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State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Abdinasir M. Abdulle, Technical Consultant
Charles Peterson, Technical Consultant

Date: January 16, 2013

Re: Docket No. 12-035-T10 – Schedule 37 – Avoided Cost Purchases from Qualifying Facilities Corrections

RECOMMENDATION (Rejection)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) reject Rocky Mountain Power’s (“Company”) proposed corrected Schedule No. 37 rates filed with the Commission on December 18, 2012. The Division believes that these proposed rates are not in the public interest.

ISSUE

Pursuant to the Commission Order on Docket No. 08-035-78 on Net Metering issued on February 12, 2009 and the Commission’s Clarification and Procedural Order on Docket No. 12-035-T10, the Company re-filed its proposed Schedule No. 37 rates consistent with the clarification provided in the latter Docket. On December 18, 2012, the Commission issued an Action Request to the Division requesting the Division to investigate and

review Tariff compliance. The Commission asked the Division to report back by January 16, 2012. This memorandum represents the Division's response to the Commission's Action Request.

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.

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.¹

On August 30, 2012, The Division filed its response to the Commission's Action Request recommending that the Commission approve the changes to Schedule 37 as filed by the Company. On November 6, 2012, a technical conference was held in which the Division and the Company explained their positions to the Commission on this matter. On November 28, 2012, the Commission issued its Clarification and Procedural Order in which it directed the Company to re-file its proposed Schedule No. 37 with the clarification provided in that Order, which is that the Company include the 2016 IRP deferrable resource in its calculations of Schedule 37 avoided costs. In Compliance with the Commission's November 28, 2012 Order in this Docket, The Company filed with the Commission its corrected Schedule No. 37 rates.

The Division reviewed the Company's filing and determined that the updates to the inputs of the avoided cost calculation are consistent with the action plan identified in the Company's IRP and, thus, consistent with the Commission's recent orders in this matter. Therefore, the Division believes that the Company complied with the Commission Order.

However, in a letter to the Commission dated September 28, 2012, the Company notified the Commission that it will not be pursuing a resource for the 2016 time period under All-Source Request for Proposal. In his final report filed with the Commission on November 30, 2012, the Independent Evaluator indicated that he does not oppose the

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

Company's decision to terminate its All-Source RFP for 2016 Resource. The main reason for the Company's cancelling the RFP is a change in its load forecasts and its load and resource balance. Additionally, the Division is aware that the Company is using this new load forecast and balance in its current IRP analysis, which indicates the next deferrable resource changed from 2016 to 2025. Therefore, the Division believes that the Company's amended analysis and calculations of Schedule 37 avoided costs utilize information that is known to be incorrect. Since the next deferrable resource used in the calculation of the Company's proposed Schedule No. 37 rates is a resource that the Company indicated that it will not pursue, the proposed rates cannot be found to be just and reasonable and are, therefore, not in the public interest. Therefore, the Division recommends that the Commission reject the Company's proposed Schedule No. 37 rates.

CC: Dave Taylor, Rocky Mountain Power
Michele Beck, Office of Consumer Services