Mark C. Moench #2284
Yvonne R. Hogle #7550
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone No. (801) 220-4050
Facsimile No. (801) 220-3299
mark.moench@pacificorp.com
yvonne.hogle@pacificorp.com

Attorneys for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In 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 **ROCKY MOUNTAIN POWER'S PETITION FOR REVIEW AND CLARIFICATION**

Pursuant to Utah Code Ann. §§ 54-7-15 and 63G-4-301 and Utah Administrative Code § R746-100-11, Rocky Mountain Power ("Rocky Mountain Power" or "Company") hereby petitions the Public Service Commission of Utah ("Commission") for review and clarification of the Commission's Order on Phase II Issues ("Order") issued in this docket on August 16, 2013. The Company respectfully requests review and clarification of the following issues on the following grounds:

1. **Ownership of Renewable Energy Credits When Next Deferrable Resource in IRP is a Renewable Resource**. In its Order, the Commission found that when the Company's Integrated Resource Plan ("IRP") planned resources include a cost-effective renewable resource

of the same type as the qualifying facility ("QF"), avoided cost capacity payments under Schedule 38 shall be based on the capital costs of the next deferrable resource of the same type in PacifiCorp's IRP planned resources.[1] Under such scenario and consistent with the Order, the Company would calculate avoided cost payments using the capital costs of the next deferrable renewable resource as set forth in the IRP. The Order also states that Renewable Energy Credits ("RECs") are retained by the QF.[2] "Allowing renewable energy developers to retain RECs is consistent with state policy ….and will help encourage renewable and qualifying facility development."[3] The presumption of the foregoing Commission findings is that, under a scenario where the QF is deferring a renewable resource that the Company would otherwise build and therefore where it would keep the RECs, the QF would be compensated through avoided cost payments for the capital costs of the renewable resource *plus* separately receive the value of the RECs. The Company submits that it was not the Commission's intent to make such a finding. Transferring ownership of RECs to the QF where the QF is deferring a Company-owned/developed renewable resource under the IRP, where the Company would keep the RECs, would be in direct conflict with the ratepayer indifference standard under the Public Utility Regulatory Policy Act of 1978 and the corresponding rules promulgated by the Federal Energy Regulatory Commission. To clarify that this is not what the Commission intended, the Commission should make an express finding that when avoided cost payments are based on the capital costs of a Company-owned/developed renewable resource that the QF is deferring, the Company will keep the RECs. The QF retains the RECs only when avoided costs payments are based on the capital costs of a non-renewable thermal resource.

[1] *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, Order on Phase II Issues, pp. 10, 11, 20 and 43 (August 16, 2013).
[2] *Id*. p. 10.
[3] *Id*.

The assumption in the IRP is that the Company keeps the RECs from any renewable resource it acquires through the IRP action plan.[4] If the Company's next deferrable resource in the IRP is a wind or solar resource, the Company assumes that it will build such a resource and incur the capital costs associated with that resource. Once built, the Company keeps the RECs that are generated from that resource. The costs incurred to build the renewable resource are inclusive of any REC value associated with that resource. Specifically, the value of the capacity and energy and the value of the REC are not determined separately for a renewable resource in the current IRP, nor is any value separately determined as a component of the capital cost of a renewable resource. If the Company seeks to acquire a renewable resource in response to a need identified in the IRP, the Company will either own the renewable asset or it will contract for the output of the asset and will require, as an explicit contract term, that the output include the RECs. Under either scenario, the capital costs used in the IRP for the renewable resource are inclusive of the Company receiving the RECs as part of the output associated with that renewable resource.

Similarly, under the IRP, ratepayers incur the capital costs of the renewable resource and keep the RECs. However, the Order as written infers that ratepayers incur that same capital cost of a renewable resource but do not retain the RECs. This is not consistent with the requirement that avoided costs maintain ratepayer indifference. Rocky Mountain Power and its customers should be in the same position whether the Company acquires a renewable resource through the IRP or defers the IRP resource and purchases the output from a QF instead.

This is the same concept the Commission adopted in its Report and Order issued in Docket No. 03-035-14 on October 31, 2005 (the "2005 Order") where it found that "[A]ll parties

[4] 2013 IRP, pp. 186-187.

agree that if PacifiCorp pays for the RECs, it owns the RECs."[5] Under the "market proxy" method approved in the 2005 Order, the Commission determined, "[S]ince the payment to a wind QF is the same as a wind resource procured through competitive bidding, the ratepayer indifference standard is addressed…"[6] The 2005 Order then addresses the issue of REC ownership by establishing that the Company retains the RECs from wind QFs if the Company retains the RECs under the market proxy contract since the market proxy contract price is what is used to set the avoided cost. The same concept applies when using the IRP renewable resource proxy method that was approved in the Order. If the Company retains the RECs from a renewable resource acquired through the IRP, which it does, then the Company should retain the RECs from a QF contract that uses the capital cost of an IRP renewable resource to set the avoided costs.

2. **Wind and Solar Integration Charges.**

a. Wind. In its Order, the Commission found that "based on the general consensus among the parties to rely on the 2012 [Wind Integration Study], we find that for the present, the $4.35 per megawatt hour wind integration charge is reasonable for calculating Schedule 38 avoided energy costs for wind QF resources."[7] It is not clear from the Commission's finding if the stream of dollars per megawatt hour that was used to arrive at the $4.35 wind integration charge can be updated as per the Company's methodology. As described in Mr. Duvall's direct testimony, the $4.35 per megawatt hour wind integration charge that was proffered by the Company represents the incremental cost of wind reserves on the Company's system and is calculated nominally for each year based on differential GRID model runs. Specifically, "the

[5] See 2005 Order, p. 24.
[6] *Id.* p. 21
[7] Order, p. 31.

differential GRID model runs calculated the cost of 20 average megawatts of incremental reserves to integrate wind capacity (equivalent to about 192 MW of wind *based on the 2010 Wind Integration Study*) in excess of the wind additions *in the 2011 IRP Update*."[8] (Emphasis added.) Mr. Duvall testified that, based on the described method, wind integration costs were calculated in the 2012 Q2 Schedule 38 compliance filing to be $4.35 per megawatt hour on a 20 year nominal levelized basis beginning 2013.[9] In its 2013 Q2 Schedule 38 compliance filing the Company recently updated the calculation of wind integration costs to be based on the 2012 Wind Integration Study and the 2013 IRP.[10] Wind integration costs were calculated to be $4.61 per megawatt hour on a 20 year nominal levelized basis beginning 2014.

Notably, no party challenged the Company's methodology in this case. The Office of Consumer Services indicated it was acceptable to use the method proposed by the Company, relying on the results from the 2012 Wind Integration Study and updated as appropriate.

It is important for the Commission to find that the nominal yearly wind integration costs may be updated to incorporate the 2012 Wind Integration Study, the 2013 IRP, and changing market conditions over time. The Commission should expressly find that the methodology used by the Company to arrive at the $4.35 per megawatt hour is reasonable and that the Company may periodically update the stream of dollars per megawatt hour through its Schedule 38 compliance filings to capture changing market conditions.

b. Solar. Likewise, for solar integration charges, it is not clear from the Commission's findings whether the Commission adopted specific amounts of $2.83 per

[8] Duvall Direct/20 and 21, ll. 433-436.
[9] Duvall Direct/21, ll. 436-439.
[10] See Rocky Mountain Power's Quarterly Compliance Filing – 2013 Q2 Avoided Cost Input Changes in Docket 13-035-63 (03-035-14), Exhibit D, July 19, 2013. On August 19, 2013 the Division of Public Utilities recommended Commission acknowledgment of the Company's compliance filing.

megawatt hours for fixed solar QF resources and $2.18 per megawatt hour for tracking solar QF resources, or whether the amounts are tied to a percentage of the wind integration charges. In the Order, the Commission found that "we accept the Division's proposal to respectively apply 65 percent and 50 percent of the wind integration cost in PacifiCorp's 2012 WIS to Fixed Solar and Tracking Solar resources"[11] and that PacifiCorp should "apply a solar integration charge of $2.83 per megawatt hour for Fixed Solar resources and a $2.18 per megawatt hour for solar integration cost for Tracking Solar resources."[12] For the same reasons set forth above, the Company recommends that the Commission expressly find that the dollars per megawatt hour used for solar integration charges are based on a percentage of the wind integration charges, and not necessarily the set amounts of $2.83 per megawatt hour for fixed solar QF resources and $2.18 per megawatt hour for tracking solar QF resources.

Rocky Mountain Power respectfully requests review and clarification on the issues discussed above. The Company submits that to avoid any confusion and unnecessary disputes in the future, the Commission should make express findings as set forth herein.

DATED this 16th day of September, 2013

RESPECTFULLY SUBMITTED,

ROCKY MOUNTAIN POWER

_____

Mark C. Moench
Yvonne R. Hogle

Attorneys for Rocky Mountain Power

[11] *Order*, at 34.
[12] *Id.*