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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of: The Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Larger than Three Megawatts	Docket No. 12-035-100 **The Office of Consumer Services' Response to Rocky Mountain Power's Petition for Review and Clarification**

COMES NOW, The Office of Consumer Services ("Office") and hereby submits this Response to Rocky Mountain Power's ("RMP") Petition for Review and Clarification ("Petition") of the Order on Phase II Issues ("Order") issued August 16, 2013, by the Public Service Commission of Utah ("Commission"). In its Petition, RMP has requested review and clarification from the Commission on issues involving: 1) Ownership of Renewable Energy Credits ("RECs") when the next deferrable resource in the Company's Integrated Resource Plan ("IRP") is a renewable resource; and 2) charges for integration of wind and solar generated energy included in calculating Schedule 38 avoided energy costs. *See* Petition, pp. 1 and 4. As outlined below, the Office believes, with limitation, that the review and clarifications requested by the Company are necessary and appropriate to protect the public interest. The Office supports the clarifications requested by the Company in the Petition regarding REC ownership and the

ability to update intermittent resource integration charges. The Office believes the Commission should deny the Company's request to approve the integration charge calculation method without further analysis and review.

I. Ownership of Renewable Energy Credits When Next Deferrable Resource in IRP is a Renewable Resource

In the Order, the Commission established, among other issues, that "RECs are retained by the QF [("Qualifying Facility")] and may be sold and valued separately from the energy produced by the QF." Order, p. 10. Further, the Order establishes "[w]hen PacifiCorp's IRP planned resources include a cost-effective renewable resource of the same type as the 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." Order, p. 43. As outlined in the Petition, Company development or ownership of a renewable resource would automatically vest ownership of the RECs with the Company, for the ultimate benefit of the ratepayers. The current Order provides that RECs are retained by the QF. However, when the QF project is deferring a renewable resource identified in the IRP, RECs should be owned by the Company, to maintain ratepayer indifference as required by the Public Utility Regulatory Policy Act ("PURPA").

In promulgating rules to enact PURPA, the Federal Energy Regulatory Commission ("FERC") stated "[u]nder…PURPA, an electric utility's ratepayers are intended to be at least indifferent, in terms of the rates they pay, as to the source of power. In other words, the ratepayer is not to pay any more for power because the utility has purchased from a QF rather than generating the power itself or purchasing power from another wholesale source." Federal

Energy Regulatory Commission, *Administrative Determination of Full Avoided Costs, Sales of Power to Qualifying Facilities, and Interconnection Facilities*, Docket No. RM880-6 (March 16, 1988). Thus, there must be no effect upon the cost of electricity levied upon ratepayers when utilities are required to purchase energy from a QF pursuant to PURPA.

However, as outlined by the Company in the Petition, the Commission's Order lays the foundation for inequitable costs for electricity purchased from a QF as compared with a Company developed project. Specifically, when the Company's IRP calls for the development and ownership of a renewable resource and a contract with a QF allows the Company to defer the development of this resource, the Order deprives ratepayers of the full value that would have been realized had the Company moved forward with its own development of the resource; the energy and the associated RECs. Since PURPA mandates the Company, and ultimately the ratepayers, purchase QF generated energy, the Company is not privileged to simply elect to develop and/or own an alternate resource and keep the associated RECs. Accordingly, the Order establishes that the Company and ratepayers realize a less than equal benefit from a mandated agreement with a QF as compared with a Company developed/owned renewable resource. This inequality stands in conflict with the ratepayer indifference requirement set forth by PURPA. Id. Accordingly, the Office agrees with the Company that when avoided cost payments are based upon the capital costs of a Company owned/developed renewable resource, the Company should keep the RECs to maintain ratepayer indifference.

II. WIND AND SOLAR INTEGRATION CHARGES

In the Order, the Commission stated "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." Order, p. 31. Further, the Commission extended the use of the wind integration charge, as calculated based upon the Company's 2012 Wind Integration Study ("WIS"), to influence the solar integration charge value, as no solar integration study presently exists. In making this extension, the Commission "accept[ed] the Division's proposal to respectively apply 65 percent and 50 percent of the wind integration cost in [the Company's] 2012 WIS to Fixed Solar and Tracking Solar resources. Order, p. 34.

The Company asserts that the Order's language is not clear as it applies to the methods used to calculate the identified wind integration charge, and by extension the solar integration charges. The Company petitions the Commission to "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…." Petition, p. 5. The Office agrees that the integration charge should be open to update and modification in the future, rather than set at a firm $4.35 per megawatt hour as can be read from the current Order. However, the Office does not concur with the Company's request that the underlying method for determining this rate should be deemed as reasonable by the Commission at this time.

The Office has opined throughout this proceeding that the 2012 WIS is acceptable to use to calculate wind integration costs as proposed by the Company, for the present. *See* OCS Ex. 1D Dir. Test. Falkenberg pg. 10, l. 254-263. Accordingly, the Office agrees that the Company should be able to update the integration charge as necessary, after an updated WIS is presented to the Commission through an established approval/acknowledgement process that provides for stakeholder input. However, at this time, the evidence in the record is not adequate to allow the

Commission to endorse the underlying methods as reasonable, as requested by the Company, without further analysis, discussion and evaluation. *See* Id. (stating that the WIS must be fully vetted by the Commission and that the Office is not endorsing the study "carte blanche"). Thus, to the extent that the Company requests clarification that the wind integration charges are not fixed at $4.35 per megawatt hour, but may be updated as appropriate, the Office concurs that such a clarification is warranted. Inasmuch as the Company seeks an express finding that the methods used to reach the current integration charge are reasonable in-and-of themselves, the Office contends such a finding cannot be supported by the record, as the present evidence is inadequate to support wholesale endorsement of the methods employed by the Company.

Moreover, to the extent that the Order employs the wind integration charges, discussed above, as a variable in the formulae to calculate solar integration charges, the Office agrees that the Commission should provide clarity that the solar integration charges may be modified and updated, as appropriate and necessary based upon updates to the wind integration charges. The Office continues to maintain that this bootstrapping of the wind integration costs into the solar integration charges should be temporary, pending the Company's completion of a satisfactory solar integration study. *See* OCS Ex. 1D Dir. Test. Falkenberg pg. 11, l. 276-285. However, as noted above, the Office does not believe that the Commission has before it sufficient evidence to endorse the underlying methods employed to calculate the wind integration variable of the current solar integration formulae. The Office does not believe it is appropriate for the Commission to make an "express[] find[ing] that the methodology used by the Company…is reasonable…" based upon the scope of evidence. *See* Petition, p. 5.

III. CONCLUSION

Based upon the foregoing, the Office believes that the Commission should rule that, when the Company contracts with a Qualifying Facility for the purchase of energy, as required by PURPA, and that QF will defer development of a renewable resource in the Company's IRP, the Company and the ratepayers should own the RECs associated with the energy purchased. The Office also believes the Commission should clarify that the wind and solar integration charges used in calculating Schedule 38 avoided energy costs should be updated and modified, as appropriate through a Commission approved process designed to evaluate the Company's updated integration studies. The Commission should decline the invitation to provide an endorsement of "reasonable" to the current methods employed by the Company to calculate the renewable integration charges, reserving such judgment determination for a later date after evaluation of proper evidence.

Submitted this ______day of October, 2013.

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Brent Coleman