



GARY HERBERT.  
*Governor*  
GREG BELL  
*Lieutenant Governor*

State of Utah  
Department of Commerce  
Division of Public Utilities

FRANCINE GIANI  
*Executive Director*

THAD LEVAR  
*Deputy Director*

CHRIS PARKER  
*Director, Division of Public Utilities*

## ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities  
Chris Parker, Director  
Artie Powell, Manager  
Charles Peterson, Technical Consultant  
Sam Liu, Utility Analyst

Date: August 30, 2012

Re: **Docket No. 12-035-T10**, Advice No. 12-11. Schedule 37 - Avoided Cost  
Purchases from Qualifying Facilities, DPU's Response to the Commission's July  
30, 2012 Order Suspending Proposed Schedule 37 Rates.

---

### RECOMMENDATION (Approval)

The Division of Public Utilities (Division) recommends that the Commission approve the changes to Schedule 37 contained in the filing by Rocky Mountain Power (Company). The filing contains Second Revisions of Sheets Nos. 37.3 and 37.4, with an effective date of July 29, 2012.

### ISSUE

In compliance with the Commission's February 12, 2009 order, in Docket No. 08-035-78 on Net Metering, Rocky Mountain Power (Company) filed an update of the avoided cost pricing in Schedule 37 on June 29, 2012. On July 3, 2012, the Commission issued an Action Request to the Division requesting response by July 23, 2012. The Division responded to the Action Request

with its memorandum dated July 23, 2012, recommending approval with conditions. On July 30, 2012, the Commission issued its Order Suspending Proposed Schedule 37 Rates, pending the response to questions raised by the Commission in that Order. Specifically, in an Action Request dated August 2, 2012, the Commission requested that the Division:

Investigate the timing of the next deferrable resource and how this is consistent with the Schedule 37 method which requires the avoided cost calculation to be based on a load and resource plan developed in conjunction with the Company's integrated resource plan ("IRP") report.

This memorandum is prepared in response to the Commission's July 30, 2012 Order and August 2, 2012 Action Request.

## **BACKGROUND AND DISCUSSION**

In its order, dated February 12, 2009, in Docket No. 08-035-78 on Net Metering, the Commission directed the Company to annually update the avoided cost pricing in Schedule No. 37, concurrent with the approval and establishment of rates for larger commercial and industrial customers based on the FERC Form No. 1 method. Rocky Mountain Power (Company) filed an update of the avoided cost pricing in Schedule 37 on June 29, 2012. On July 3, 2012, the Commission issued an Action Request to the Division requesting response by July 23, 2012. The Division responded to the Action Request with its memorandum dated July 23, 2012, recommending approval with conditions. On July 30, 2012, the Commission issued its Order Suspending Proposed Schedule 37 Rates, pending the response to questions raised by the Commission in that Order. The Commission issued an Action Request to the Division requesting a response by August 30, 2012.

The Division reviewed and checked the accuracy and reasonableness of the calculations in the attachments to the Company's June 29, 2012 filing. The Division filed its comments on July 23, 2012 recommending that the Commission approve the Company's proposed Schedule 37 changes with the primary condition that effective date of Schedule 135 (Net Metering) be the

same as that for Schedule 37. This recommendation for simultaneity was made in order to prevent net metering customers from being able to “game” rate schedules selecting a pricing method that may not reflect the most current information and thereby not be in the public interest.

Following the filing of the Division’s memorandum, the Commission suspended the Schedule 37 rates until a response to the following issue was received.

We have reviewed the Company’s proposed rates and the Division’s review and observe a possible inconsistency with our approved method for calculating avoided costs...Specifically, we question the timing of the next deferrable resource which the Company has identified as occurring in 2020. The Schedule 37 method requires the avoided cost calculation to be based on a load and resource plan developed in conjunction with the Company’s integrated resource plan (“IRP”) report. The Company identifies the need for an additional resource in the 2016 timeframe in its IRP and IRP Update reports...We will seek clarification of this issue through an action request to the Division.<sup>1</sup>

As part of its investigation, the Division held a conference call on August 13, 2012 with representatives of the Company and followed up with a data request. In brief, the Company explains that the Schedule 37 avoided cost calculations and the IRP, while somewhat related, are different in important ways. For instance, the avoided cost calculations are based upon energy sufficiency or deficiency only, and are based upon the Company’s hourly dispatch model (GRID). The IRP’s focus is on capacity sufficiency and does not use GRID in its analyses. The avoided cost methodology does not estimate the timing of the next new resource. Based upon the Company’s 2011 IRP Update, the next resource acquisition is still expected in 2016. For the Company’s complete explanation see DPU Exhibit 1 which reproduces the Company’s answers to the Division’s data request.

---

<sup>1</sup> Public Service Commission of Utah, Docket No. 13-035-T10, “Order Suspending Proposed Schedule 37 Rates, “July 30, 2012, pages 1-2.

**CONCLUSION**

Based upon the Company's response to the issue presented by the Commission, the Division believes that the updates to the inputs of the avoided cost calculation are reasonable and the avoided cost prices are calculated according to the Commission approved methodology. Therefore, the Division recommends that the Commission approve the changes to Schedule 37 as filed by the Company.

CC:

Dave Taylor, Rocky Mountain Power

Michele Beck, Office of Consumer Services