

- 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. 13-035-T09  
Schedule No. 37, Avoided Cost Purchases )  
from Qualifying Facilities ) ORDER  
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ISSUED: July 17, 2013

By The Commission:

**BACKGROUND**

On May 31, 2013, 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. 49. The Company's Schedule 37 filing was made in response 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. The filing updates the rates for known and expected changes to system costs. The Company requests an effective date of July 29, 2013.

Schedule 37 establishes standard prices for purchases of power from Utah-located cogeneration Qualifying Facilities ("QFs") with a design capacity of 1,000 kilowatts or less and small power production QFs with a design capacity of 3,000 kilowatts or less. The rates are based on avoided costs developed from information contained in the Company's Integrated Resource Plan ("IRP").<sup>2</sup> Avoided costs are costs the Company would incur to serve its native

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

<sup>2</sup> The Company's 2013 IRP was filed with the Commission on April 30, 2013.

load but for the generation provided by the QFs. Schedule 37 prices may also be used to evaluate special contracts, demand side resource programs and form the basis of credits paid under Electric Service Schedule No. 135, the Company's Net Metering Service tariff.

On June 24, 2013, the Utah Division of Public Utilities ("Division") filed responsive 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 filing of its original Schedule 37 filing ("Amended Filing") to include the changes recommended by the Division.

On June 28, 2013, SunEdison, LLC ("SunEdison") filed comments in disagreement with the Company's proposed Schedule 37 revisions and the Division's recommendation, arguing the proposed changes were premature and unsupported. On July 8, 2013, SunEdison withdrew its June 28 comments.

On June 28, 2013, the Commission issued an order ("June 28 Order") suspending the proposed Schedule 37 tariff filing pending further order of the Commission. In the June 28 Order, the Commission directed the Company to provide an explanation of the origins of the 57 percent/43 percent on-peak, off-peak hour split currently in place, to explain how this split has changed over time, and to justify their acceptance of the Division's proposed recommendation to adjust the split to 56 percent on-peak hours and 44 percent off-peak hours.

The Commission further directed the Company to verify that the observed on-peak and off-peak average energy costs included in Appendix 1, Table 2 of the Amended Filing are consistent with: (1) the Company's correction to include capacity contributions from gas-fired resources beginning in year 2015; and (2) with the proposed on-peak, off-peak hour adjustment proposed by the Division. The Commission also directed the Company to verify the Company's Generation and Regulation Initiative Decision Tools ("GRID") production cost model is utilizing the proposed 56 percent on-peak hour and 44 percent off-peak hour split.

Finally, the June 28 Order directed the Company to respond to the issues raised by the Commission by July 8, 2013, and allowed parties to file comments on the Amended Filing and the Company's July 8, 2013, response by July 15, 2013.

On July 8, 2013, the Company filed its response ("July 8 Response") to the Commission's issues. The July 8 Response identifies the origins and history of the 57 percent on-peak hour, 43 percent off-peak hour split. The Company maintains the Division's proposed 56 percent, 44 percent split is a more accurate representation of the number of hours included in the respective on-peak, off-peak periods.

The Company also represents the avoided costs in Appendix 1, Table 2 of the Company's Amended Filing take into account the correction which includes capacity contributions from gas-fired resources. The Company further states the recommended change in the on-peak and off-peak hour split does not change observed on-peak and off-peak average energy costs. The effect of the change in the allocation of on-peak and off-peak hours is directly offset by a resultant increase in the on-peak capacity factor of a combined cycle combustion turbine ("CCCT"), which is used in the calculation of the avoided costs.

Finally, the Company asserts the proposed on-peak and off-peak hour split has no impact within the GRID model, as the model uses the actual number of on and off-peak hours included in the study period. The Company's July 8 Response provides an example showing there are 4,912 on-peak hours and 3,848 off-peak hours included in the GRID model for the calculation of 2014 avoided costs. On a percentage basis, the Company notes this example shows that 56.07 percent of these hours are on-peak, and 43.93 percent are off-peak, consistent with the Division's recommendation.

On July 15, 2013, the Division filed comments indicating the July 8 Response addresses the concerns raised in the Division's June 24 comments. The Division recommends the Commission approve the Company's proposed Schedule 37 rates as included in the Amended Filing.

### **DISCUSSION, FINDINGS, AND CONCLUSIONS**

The Company's Amended Filing is based on its 2013 IRP and provides a calculation of avoided costs using the method approved in Docket Nos. 94-2035-03<sup>3</sup> and 03-035-T10.<sup>4</sup> The Amended Filing is also based on clarification regarding the method the Commission provided in Docket No. 12-035-T10<sup>5</sup> ("November 2012 Order"). This method differentiates between periods of resource sufficiency and deficiency. The Company identifies the period 2013 through 2023 as one of resource sufficiency, or the "short run" where capacity needs are largely met by existing resources. Resource deficiency, which the Company identifies as the "long run,"

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<sup>3</sup> Docket No. 94-2035-03, *In the Matter of the Application of PacifiCorp for an Order Approving Avoided Cost Rate.*

<sup>4</sup> Docket No. 03-035-T10, *In the Matter of the Application of PacifiCorp, dba Utah Power & Light Company, for Approval of Standard Rates for Purchases of Power from Qualifying Facilities Having a Design Capacity of 1,000 Kilowatts or Less.*

<sup>5</sup> Docket 12-035-T10, *In the Matter of Rocky Mountain Power's Proposed Rate Changes to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities.*

is marked by resource deficit in both annual energy, and capacity. The Company represents this deficiency occurs in 2024 and beyond.

Consistent with this approved method, avoided energy cost in dollars per megawatt-hour in the short run period is calculated using GRID. The avoided energy cost is calculated as the difference in energy cost between the existing system and the cost which occurs when a 10 megawatt, zero-cost resource is added to the Company's system resources and can be viewed as the highest variable cost incurred to serve total system load from existing and non-deferrable resources. The avoided summer capacity cost in dollars per kilowatt-year during this period is based on the fixed cost, plus variable operation and maintenance cost of a simple cycle combustion turbine ("SCCT") for the number of months the Company indicates it is capacity deficient. The combination of the avoided firm capacity costs and the avoided energy costs determines the total avoided cost during the short run.

The expected costs of a proxy plant, shown to be least-cost in the Company's IRP, are used to estimate avoided long run capacity and energy costs beginning in 2024 and for the remaining years of the analysis. The Company models these costs using a CCCT with duct-firing.

To compare the proposed Schedule 37 rates to existing Schedule 37 rates, the Company provides a levelized annual price using an assumed capacity factor over a 20-year contract starting in 2013. The proposed updated 20-year levelized price, as shown in the Company's Amended Filing, assuming an 85 percent capacity factor, is \$51.96 per megawatt-hour. This proposed price is about 19.3 percent lower than the 20-year levelized price of \$64.36

per megawatt-hour based on the same 20-year period using current Schedule 37 prices last approved in 2011.

In the November 2012, Order, the Commission indicated it will rely on the Company's IRP process and the Company's planned actions as articulated in its IRP or IRP Update action plans as the basis for identifying the type and timing of a deferrable resource and therefore the time period in which the proxy plant method will be used to calculate energy and capacity payments for Schedule 37 during the period of resource deficiency. We note the Company's Appendix 1, Table 2 included in both the original May 31, 2013, filing and the Amended Filing presents the timing of deferrable resources as listed in Table 8.7 of the Company's 2013 IRP. Table 1 shows that the Company intends to acquire a 423 megawatt CCCT in 2024. The Company indicates this marks the start of the avoided cost resource deficiency period.

The Company also asserts that while the IRP action plan now governs the determination of the resource deficit period, a GRID-based load and resource balance is still required to determine the number of months during the resource sufficiency period in which the Company is capacity short. The Company prepared a GRID-based load and resource balance, both on an energy and capacity basis, using the existing resource portfolio from its 2013 IRP and included the results in Confidential Appendix 3 of its filing.

The Company previously indicated the Schedule 37 energy load and resource balances differ from the load and resource balances shown in the IRP for two reasons. First, the Schedule 37 load and resource balances are reflective of updated planning assumptions, including updates to load forecasts and long-term sales and purchase contracts. Secondly, unlike

the IRP approach where the annual energy contribution from natural gas-fired resources is based on plant operation modeled at full capacity after adjusting for planned and unplanned outages, the Schedule 37 approach models the annual energy output from natural gas-fired plants at the levels these plants are forecast to be operationally committed in GRID. According to the Company, this results in a lower energy contribution.<sup>6</sup>

We find the Company's July 8 Response adequately addresses the issues raised in our June 28 Order. In addition, the Company's filing appears to rely on the 2013 IRP as the basis for identifying the type and timing of a deferrable resource and therefore the time period in which the proxy plant method will be used to calculate energy and capacity payments for Schedule 37 during the period of resource deficiency. This is consistent with the clarification we provided in our November 2012 Order.

Based on the Division's recommendations, the Company's July 8 Response, and its Amended Filing responses, and finding that no party opposes the Company's proposed changes to Schedule 37 avoided costs, we find the Company's proposed rates in its June 24, 2013, Amended Filing are reasonable, and we approve those rates.

ORDER

Pursuant to the foregoing discussion, findings and conclusions made herein, we

ORDER:

1. The avoided cost rates contained in PacifiCorp's Amended Filing to change rates for Electric Service Schedule No. 37, P.S.C.U. Tariff 49 dated June 24, 2013, are approved with an effective date of July 29, 2013.

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<sup>6</sup> See Docket No. 12-035-T10, *RMP Avoided Cost Calculation*, Appendix 2, pp. 2-3 (September 25, 2012). See also, *RMP Avoided Cost Calculation*, Appendix 2, p.3, footnote 3, Amended Filing.

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DATED at Salt Lake City, Utah, this 17<sup>th</sup> day of July, 2013.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg  
Commission Secretary  
DH#245773

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.

CERTIFICATE OF SERVICE

I CERTIFY that on the 17<sup>th</sup> day of July, 2013, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

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

Dave Taylor ([dave.taylor@pacificorp.com](mailto:dave.taylor@pacificorp.com))  
Rocky Mountain Power

By Hand-Delivery:

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Office of Consumer Services  
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Administrative Assistant