- 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<br><br>ORDER ON MOTION TO STAY AGENCY ACTION |

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ISSUED: December 20, 2012

SYNOPSIS

The Commission denies Rocky Mountain Power's motion to stay the current method for calculating avoided cost pricing for large wind qualifying facilities. The Commission also reaffirms its intention to reexamine the current method in this docket.

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By The Commission:

This matter is before the Commission on the application of PacifiCorp ("Application"), dba Rocky Mountain Power ("RMP"), filed October 9, 2012, for, among other things, consideration of proposed changes to the current method for calculating avoided cost pricing for large wind qualifying facilities ("QFs"). The current method was approved October 31, 2005[1] ("2005 Order") and reaffirmed by the Commission September 20, 2012[2] ("2012 Order"). RMP's Application includes a motion to stay ("Motion") that portion of the 2005 Order that establishes the Market Proxy method for determining indicative pricing provided to large wind QFs (i.e., in excess of three megawatts of generating capacity) up to the target level of wind

[1] *See* Report and Order, October 31, 2005, 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.*

[2] *See* Order on Request for Agency Action, September 20, 2012, Docket No. 12-2557-01, *In the Matter of Blue Mountain Power Partners, LLC's Request that the Public Service Commission of Utah Require PacifiCorp to Provide the Approved Price for Wind Power for the Blue Mountain Project.*

resources in RMP's Integrated Resource Plan ("IRP"). RMP asks that the stay be effective immediately and continue until the conclusion of this docket.

Following a duly noticed scheduling conference, the Commission issued a scheduling order bifurcating this proceeding into two phases and setting a schedule and hearing date for each phase. This order addresses Phase One which is devoted to consideration of the Motion. Proposed changes to the renewable avoided cost pricing methodology for large wind QFs, in effect since the 2005 Order, will be considered in Phase Two, scheduled for hearing in June 2013.

## BACKGROUND

As discussed in the 2005 Order, Section 210 of the Public Utility Regulatory Policies Act of 1978 ("PURPA") is the foundation of RMP's obligation to purchase capacity and energy made available from a QF, and to make such purchases at no more than the utility's avoided cost.[3] As defined in PURPA, a QF includes a qualifying wind facility that has a power production capacity which (together with any other facilities located at the same site) is not greater than 80 megawatts and meets certain FERC-prescribed standards.[4] Avoided cost is a utility's incremental cost of electric energy and/or capacity that the utility would produce through its own generating units or purchase from another source, but for the purchase from the QF.[5]

On May 27, 2003, RMP filed with the Commission an application for approval of an IRP-based method for determining avoided cost for QFs larger than one megawatt. That

[3] *See* 16 U.S.C. Chapter 12.
[4] *See* 16 U.S.C. 796 and 824a-3. *See also* supra n.1, pp.5-7.
[5] *See* supra n.1, pp. 4-5. PURPA Section 210 also specifies a utility's obligation to make necessary interconnections with a QF, the costs of which, as approved by the Commission, are to be paid by the QF.

filing led to an extensive examination of avoided cost methodology culminating in the 2005 Order. As noted in that order, the Differential Revenue Requirement ("DRR") method has been widely used by utilities since the passage of PURPA to calculate the avoided cost associated with a purchase from a QF.[6]

Based on supporting evidence from the Division of Public Utilities ("Division"), the Office of Consumer Services ("Office"), and RMP, among others, the 2005 Order adopts a variation of the DRR method, referred to as the Partial Displacement Differential Revenue Requirement or "PDDRR" method for determining avoided energy cost. Avoided capacity cost is determined using the "Proxy" method which relies on the capital cost per kilowatt of the next deferrable generating unit in RMP's most recent IRP. Together, these two methods constitute the Commission's established method (referred to hereafter as the "Proxy/PDDRR method") for determining indicative avoided cost pricing for non-wind resources and, under certain conditions, wind resources.[7]

The characteristics of energy produced by wind facilities introduce considerations into the avoided cost analysis that are unique to this type of QF. Energy produced from wind is intermittent. Yet, it affords a measure of fuel diversity in relation to energy produced via coal or natural gas facilities, avoiding fuel price risk and environmental mitigation costs associated with

[6] *See* supra n.1, pp.5-6. The DRR method is based on two forecast scenarios over the utility's planning horizon and involves a comparison of the net present value of future revenue requirements for two resource portfolios. The first portfolio reflects the future resource decisions the utility would make in the absence of purchases from the QF. The second portfolio reflects the future resource decisions the utility would make if power from the QF were available to the utility at no cost. The resources selected in each portfolio are based upon a consideration of cost, risk, and other characteristics. The avoided cost of a QF purchase is the difference in the net present value of revenue requirements for the two optimal resource portfolios, with and without the QF.

[7] *See* supra n.1, pp.6-7.

such facilities.[8] Accordingly, in the 2005 Order, the Commission addresses these considerations, identifies an alternative method for determining avoided cost pricing for wind resources, and defines the circumstances under which the alternative method will be used. In the 2005 Order this method is referred to as the "market price proxy" method (referred to hereafter as the "Market Proxy method"). Under this method the proxy is not the next deferrable non-wind generating unit in the Company's most recent IRP. It is instead the winning bid in RMP's most recently executed request for proposal ("RFP") for a wind resource. Currently, RMP's most recent winning bid was submitted in 2009, in connection with the Dunlap 1 wind facility located in Wyoming. The 2005 Order directs RMP to apply the Market Proxy method in providing indicative avoided cost pricing to wind QFs up to the target level for wind resources in the IRP. When the target level is met, the applicable method becomes the Proxy/PDDRR method.

RMP's Schedule No. 38 "Qualifying Facility Procedures" establishes procedures for its power purchases from, among others, large wind QFs. These procedures include the prerequisites for negotiating power purchase and interconnection agreements. Schedule No. 38 also describes the requirements a QF must meet in order to receive from RMP an indicative avoided cost pricing proposal preliminary to negotiating a power purchase agreement. In this regard, Schedule No. 38 states: "Such proposal may be used by the [wind QF] owner to make determinations regarding project planning, financing and feasibility. However, such prices are merely indicative and are not final and binding."[9] Under Schedule No. 38, prices are only

[8] *See* supra n.1, p. 19.
[9] Schedule No. 38, Original Sheet No. 38.3.

binding to the extent contained in a power purchase agreement.[10] Schedule No. 38 also informs QFs that, in connection with its power purchase agreement negotiations, RMP "will update its pricing proposals at appropriate intervals to accommodate any changes to the Company's avoided-cost calculations, the proposed project or proposed terms of the draft power purchase agreement."[11]

In its Motion, RMP contends indicative pricing provided to large wind QFs based on the Market Proxy method overstates RMP's avoided cost and will have significant financial impacts on its customers. To avoid this potential outcome, RMP requests an immediate stay of the use of the Market Proxy method for providing indicative pricing for large wind QFs, pending the conclusion of Phase Two of this docket.

## PARTIES' POSITIONS

### I. RMP

RMP asserts the Market Proxy method no longer reflects its current avoided costs because: 1) it is based on a price at least three years old that no longer reflects current wind resource pricing, and 2) it does not take into account RMP's timing and need for future wind resources. RMP testifies when the 2005 Order was issued it was expected RMP would be issuing renewable RFPs frequently such that the Market Proxy method would reflect the current market value of wind projects and RMP's current resource needs. RMP states between 2005 and 2009 it routinely issued renewable RFPs. RMP also states, however, that since 2009 it has not

[10] Schedule No. 38 also establishes the QF information required for such an agreement and the process for negotiating one, including RMP's obligations to not unreasonably delay negotiations and to respond in good faith. Similarly, Schedule No. 38 describes the need for an interconnection agreement between RMP and any QF intending to make sales to RMP, and the process for obtaining one.

[11] Schedule No. 38, Original Sheet 38.5.

issued a system-wide RFP for renewable resources and does not expect to do so in the near future.

RMP presents data based on 81 U.S. wind turbine transactions demonstrating that turbine prices have declined since the Dunlap 1 wind project was selected in 2009. Further, RMP testifies it has no near-term system resource need for wind or other renewable resources. Referring to its 2011 IRP Update, RMP notes there are no wind additions for Utah. According to RMP, the only wind additions in the preferred resource expansion portfolio are included to meet renewable portfolio standards ("RPS") in other states and are not scheduled to operate until November 2018. RMP contends applying the Market Proxy method under such circumstances was not contemplated when the method was adopted and raises issues regarding inter-jurisdictional cost allocation, environmental attribute ownership, and RPS compliance obligations.

RMP contends if wind QF projects are developed at today's Market Proxy method prices, RMP's retail customers will pay more than RMP's avoided cost for power from these projects. According to RMP, in such a case, RMP's customers are not indifferent to the price of wind QF energy, as the 2005 Order intends. As calculated by RMP, if the Market Proxy method is used, indicative avoided cost pricing is currently $59.68 per megawatt hour. The Proxy/PDDRR method, which in this instance applies the cost characteristics of a combined cycle combustion turbine, produces an avoided cost of $52.25 per megawatt hour. RMP asserts this difference would result in additional costs to RMP customers of $35.3 million over 20 years, assuming an 80 megawatt nameplate wind project.[12] Extrapolating this analysis to the five wind

[12]This pricing assumes 80 megawatts x 33.9% capacity factor x 8760 hours x 20 years.

QFs that have requested indicative pricing this year, and assuming all five QF facilities were placed in service, RMP calculates customers would pay $186.2 million more if the Market Proxy method is used to establish RMP's avoided cost, instead of the Proxy/PDDRR method.

To avoid the foregoing adverse outcomes it describes, RMP urges the implementation of its proposed stay, pending the Commission's re-examination of wind QF avoided cost methodology in Phase Two of this docket. In the interim, RMP seeks authority to employ the Proxy/PDDRR method. RMP, however, offers an alternative proposal as to wind QFs that requested indicative pricing prior to the Motion, if the Commission does not stay application of the Market Proxy method retroactively. As to those five wind QFs, RMP states the Commission should impose a time limit wherein such QFs must sign a power purchase agreement in order to receive pricing determined under the Market Proxy method. RMP contends such a time limit "is a reasonable and meaningful way to protect customers from projects that are not ready to move forward at this time and view the contract as an option on a price instead of a firm obligation to develop now."[13] RMP recommends the appropriate time limit is the earlier of a binding order in Phase Two of this docket or September 1, 2013. RMP further recommends the Commission require the QF's commercial operation date be no later than September 1, 2014.

II. The Division

The Division believes significant changes have occurred since the Market Proxy method was implemented, particularly in RMP's forecast of anticipated need for future plant. The Division also believes the cost differential between RMP's last signed wind contract in 2009

[13] Rebuttal Testimony of Paul H. Clements, December 7, 2012, p. 5.

and current costs may be significant. For these reasons, the Division supports a reexamination of wind QF pricing methodology. The Division also expresses general support for a stay of the Market Proxy method for wind QFs "not in the queue" i.e., those that have not requested indicative pricing prior to the filing of RMP's Motion. As to the five projects in the queue, if they are "similarly situated" to Blue Mountain Energy LLC ("Blue Mountain"), the Division recommends they receive Market Proxy method pricing.[14] The Division asserts that such QFs should qualify for exemption from the stay only if: 1) the project has a signed power purchase agreement with RMP by September 1, 2013, and 2) the project can demonstrate it had applied for an interconnection agreement with RMP as of October 9, 2012.

III. The Office

The Office states the intent of PURPA is to encourage the use of alternate sources of energy, without burdening ratepayers with excessive costs. In the Office's view, if avoided costs are set appropriately, ratepayers will be indifferent to the energy source acquired by the utility. The Office testifies the Market Proxy method is outdated and that current Market Proxy pricing for wind is much higher than RMP's avoided cost, regardless of whether avoided cost is measured with reference to a wind project or a natural gas project. In support of this view, the Office refers to RMP's calculation of $186.2 million in excess costs applying the Market Proxy method to the five projects in the queue, discussed above. Additionally, the Office relies on the same study referenced by RMP showing a national decline in wind turbine costs.

The Office also relies on statements by a project developer, Wasatch Wind, that current wind projects can be constructed for as little as $1,400 - $1,500 per kilowatt. The Office

[14] *See* supra n. 2. Blue Mountain sought and received an order directing RMP to provide indicative avoided cost pricing based on the Market Proxy method.

compares this range to the Dunlap 1 wind capital costs used as the current Market Proxy which the Office calculates to be $2,383 per kilowatt. The Office concludes the Market Proxy costs are over 58 percent higher than the costs touted by Wasatch Wind. Thus, the Office believes the Market Proxy method is not the appropriate pricing method to use while the issues in this docket are being resolved. Accordingly, the Office supports RMPs Motion. The Office testifies the requested stay of the Market Proxy method will provide QF projects certainty that they will receive indicative pricing based on the Proxy/PDDRR method.

IV. Utah Clean Energy

Utah Clean Energy ("UCE") urges the Commission to deny RMP's Motion. UCE cites decisions of the Supreme Court of the United States in support of three aspects of Congress's reasoning in enacting PURPA: 1) the importance of relying less on fossil-fueled resources, 2) the reluctance of traditional utilities to purchase electricity from small power producers, and 3) the resulting need to encourage small power production through laws and regulations. UCE argues these policy considerations are very relevant to the Commission's consideration of the Motion. UCE contends granting the Motion before thoroughly reexamining the current pricing methodology would create public policy that discourages small power production and would thwart the purposes of PURPA.

UCE asserts, "[t]he 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 [RMP's] IRP in order to link the avoided cost pricing for wind QFs to the level of wind in [RMP'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."[15] In UCE's view, the Commission should not suspend use of the current avoided cost method that has been found to be in the public interest, without first determining that a new method is in the public interest. RMP's claim that the present method may result in excessive costs has not been evaluated and, according to UCE, cannot be evaluated without an opportunity for discovery, analysis, and testimony.[16]

Regarding RMP's projections of ratepayers bearing excessive avoided costs if currently proposed wind projects receive the Market Proxy price, UCE testifies such projections disregard the possibility of unexpected fluctuations in avoided cost components, such as fuel price. According to UCE, RMP's calculations of up to $186.2 million in excess avoided costs rely on natural gas price projections that are often incorrect. If actual gas prices are higher than RMP projects, the Market Proxy method could result in ratepayers actually saving money, rather than bearing excess costs. UCE testifies natural gas resources create fuel price and environmental risks, while wind resources provide ratepayers a hedge against these risks. UCE contends in granting the Motion based on RMP's assertions that the Market Proxy method produces pricing higher than avoided cost, the Commission would, in effect, pre-determine the outcome of Phase Two of this docket without an evidentiary basis. UCE testifies such an order would stop all wind QF development in Utah and, among other things, deprive Utah ratepayers of the favorable attributes of wind resources. Additionally, Utah communities would lose the economic development benefits of wind projects which, according to UCE, are considerable.

[15] Response of Utah Clean Energy to Rocky Mountain Power's Application and Motion to Stay Action, November 7, 2012, p. 3.
[16] *See* id., p. 4.

V. Wasatch Wind

Wasatch Wind is the developer of the Latigo Wind Park near Monticello, Utah. Wasatch Wind testifies it has devoted significant time and money to this project since 2006, in reliance on indicative pricing provided by RMP using the Market Proxy method. According to Wasatch Wind, it received such pricing from RMP in 2010 and 2011. Wasatch Wind testifies after receiving indicative pricing from RMP in June 2011, RMP provided a draft power purchase agreement; however, the agreement could not be executed due to project delays related to an FAA issue. Wasatch Wind argues it would be unfair and contrary to the public interest to permit RMP to retract Market Proxy method pricing from the Latigo Wind Park project at this time. According to Wasatch Wind, nothing in Schedule No. 38 or Commission orders suggests the approved avoided cost methodology may be abruptly withdrawn or retracted retroactively. Wasatch Wind testifies if the Motion is granted, it will almost certainly mark the end of the Latigo project and render uneconomic almost all QF wind projects in Utah. Finally, Wasatch Wind contends it is similarly situated with Blue Mountain and should also receive Market Proxy method pricing, consistent with the 2012 Order.

VI. Long Ridge Wind

Long Ridge Wind testifies that, like Wasatch Wind, it is actively developing a wind project and has devoted significant funds and other resources to this effort. Long Ridge Wind states it began development in Millard County in December 2010 and received initial indicative pricing from RMP on August 31, 2012, about three months after the due date for such pricing under Schedule No. 38. Long Ridge Wind further states the pricing was based on the Proxy/PDDRR method and was significantly lower than expected. Long Ridge Wind testifies

the interconnection application process is very expensive and that it has been waiting for an acceptable indicative price before applying to RMP for an interconnection agreement. Following issuance of the 2012 Order, Long Ridge Wind met with RMP and asserts RMP said it would provide new pricing consistent with the pricing schedule for Blue Mountain. Long Ridge Wind states two weeks thereafter RMP filed its Motion.

Long Ridge Wind challenges the assumptions underlying RMP's calculations of excess avoided costs produced using the Market Proxy method. Long Ridge Wind states the results of these calculations are more correctly explained as the amounts by which the Proxy/PDDRR method underestimates the costs wind projects avoid. Moreover, in Long Ridge Wind's view, wind projects bring tremendous economic benefits to their communities, including short term construction benefits, long term employment of skilled workers, and a strengthened tax base.

## VII. Blue Mountain

Blue Mountain did not file testimony or introduce other evidence at the hearing; however, on December 7, 2012, it filed a request to be exempt from any requirements established in this docket. Blue Mountain refers specifically to the Division's recommended contract deadlines for any wind projects ruled to be exempt from a stay if one is imposed. Noting RMP's request that Blue Mountain be excluded from any stay imposed in response to its Motion, Blue Mountain asserts retroactive application of new contract requirements through a subsequent Commission proceeding and order would violate its legal and equitable rights.

DISCUSSION, FINDINGS, AND CONCLUSIONS

As RMP notes in its rebuttal testimony, PURPA requires that rates for a utility's purchases of electric energy from QFs be just and reasonable to the electric consumers, and in the public interest.[17] Additionally, the rates may not discriminate against QFs, nor may they exceed the incremental cost to the electric utility of alternative electric energy.[18] Moreover, the implementing regulations state: "(2) Nothing in this subpart requires any electric utility to pay more than the avoided costs for purchases."[19] One of our key objectives in implementing PURPA is to maintain ratepayers' indifference to whether power is provided by the utility or a QF.

We developed our 2005 Order, following an extensive evidentiary proceeding, to meet the foregoing parameters through an approach that relies on the market to provide the best reflection of avoided cost. In that order we said:

> We are persuaded for the reasons stated by parties above that the proxy method best reflects the avoided cost of a wind QF up to the IRP target level of wind resources. This target level of wind resources is not an annual target, but the cumulative target from the IRP and we decline to limit the use of the proxy method to 200 megawatts per year. Further, we accept the market price proxy as it is reasonably accurate but also simple and transparent. Administratively determined cost estimates are necessary for planning but in the end are simply the best estimates available at a point in time; a market-determined price should provide a better reflection of an actual, cost-effective wind resource. Further, in hearing, the Company testified that in future renewable RFPs, it will have a Company built next best alternative as a benchmark cost for other wind projects to compete against. Since the payment to a wind QF is the same as a wind resource procured through competitive bidding, the ratepayer indifference standard is addressed yet simplicity in identifying the cost of a wind resource is achieved.

[17] *See,* supra, n.3, § 824a-3(b)
[18] Id.
[19] 18 C.F.R. 292.304(a).

> Parties agree that project specific adjustments shall be made to account for differences in the QF wind profile when compared to the proxy wind resource. Wasatch Wind and Pioneer [Pioneer Ridge, LLC] add transmission cost differences to this list and Wasatch Wind further adds differences in transmission costs and benefits and line losses. We agree all of these factors are worthy of consideration in determining an indicative price for wind. We find the most recently executed RFP contract, prior to the QF's request for indicative pricing, will serve as the proxy against which project specific adjustments are made to produce an indicative price for wind QFs in Utah. The most recently executed contract becomes a rolling target as new RFP contracts are executed.[20]

As evidenced in these paragraphs, the Market Proxy method is the product of a rigorous analytical process. Until the filing that precipitated the 2012 Order, this method had operated for about seven years without objection filed with the Commission. Under such circumstances, abruptly staying the Market Proxy method's further use without a full evidentiary proceeding would be an extreme response requiring more than conjecture of possible harm.

We expect RMP to monitor carefully the avoided cost calculations and other terms of its QF transactions in order to maintain the ratepayer indifference standard. We find RMP's concerns regarding the continuing suitability of the Market Proxy method warrant a re-examination of avoided cost calculations for large wind QFs, given RMP's latest resource plan and the absence of renewable RFPs since 2009. We have already placed market participants on notice of the schedule for this examination leading to hearings in June, 2013. We conclude this is an appropriate response to the questions raised and the data presented by RMP, the Office, and to a lesser degree, the Division. The record before us, however, does not warrant the additional extraordinary step of suspending application of the Market Proxy method. Indeed, we do not

[20] Supra n.1, pp. 20-21.

find sufficient evidence on which to conclude the Market Proxy method is currently producing prices in excess of avoided cost.

In support of its Motion, RMP offers evidence of a February 2012 joint report by the Lawrence Berkley National Laboratory and the National Renewable Energy Laboratory showing a downward national trend in wind turbine costs since 2009, when RMP contracted for its last wind resource, Dunlap 1.[21] From this data RMP infers a substantial decline in the costs of wind projects compared to the Market Proxy method price which currently uses Dunlap 1 as the proxy. RMP's inference, however, is contradicted by other evidence of record. For example, UCE presented data from an August 2012 report issued by the U. S. Department of Energy in conjunction with the Lawrence Berkeley National Laboratory which presents the capacity-weighted average cost of wind projects built in 2010 and 2011 by region.[22] For the Mountain Region, the capacity-weighted average project cost is slightly over $60 per megawatt hour. This cost is consistent with RMP's calculation of the current Market Proxy method price of $59.68 per megawatt hour for a typical wind QF project. The cost data for the Mountain Region contradict RMP's supposition that a decline in wind turbine costs observed nationally since 2009 is producing lower wind project costs in RMP's service territory currently. Moreover, the data provide some assurance the Market Proxy method remains representative of actual costs of projects recently built in this region.[23]

[21] *See* Direct Testimony of Paul H. Clements, November 16, 2012, pp. 5-6.
[22] *See* UCE Cross Examination Exhibits 3 and 4.
[23] For the Northwest region the comparable cost is reported to be about $90 per megawatt hour.

UCE also presented a table from an RMP 2013 IRP document dated October 31, 2012, entitled Supply-side Resource Options.[24] This table lists "Base Capital Costs ($/kW)" for wind resources ranging from $2,138 per kilowatt in Wyoming, to $2,304 per kilowatt in Utah and $2, 365 per kilowatt in Washington. This range is reasonably in line with the comparable cost of the Dunlap 1 project calculated as $2,266 per kilowatt by RMP and $2,383 per kilowatt by the Office. Thus, it appears RMP's own current resource planning assumptions are reasonably consistent with Market Proxy method avoided cost calculations based on Dunlap 1. The data from RMP's 2013 IRP document provide additional confidence that current avoided costs for large wind projects are reasonably reflected by the current Market Proxy method.

The Office supports RMP's Motion and relies upon some of the evidence presented by RMP, discussed above. The Office also appears to be influenced in its position by data it attributes to Wasatch Wind, suggesting current wind projects can be constructed for as little as $1,400 - $1,500 per kilowatt. As already noted, the Office calculates the current Market Proxy method avoided cost to be $2,383 per kilowatt. Comparing these two cost levels, the Office concludes the Market Proxy method calculates an avoided cost 58 percent higher than the range of costs promoted by Wasatch Wind. During the hearing, however, questions were raised as to whether the Wasatch Wind cost range represents only the cost of the wind turbine component of a wind facility, rather than the "all in" project cost.[25] In such a case, the cost comparison would be largely meaningless. Unfortunately, the questions raised about the Wasatch Wind cost data were not resolved during the hearing. Phase Two of this proceeding

[24] See UCE Cross Examination Exhibit 2.
[25] *See* Transcript of Hearing, pp. 101-102.

will provide all parties the opportunity to conduct discovery and further analysis so that a record can be developed upon which to evaluate thoroughly the Market Proxy method.

Finally, RMP's assertion that ratepayers are at risk of overpaying by $186.2 million for large QF wind power affords its Motion little support. As long as the IRP includes a wind resource target, the comparison of Market Proxy method prices and Proxy/PDDRR method prices offers little, if any, useful information. As we concluded in the 2005 Order, wind resources provide ratepayers a hedge against fuel price and environmental risks. This is one important reason why the Proxy/PDDRR method is not applied to wind facilities until the IRP wind target is satisfied. RMP's position ignores the value to ratepayers of the fuel price and environmental risk hedge. It also ignores the practical realities of bringing a large wind QF project from inception to conclusion, in assuming all five projects in the queue would be able to negotiate power purchase agreements before our order in Phase Two.

Under the current schedule in this docket, we will issue a new order on large wind QF project avoided cost methodology by mid-summer, 2013. If the evidence shows changes in methodology are warranted, we will have the opportunity to implement them for use in the calculation of indicative pricing at that time. As noted above, the indicative pricing proposals RMP has provided, and will continue to provide during the pendency of this docket, are not binding. Moreover, Schedule No. 38 is clear; RMP will update its pricing proposals at appropriate intervals to accommodate any changes to its avoided cost calculations, among other reasons. We acknowledge the possibility the outcome of the Phase Two hearings and the interests of ratepayers may require the application of new avoided cost calculations for all large wind QF projects not in possession of executed power purchase agreements when the Phase Two

order is issued. This approach reasonably and adequately protects ratepayers from the effects of an avoided cost methodology that may require changes due to current circumstances, while reserving judgment on the issues RMP raises in its Application until parties have a full opportunity to litigate them.

## ORDER

In accordance with the foregoing findings and conclusions, the Motion to Stay Agency Action is denied, and the Phase Two hearings will proceed as scheduled in our November 13, 2012 scheduling order.

DATED at Salt Lake City, Utah, this 20th day of December, 2012.

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
D#240471

## Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 20th day of December, 2012, a true and correct copy of the foregoing ORDER ON MOTION TO STAY AGENCY ACTION was served upon the following as indicated below:

By Electronic-Mail:

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