

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of Rocky Mountain Power's )  
Proposed Rate Changes to Electric Service ) DOCKET NO. 12-035-T10  
Schedule No. 37, Avoided Cost Purchases )  
from Qualifying Facilities ) ORDER  
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ISSUED: March 7, 2013

By The Commission:

On June 29, 2012, PacifiCorp, dba Rocky Mountain Power ("Company"), filed proposed changes to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities ("Schedule 37"), of Tariff P.S.C.U. No. 48, with a requested effective date of July 29, 2012. The proposed changes were filed pursuant to the Public Service Commission of Utah's ("Commission") February 12, 2009, Report and Order Directing Tariff Modification in Docket No. 08-035-78<sup>1</sup> ("February 2009 Order") requiring the Company to update Schedule 37 annually, for rates to be effective July 1.

On July 30, 2012, the Commission suspended the proposed Schedule 37 rates pending further investigation. The Commission observed a possible inconsistency with the approved method for calculating avoided costs. 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.<sup>2</sup> The Commission questioned the timing of the next deferrable resource which the Company identified as occurring in 2020, rather than in

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<sup>1</sup> See *In the Matter of the Consideration of Changes to Rocky Mountain Power's Schedule No. 135 - Net Metering Service*, Docket No. 08-035-78, Report and Order filed February 12, 2009.

<sup>2</sup> See Direct Testimony of Rodger Weaver, Docket No. 94-2035-06, at 3-13.

2016 as reported in the Company's most recently filed IRP, the 2011 IRP Update,<sup>3</sup> and as discussed in the Company's request for proposals for a resource to be acquired in the 2016 timeframe approved in Docket No. 11-035-73 ("2016 RFP").<sup>4</sup>

On August 2, 2012, the Commission issued an action request to the Utah Division of Public Utilities ("Division") to examine this issue. The Division responded indicating the Company's proposed Schedule 37 rates were in compliance with the Commission's approved method. On October 2, 2012, the Commission issued notice of a technical conference and held a duly-noticed technical conference on November 6, 2012, to further examine the discrepancy in the timing of the deferrable resource. Resolution of the discrepancy appeared to depend on whether the Company's most current IRP or the Company's production cost model<sup>5</sup> is the basis for determining the timing of resource deficiency, and the corresponding starting point for proxy plant calculation of Schedule 37 long-run avoided energy and capacity costs.

The Commission issued an order on November 28, 2012, ("November Order") providing clarification and procedural guidance on the issue. Specifically, the Commission determined the Company's IRP is the appropriate source for identifying the type and timing of a deferrable resource and therefore the starting date for use of the proxy plant method to calculate long-run energy and capacity payments underlying Schedule 37 rates. The Commission stated the Company should continue to update its IRP load and resource plan for known and measurable changes but "...when there is a conflict between the two analyses [the IRP or the

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<sup>3</sup> See PacifiCorp's 2011 Integrated Resource Plan Update, filed March 30, 2012, in Docket No. 11-2035-01, *In the Matter of PacifiCorp's 2011 Integrated Resource Plan*.

<sup>4</sup> See *In the Matter of the Application of PacifiCorp, by and through its Rocky Mountain Division, for Approval of a Solicitation Process for an All-Source Resource for the 2016 Time Period*, Docket No. 11-035-73.

<sup>5</sup> Currently called the Generation and Regulation Initiative Decision tool or GRID.

Company's production cost model] regarding the timing of a deferrable resource, the type and timing of the next deferrable resource included in the Company's most recently filed IRP action plan will govern."<sup>6</sup> The Commission directed the Company to re-file its proposed Schedule 37 rates consistent with the clarification provided in the November Order, and to file future annual proposed rates for Schedule 37 within 30 days of filing its IRP or IRP Update or by April 30 of each year, whichever occurs first.

On December 18, 2012, the Company filed revised Schedule 37 rates ("Revised Schedule 37 Rates") in response to the November Order. The Revised Schedule 37 Rates include capacity and energy payments based on a deferrable resource in 2016, consistent with its 2011 IRP Update. On December 18, 2012, the Commission issued an action request to the Division requesting it review the Company's Revised Schedule 37 Rates.

On January 16, 2013, the Division filed responsive comments recommending the Commission reject the Company's Revised Schedule 37 Rates. In its comments, the Division refers to a September 28, 2012, memorandum the Company filed with attachments in Docket No. 11-035-73, notifying the Commission it was canceling its 2016 RFP ("September Notification"). In the September Notification, the Company provided an updated assessment of resource requirements based on changes to its load forecast, and to its existing and planned resources. The Division relies on the September Notification as evidence the Company no longer plans to acquire or build a 2016 resource. Further, the Division notes the Company is using the updated data presented in the September Notification in its 2013 IRP process. The Division states the Company's Revised Schedule 37 Rates are based on 2011 IRP Update results which, in light of

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<sup>6</sup> Clarification and Procedural Order issued on November 28, 2012, at 7.

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the updated 2016 RFP information, are now known to be incorrect. Because of this, the Division contends the Revised Schedule 37 Rates cannot be found to be just and reasonable, are not in the public interest, and should be rejected.

In our order issued on February 21, 2013, in Docket Nos. 11-035-73 and 11-2035-01,<sup>7</sup> based on the Company's September Notification and the comments of parties, we found the Company adequately supported its decision to terminate the 2016 RFP. We also found, again based on parties' comments, the updated assessment of needs reflects the most recent information available regarding the Company's forecast of the type and timing of resource additions. This updated assessment was provided pursuant to the Company's 2011 IRP Update action plan and no longer includes a deferrable resource in 2016.

Given the foregoing and the Division's recommendations, we find the Company's proposed Revised Schedule 37 Rates are based on outdated data and assumptions which no longer reflect the Company's plans for resource additions and therefore we do not approve them. Further, we note the Company will be filing Schedule 37 rates again in less than two months in compliance with our February 2009 Order and November Order. Given the timing of information presented in this docket, and the timing for the Company to file its 2013 IRP, which this year is April 30, 2013, we find administrative efficiency dictates in this instance the Company should file proposed Schedule 37 rates consistent with its 2013 IRP by May 31, 2013, in a new docket. Lacking better information regarding appropriate Schedule 37 rates in this

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<sup>7</sup>See *In the Matter of the Application of PacifiCorp, by and through its Rocky Mountain Power Division, for Approval of a Solicitation Process for an All-Source Resource for the 2016 Time Period*, Docket No. 11-035-73, and *In the Matter of PacifiCorp's 2011 Integrated Resource Plan*, Docket No. 11-2035-01, Report and Order, issued February 21, 2013.

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docket, we maintain current Schedule 37 rates until further order after the Company files updated Schedule 37 rates to reflect its 2013 IRP. Accordingly, we anticipate no further action in this docket.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Company's proposed Schedule 37 rates filed December 18, 2012, are not approved.
2. The Company shall file proposed Schedule 37 rates based on its 2013 IRP by May 31, 2013.

DATED at Salt Lake City, Utah, this 7<sup>th</sup> day of March, 2013.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary

D#242449

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Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this 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 does not grant a request for review or rehearing within 20 days after the filing of the request, 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 §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 7<sup>th</sup> day of March, 2013, a true and correct copy of the foregoing ORDER was served upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center ([datarequest@pacificorp.com](mailto:datarequest@pacificorp.com))  
Dave Taylor ([dave.taylor@pacificorp.com](mailto:dave.taylor@pacificorp.com))  
PacifiCorp

By Hand-Delivery:

Division of Public Utilities  
160 East 300 South, 4<sup>th</sup> Floor  
Salt Lake City, Utah 84111

Office of Consumer Services  
160 East 300 South, 2<sup>nd</sup> Floor  
Salt Lake City, Utah 84111

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Administrative Assistant