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July 8, 2013

***VIA ELECTRONIC FILING
AND HAND DELIVERY***

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

Attn: Gary Widerburg
Commission Secretary

**RE: Docket 13-035-T09 – Schedule 37
Avoided Cost Purchases from Qualifying Facilities (QF)
PacifiCorp Response to Commission Order**

On May 31, 2013, PacifiCorp, dba Rocky Mountain Power ("Company"), filed an updated Electric Service Schedule No. 37, "Avoided Cost Purchases from Qualifying Facilities" ("Schedule 37"), of Tariff P.S.C.U. No. 49.

On June 24, 2013, the Division of Public Utilities ("Division") filed comments recommending the Commission approve the Company's proposed changes to Schedule 37 rates conditional upon the Company: (1) adjusting the percentage split between on-peak hours and off-peak hours from 57 percent and 43 percent to 56 percent and 44 percent, respectively; and (2) correcting capacity contributions from gas-fired resources mistakenly excluded from 2015 through the end of the study period. On June 24, 2013, the Company submitted an updated of its original Schedule 37 filing ("Amended Filing") to incorporate the two changes proposed by the Division.

On June 28, 2013, the Commission issued an Order that suspended the updated Schedule No. 37 filing, requested clarification from the Company on the Amended Filing by June 8, 2013, and allowed parties to file comments on the Company's Amended Filing by Monday July 15, 2013. The Company respectfully submits the following comments in response to the questions raised by the Commission in its June 28, 2013, order.

1. Provide an explanation of the origins of the previous 57 percent/43 percent on-peak, off-peak hour split which has been in place for some time.

The 57 percent/43 percent on-peak, off-peak hour split is used to develop the Volumetric Winter and Summer Energy Price for On-Peak and Off-Peak hours included in Schedule No. 37. The volumetric rates were first approved in Schedule No. 37 in the Company's July 2001 filing in

Docket No. 01-2035-01. In that filing, Exhibit A explained the use of the 57 percent/43 percent on-peak, off-peak hour split:

Avoided energy costs can be differentiated between on-peak and off-peak periods. To make this calculation the Company assumed that all capacity costs are incurred to meet on-peak load requirements. On an annual basis, approximately 57% of all hours are on-peak and 43% are off-peak. Table 5 shows the calculation of on-peak and off-peak avoided energy prices.

The 57 percent/43 percent on-peak, off-peak hour split is a convention commonly used in the electric industry to define the percentage of time in a typical week that falls within the peak and off-peak periods. It is derived by taking the number of peak hours in a typical week (6 days/wk * 16 peak-hrs/day = 98 peak-hrs/wk) and dividing that number by the total number of hours in a week (7 days/wk * 24 hrs/day = 168 hrs/wk). The result is a peak percentage of 57.14 percent or approximately 57 percent.

Holidays are designated to be an off-peak period under the definition in Schedule No. 37. Because the 57 percent / 43 percent on-peak, off-peak hour convention does not account for holidays, it overstates the on-peak percentage by about 1 percent on an annual basis. Accordingly, the Company does not object to the Division's proposal to change the split to 56 percent on-peak, 44 percent off-peak.

2. Explain how the 57 percent/43 percent split has changed over time.

The 57 percent / 43 percent on-peak, off-peak hour split has not changed since the volumetric rates were introduced in Schedule No. 37 calculations.

3. Please provide an explanation to justify the Company's acceptance of the Division's recommendation concerning the on-peak, off-peak hour split.

The Company does not oppose the Division's recommendation because it is a more accurate representation of the number of hours included in the on- and off-peak periods.

4. Verify that the changes to the on- and off-peak volumetric pricing in Table 2 of Appendix 1 are consistent with the proposed on- and off-peak hour percentage adjustment.

The Company verified that the changes to Appendix 1, Table 2, in the Company's Amended Filing are the result of the correction to the capacity contributions from gas-fired resources, which only affected years 2015 and later as noted by the Commission. Changing the on- and off-peak hour percentage impacted the final avoided cost price in Table 2 of the Company's

Amended Filing by \$0.02 per MWh or less annually due to rounding off the CCCT on-peak capacity factor calculation.

The on-peak hour percentage is used to derive the on-peak capacity factor of the CCCT proxy and the resulting cost of capacity per MWh of on-peak generation. The CCCT on-peak capacity factor is determined by dividing the annual capacity factor by the percentage of on-peak hours (see Table 8, page 3). Reducing the percentage of on-peak hours effectively increases the on-peak capacity factor of the CCCT, but the total on-peak generation output does not change. For example, changing the on-peak hour percentage from 57 percent to 56 percent increased the on-peak CCCT capacity factor from 91.1 percent to 92.7 percent. As a result, the per-unit cost of capacity costs during on-peak hours (shown in Table 6, column (b)) did not change because the assumed generation output of the proxy CCCT during on-peak hours remained constant. Example calculations are shown below.

Table 8

51.9% Energy Weighted Capacity Factor = 92.7% Capacity Factor – On-peak
56% percent of hours on-peak

Table 6 Column (b)

Capacity Costs (\$/kW) = Capacity Cost Allocated to On-Peak Hours
(8760 hours x 92.7% x 56%)

Capacity Costs (\$/kW) = Capacity Cost Allocated to On-Peak Hours
(8760 hours x (51.9% / 56%) x 56%)

Note that the 56% is included in the denominator and the numerator in Table 6 column (b) and therefore does not change the result.

The Commission observed that on-peak prices did not change at all in the Amended Filing for years 2013 and 2014. On-peak prices in Table 2 are the sum of average energy costs over an entire month from GRID plus the capacity cost of the proxy resource spread across on-peak hours. Off-peak prices in Table 2 are equal to the average energy costs determined by GRID for all hours in a given month. As described above the change in the on-peak hour percentage did not change the unit cost of capacity and there was no change in the underlying GRID modeling of the average energy costs; consequently, on- and off-peak prices did not change in 2013 and 2014.

5. Verify the GRID model is utilizing the proposed 56 percent/44 percent split.

No explicit on-peak/off-peak percentage is assumed in the Company's GRID model. Instead, the GRID model uses the actual on- and off-peak hours included in the study period. For example, in 2014 there are 4,912 on-peak hours and 3,848 off-peak hours. This would result in a 56.07 on-peak percentage and a 43.93 off-peak percentage.

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It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

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Very truly yours,

Jeffrey K. Larsen

Vice President, Regulation & Government Affairs