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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services
Michele Beck, Director
Béla Vastag, Utility Analyst

Date: October 31, 2014

Subject: Office of Consumer Services Issues List. Docket No. 14-035-140, Review of Electric Service Schedule No. 38, Qualifying Facilities Procedures and Other Related Procedural Issues

Introduction

On October 27, 2014, the Utah Public Service Commission (Commission) issued a Notice of Status and Scheduling Conference (Notice) regarding two recent filings made by Rocky Mountain Power (Company): 1) the August 22, 2014 filing in Docket No. 14-035-40[1] and 2) the October 9, 2014 filing in Docket No. 12-035-100[2]. Both of these filings address issues which impact the method used to determine avoided cost pricing for Qualifying Facilities (QFs) under Schedules 37 and 38. The Office of Consumer Services, as well as other parties, has also raised additional issues in the recent Schedule 37 proceeding[3] and in various QF Power Purchase Agreement (PPA) proceedings concerning the methods used in QF pricing and the procedures used for developing QF PPAs.

The Commission's October 27, 2014 Notice opened a new proceeding in Docket No. 14-035-140 for the comprehensive consideration of QF-related issues such as those discussed above. The Commission has asked interested parties to file comments by October 31, 2014 listing the issues to be considered in this new proceeding. These issues lists are in preparation for the Status and Scheduling Conference which was set in the Notice for November 6, 2014.

[1] Docket No. 14-035-40, In the Matter of Rocky Mountain Power's 2014 Avoided Cost Input Changes Quarterly Compliance Filing. The Company filed its 2014.Q2 Schedule 38 avoided cost update which reported changes from its 2014.Q1 Quarterly Compliance Filing that was filed on April 8, 2014.
[2] Docket No. 12-035-100, In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts. The Company filed its capacity contribution study for wind and solar resources in compliance with the Commission's August 16, 2013 Order in this docket.
[3] Docket No. 14-035-T04.

Office of Consumer Services Issues List

The Office of Consumer Services submits the following list of issues for consideration in this proceeding.

1. Issues Related to QF Avoided Cost Modeling

   - How should the proposed EPA 111(d) requirements and/or hypothetical CO_2 taxes affect the Official Forward Price Curve (OFPC) and other modeling parameters.
   - Review of the Company's wind and solar capacity contribution study filed on October 9, 2014.
   - How to handle transmission constraints caused by large numbers of QFs connecting to the Company's system.
   - Determination of what changes to modeling require Commission approval and what types of changes can simply be noted in quarterly filings.

   Discussion:

   The first three bullets in this section are specific avoided cost modeling issues that must be addressed. All three are recent developments that will likely have an impact on the modeling of QF prices. Prior to the Company taking action on these issues in the development of Schedule 37 and 38 pricing, the Commission should take input from all interested parties to ensure that these issues are appropriately implemented in avoided cost modeling. This newly opened docket provides a forum for efficiently addressing all three of these emerging issues.

   The Office asserts that the last bullet in this section involves a more comprehensive view of the modeling process and that it is critical that it be addressed in this new proceeding. Presently, the Company has a practice of unilaterally making changes to its avoided cost modeling which then requires other parties to raise concerns and challenge the changes, if necessary. This process appears to shift the burden of demonstrating that the changes are reasonable away from the Company. The Office believes that it will be helpful to ensuring just and reasonable rates for the Commission to take evidence on these changes and ultimately provide guidance on what types of modeling changes are significant enough that the Company must request approval to implement rather than simply incorporate such changes in its quarterly updates.

2. Issues Related to Procedures for QF PPAs

- Should QFs be required to have a signed Interconnection Agreement prior to entering into a PPA.
- Should QFs be required to have a Scheduled Commercial Operation Date that is within a limited timeframe (e.g. no more than two years) from PPA signing date.
- Should there be a required time limit after which PPA pricing must be refreshed prior to PPA signing, e.g. if pricing is more than 3 months old.
- Should a QF be allowed to hold its position in the QF queue indefinitely or should there be a time limit by which a QF must meet certain milestones (such as have the PPA signed and approved by the Commission) and absent such progress require the QF to be moved to the end of the queue.

Discussion:

The first three bullets in this section relate to concerns that the current Schedule 38 process may allow too much discretion on the part of the Company in terms of timelines and certain requirements. The Office would like these issues addressed both to ensure comparable treatment among QFs as well as to ensure that ratepayer indifference (via pricing policies) is maintained.

The fourth bullet in this section addressing queue management is a complex issue that warrants evaluation now that we have experience observing the wide variability that QFs have in the progression of their development. It is important to consider a project's impact on the queue and consequently on pricing for subsequent potential projects. The Office's concern is that current policies may be allowing projects with a low likelihood of becoming operational to tie up the queue such that projects with greater likelihood of becoming operational are offered much lower pricing such that it reduces their viability. The Office's goal would be to find a method to manage these issues that maintains ratepayer indifference, provides comparable treatment to potential QF projects, and does not result in undue barriers to QF development.

CC: Chris Parker, Division of Public Utilities
David L. Taylor, Rocky Mountain Power
Service List