

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Rocky Mountain Power's)
Fossil Fuel Heat Rate Improvement Plan for) DOCKET NO. 13-035-69
2013) REPORT AND ORDER

ISSUED: July 11, 2013

By The Commission:

PROCEDURAL HISTORY AND BACKGROUND

On May 1, 2013, in accordance with prior Utah Public Service Commission (“Commission”) orders in Docket No. 06-999-03,¹ PacifiCorp (“Company”), doing business as Rocky Mountain Power, filed its 2013 Fossil Fuel Heat Rate Improvement Plan (“2013 HRIP”). On May 6, 2013, the Commission issued an action request to the Division of Public Utilities (“Division”) for review of the document. On May 7, 2013, the Commission issued a Notice of Filing and Comment Period (“May 7th Notice”). On May 31, 2013, the Division filed its response to the Commission’s action request and May 7th Notice. On June 6, 2013, the Office of Consumer Services (“Office”) filed its comments on the 2013 HRIP in response to the May 7th Notice. No other parties filed comments.

SUMMARY OF THE 2013 HRIP

The 2013 HRIP was submitted by the Company in accordance with previous Commission orders and describes an overall heat rate strategy to minimize heat rate losses in the Company’s operating plants. In the 2013 HRIP, the Company identified several activities

¹ See *In the Matter of Consideration of the Amendment of 16 U.S.C. Section 2621 - Consideration and Determination Respecting Certain Ratemaking Standards for Electric Utilities by the Energy Policy Act of 2005*, See August 10, 2007, Determination Concerning the PURPA Fossil Fuel Generation Efficiency Standard and the November 30, 2010, Order Modifying Filing Schedule for Rocky Mountain Power’s Fossil Fuel Generation Efficiency Annual Plan., Docket No. 06-999-03.

intended to improve system heat rate and to support the objective of minimizing losses. The Company also provides a list of 21 proposed projects through 2022, at an estimated cost of \$950 million, all but one of which will cause the heat rate to increase as a result of environmental upgrades to coal plants. The 2013 HRIP includes graphs comparing actual versus forecast heat rates and a 5-year historical trend of the Net Heat Rate Index. The Company has modified the 2013 HRIP from previous plan reports to reflect suggestions by the Commission and other interested stakeholders to improve the plan information.

DIVISION AND OFFICE'S COMMENTS

The Division concludes the 2013 HRIP complies with the intent of the Commission's direction in previous orders. However, the Division has identified several areas of concern with the 2013 HRIP and recommends the Commission direct the Company to address these issues in future Heat Rate Improvement Plans ("HRIP(s)").

In the 2012 HRIP Report and Order ("2012 Order"),² the Commission recommended the Company address several issues in future HRIPs. While these issues were addressed in part in the 2013 HRIP, the Division recommends further improvements. For example, the Division assumes the FERC Form1 data provided represents the Company's share of the capacity of each plant. However, the Company did not provide any clarification regarding this issue as was requested by the Commission in 2012 Order. The Division notes the Company provided data on the Forecast Net Heat Rate and the Actual Net Heat Rate and a better explanation of how the Heat Rate Index ("Index") is calculated. However, the Company did not

² See *In the Matter of the Miscellaneous Correspondence and Reports Regarding Electric Utility Services; 2012*, Docket No. 12-999-01, Report and Order on PacifiCorp's 2012 Fossil Fuel Heat Rate Improvement Plan, issued July 16, 2012.

provide data or work papers explaining the calculations. The Division recommends the Company provide this additional information in future HRIPs so parties may understand how the Index is constructed. The Company also provided data and a graph based on the Net Heat Rate Index and stated the Net Heat Rate Index is calculated for coal fired units only, as the gas units do not face the same variability. The Division suggests the Company supply additional information on why the gas units have less variability. The Division also recommends the Company provide data and graphs on the Total Heat Rate Index for all units, including gas.

The Office notes improving the heat rates of the Company's coal and gas units has real consequences in terms of rates paid by Utah customers and in the amount of coal and natural gas burned to power the Company's thermal resources. The Office argues, with the implementation of the Energy Balancing Account, Utah customers now bear a portion of fuel risk between general rate cases. Therefore, the Office believes it is important that the Company not only develops and implements appropriate fuel strategies for its thermal generation stations, but that it also has an effective HRIP in place to maintain and possibly improve the efficiency of its coal and gas units.

The Office lists three deficiencies in the 2013 HRIP and recommends the following in future HRIPs: 1) the Company should be required to measure and report the efficiency of gas combined cycle units in order for parties to better understand how those units are performing. This will enable the Company to target areas of efficiency improvement not only for its coal units, but its entire portfolio of thermal resources; 2) the Company should provide a more detailed explanation of the major factors causing the deviation between the design and actual efficiency of its coal and gas combined cycle units; and 3) the Company lists "improving

unit availability on plants with better heat rates” as one of its objectives. The Company should identify the coal and gas units with better heat rates, indicate whether the availability for those units is consistent with its current goals, and discuss the steps it has taken to improve the availability of those units.

DISCUSSION AND CONCLUSIONS

We commend the Company for its commitment to improving the format and content of the HRIP. The Commission views the annual filing of the plan as a useful tool in tracking the Company’s efforts over time to optimize the efficient use of its generation fleet. The Commission acknowledges the concerns raised by the Division and the Office. In addition to the information currently provided, we direct the Company provide the following in future HRIPs:

1. Clarification of the FERC Form 1 and 10 year summary data, specifically addressing how the data is used in the body of the report and how the data is used to construct and support the graphs shown in Figure 1 and 2 of the HRIP.
2. All other necessary backup information, data, and work sheets to support the graphs shown in Figures 1 and 2 of the HRIP.
3. A new section reporting on the Net Heat Rate Index of the Company’s gas combined cycle units, in addition to the coal fired units.
4. An explanation of the major factors causing the deviation between the design and actual efficiency of its thermal resources.

5. A new section identifying the Company's coal and gas units with the best heat rates, discussing whether the availability of those units is consistent with current goals, and indicating steps taken to improve the availability of those units.

We find value in the HRIP and view the efforts to define the format for this plan as an evolving process in which the needs and concerns of all interested stakeholders are addressed. Therefore, we direct the Company to continue working with interested parties to further refine and improve the format of the plan, thereby enhancing its usefulness.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that

1. The Company shall address the concerns raised by the Division and Office when filing the 2014 HRIP.
2. The Company shall convene a meeting with interested parties by February 1, 2014 to discuss the reporting requirements of this order and to receive additional input on the format and content of the 2014 and future HRIPs.

DATED at Salt Lake City, Utah, this 11th day of July, 2013.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary

CERTIFICATE OF SERVICE

I CERTIFY that on the 11th day of July, 2013, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

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