G-4-204 and Utah Admin. Code Section R746-100-3, Utah Clean Energy provides the following response to the Application of Rocky Mountain Power (the Company) for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts and its Motion to Stay Agency Action.

**BACKGROUND**

In its October 2005 Order in Docket No. 03-035-14, the Commission established two methods for calculating avoided cost prices for wind Qualifying Facilities (QFs) resources greater than three megawatts (MW). For wind resources up to PacifiCorp’s “IRP target megawatt level” of wind resources, the Commission approved a market price proxy method for determining avoided costs that utilized the Company’s most recently executed wind contract from its renewable RFP as the proxy resource (against which project-specific adjustments would

be made).<sup>1</sup> For wind QF resources exceeding the IRP target megawatt level, avoided cost pricing is based on the Proxy and PDDRR methods used for non-wind QFs.<sup>2</sup>

The Commission's approval of the wind-specific avoided cost pricing methodologies was based on a full evidentiary proceeding: three rounds of testimony and a hearing in which testimony and evidence were received and witnesses were cross-examined.<sup>3</sup>

On October 9, 2012, the Company filed a request with the Commission for approval of changes to the "renewable avoided cost methodology" and a motion for an immediate stay of the application of the 2005 Order (excluding the Blue Mountain wind project that was the subject of Docket No. 12-2557-01).<sup>4</sup> Specifically, the Company outlined issues and recommended changes to the Market Proxy and PDDRR methods as applied to renewable QFs, arguing that the 2005 Order "is outdated and may cause the Company's customers to incur costs that exceed avoided costs."<sup>5</sup>

The Division filed a Response to the Company's Application supporting a reevaluation of the avoided costs methodology and recommending that the stay of the 2005 Order be evaluated further in light of a number of wind QFs in various stages of planning and development.<sup>6</sup> On October 14, Long Ridge Wind—one such QF that has requested indicative pricing under the method approved in the 2005 Order—filed its opposition to the Company's application, arguing

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<sup>1</sup> Docket No. 03-035-14, In the Matter of the Application of PacifiCorp for Approval of an IRP-Based Avoided Cost Methodology for QF Projects Larger than One Megawatt, *Report and Order* (Issued October 31, 2005), page 33 (hereinafter *2005 Order*).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at 3.

<sup>4</sup> *Rocky Mountain Power's Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action* (October 9 2012), Docket No. 12-035-100, page 1 (hereinafter *Company's Application*).

<sup>5</sup> *Id.* at 9.

<sup>6</sup> *Division of Public Utilities' Response and Answer to Rocky Mountain Power's Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action* (October \_\_, 2012), Docket No. 12-035-100, pages 4-6.

that the stay would result in significant harm to the Company and its ability to continue development of its wind project.<sup>7</sup>

The Office filed comments recommending that the Commission publicly notice and establish a schedule for this Docket in order to afford other affected and potentially affected parties the opportunity to provide comments.<sup>8</sup> The Office also recommended that the issue of applying a stay of the 2005 Order to projects that have already requested indicative pricing be addressed in a scheduling conference as well as a technical conference.<sup>9</sup>

The Commission has noticed a scheduling conference for November 8, 2012.<sup>10</sup>

#### **DISCUSSION AND RECOMMENDATIONS**

**The Company's Motion for a stay of the 2005 Order must be denied pending an evaluation of the substance of the Company's Application to change the avoided costs methodology for renewable QFs greater than three MW.** It is premature to grant the Company's Motion for a stay of the 2005 Order. The IRP-based wind-specific avoided cost methodology established by the 2005 Order was approved after a full evidentiary proceeding, including three rounds of testimony and a hearing, after which the Commission found that the method produced just and reasonable rates. The method was based on the Company's IRP in order to link the avoided cost pricing for wind QFs to the level of wind in the Company's least cost, least risk preferred portfolios and to facilitate the development of wind QFs and maintain ratepayer neutrality pursuant to the requirements of PURPA.

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<sup>7</sup> *Energy of Utah/Long Ridge Wind's Objection to Rocky Mountain Power's Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action* (October 14, 2012), Docket No. 12-035-100, page 1.

<sup>8</sup> *Office of Consumer Services' Comments In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts* (October 30, 2012), Docket No. 12-035-100, page 2.

<sup>9</sup> *Id.*

<sup>10</sup> Docket No. 12-035-100, *Notice of Scheduling Conference* (November 1, 2012).

The Commission should not stay implementation of an avoided cost method that was found to be in the public interest unless and until it determines that a new avoided cost method or price is in the public interest. The Company's assertions that the 2005 Order *may* result in rates that exceed avoided costs have not been evaluated, nor can they be without an opportunity for discovery, analysis, and testimony.

Furthermore, given that there are at least four QF wind projects<sup>11</sup> in various stages of development that will be directly impacted by this stay, it is inappropriate to grant the stay before an investigation into the rights of such affected parties. Based on the Company's application and other parties' responses, it is unclear whether the developers of these wind projects have been notified of the Company's Application or its potential impacts. The extent to which specific QF developers have relied to their detriment upon the 2005 Order or the currently effective Schedule 38 tariff in developing their projects is also unclear. Utah Clean Energy therefore recommends that the Commission deny the stay, pending a finding that a revised methodology results in avoided cost prices that are in the public interest.

**The schedule for the evaluation of the Company's Application for changes to the avoided costs methodology for renewable resources greater than three MW should acknowledge issues raised by other parties.** The 2005 Order addressed wind projects specifically. The Company proposes methodology for all renewable resources greater than three megawatts. Given that different renewable resource technologies have different attributes and operating characteristics that may be very relevant to a discussion of avoided cost pricing for renewable QFs, the scope of the Company's proposed investigation is necessarily broader than the wind-specific investigation in Docket No. 03-035-14. Therefore, it is important that parties

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<sup>11</sup> *Division of Public Utilities' Response and Answer to Rocky Mountain Power's Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action* (October \_\_, 2012), Docket No. 12-035-100, page 4.

interested in avoided costs pricing for renewable QF resources greater than three MW have the opportunity to propose issues of potential investigation.

Utah Clean Energy recommends that the Commission allow for interested parties to submit issues for potential investigation before the Commission makes a determination of the issues that will be discussed pursuant to the Company's Application.

DATED: November 7, 2012

RESPECTFULLY SUBMITTED,

Utah Clean Energy

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Sophie Hayes  
Attorney for Utah Clean Energy

## CERTIFICATE OF SERVICE

I hereby certify that on this 7<sup>th</sup> day of October, 2012, a true copy of the foregoing document was sent via email to the following:

Mark C. Moench (2284)  
Yvonne R. Hogle (7550)  
ROCKY MOUNTAIN POWER  
201 South Main Street, Suite 2300  
Salt Lake City, Utah 84111  
[mark.moench@pacificorp.com](mailto:mark.moench@pacificorp.com)  
[yvonne.hogle@pacificorp.com](mailto:yvonne.hogle@pacificorp.com)

Patricia Schmid  
Justin Jetter  
ASSISTANT ATTORNEYS GENERAL  
UTAH DIVISION OF PUBLIC UTILITIES  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84111  
[pschmid@utah.gov](mailto:pschmid@utah.gov)  
[jjetter@utah.gov](mailto:jjetter@utah.gov)

Paul Proctor  
ASSISTANT ATTORNEY GENERAL  
UTAH OFFICE OF CONSUMER SERVICES  
160 East 300 South, 5<sup>th</sup> Floor  
Salt Lake City, UT 84111  
[pproctor@utah.gov](mailto:pproctor@utah.gov)

Ros Rocco Vrba  
Principal Partner  
ENERGY OF UTAH LLC  
P.O. Box 900083  
Sandy, UT 84090-0083  
[rosvrba@energyofutah.onmicrosoft.com](mailto:rosvrba@energyofutah.onmicrosoft.com)

Chris Parker  
William Powell  
Dennis Miller  
DIVISION OF PUBLIC UTILITIES  
160 East 300 South, 4<sup>th</sup> Floor  
Salt Lake City, UT 84111  
[ChrisParker@utah.gov](mailto:ChrisParker@utah.gov)  
[wpowell@utah.gov](mailto:wpowell@utah.gov)  
[dennismiller@utah.gov](mailto:dennismiller@utah.gov)

Michele Beck  
Cheryl Murray  
Bela Vastag  
UTAH OFFICE OF CONSUMER SERVICES  
160 East 300 South, 2<sup>nd</sup> Floor  
Salt Lake City, UT 84111  
[mbeck@utah.gov](mailto:mbeck@utah.gov)  
[cmurray@utah.gov](mailto:cmurray@utah.gov)  
[bvastag@utah.gov](mailto:bvastag@utah.gov)