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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's
Schedule No. 37, Avoided Cost Purchases
From Qualifying Facilities

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Docket Nos. 14-035-55, 14-035-T04

Utah Office of Consumer Services Reply to
Rocky Mountain Power's Petition For
Reconsideration Review Or Rehearing Of The
Commission's December 30, 2014 Order On
Review And Motion For Stay

Pursuant to Utah Code Sec. 54-7-15 and Utah Administrative Code 746-100-11 the Utah Office of Consumer Services ("Office") respectfully files this Reply to Rocky Mountain Power's Petition for Reconsideration of the Commission's December 30, 2014 Order on Review.

INTRODUCTION

On May 7, 2104 Rocky Mountain Power ("RMP") or ("Company") filed Advice No. 14-04 proposing revisions to Electric Service Schedule No. 37 ("Schedule 37") seeking to modify the method for calculating avoided costs for Qualifying Facilities ("QF"). These revisions included: (a) recognizing integration costs for wind and solar QFs; (b) adjusting the capacity

contribution of solar resources avoided costs; (c) eliminating the option for a QF to be paid a separate rate for its capacity and energy; (d) excluding the capacity costs based on a Simple Cycle Combustion Turbine (“SCCT”) during periods of resource sufficiency; and (e) removing the assumed future taxes on carbon dioxide (“CO2”) from the Official Forward Price Curve (“OFPC”) used in the avoided cost calculations . The Office supported each of the proposed revisions.

On October 21, 2014 The Public Service Commission of Utah (“Commission”) issued an Order “(October Order”) granting all of RMP’s requested changes and directing the Company to file possible adjustments reflecting on-peak and off-peak rates in the sufficiency period.

On November 20, 2014 a number of interveners filed a request for reconsideration which was granted by the Commission. The petitioners requested removal of wind and solar integration costs and reinstatement of the capacity and energy payment option, reinstatement of the SCCT capacity component and reinstatement of the projected CO2 costs in the OFPC. On December 30, 2014 the Commission issued its Order on Review (“Order on Review”). The Order on Review modified the October Order by reinstating the capacity and energy payment option and reinstating the SCCT capacity cost. Other provisions of the October Order remained in effect.

On January 9, 2015 the Company filed a Petition for Reconsideration, Review, or Rehearing of the December 30 Order (“January 9th Petition”) arguing that the Commission erred in reinstating the capacity and energy payment option and the use of the SCCT.

On January 16, 2014 the Commission issued a Notice of Intent to Alter Order on Review and Order Staying Portion of Order on Review (“January 16 Order”) pursuant to Utah Code Ann. §54-7-14.5. In the January 16 Order the Commission referenced the still pending RMP

petition for reconsideration of the Order on Reconsideration and determined that the Commission had erred in overlooking Company testimony regarding the energy and capacity payment options. Based on that evidence the Commission stated its intent to remove the option for a QF to be paid a separate rate for capacity and energy. The Commission invited parties to comment on the Notice of Intent on or before Monday, February 2, 2015.

ARGUMENT

A. Use of SCCT Capacity Costs During Periods of Resource Sufficiency is inconsistent with State Law and violates federal ratepayer neutrality requirements.

Utah Code Annotated §54-12-2 (2) requires the Commission set reasonable rates considering the utilities “avoided costs” and that “[t]he capacity component of the avoided costs *shall reflect the purchasing utility’s long term deferral or cancellation of generating units which may result from the purchase of power from qualifying power producers.*” (Emphasis added)

The Commission by its own analysis correctly notes that “...it is true that PacifiCorp does not currently plan to build a resource like an SCCT to meet its short term capacity constraints...” (Order on Review Page 14) If there is no plan to build a generating unit in the short term, then there can be no attribution of avoided capacity costs for deferral or cancellation. This is not to say that there is no measurement of avoided capacity. Rather, the plain reading of the statute says the measure of avoided capacity tied to deferral or cancellation of specific type of generating unit is zero.

The Commission found in its Order on Phase II Issues issued August 16, 2013 in Docket No. 12-035-100 that displacing Front Office Transactions (FOTs”) as determined by the GRID model during the sufficiency period includes the avoided cost of capacity. “Thus, the inclusion of additional capacity value when a FOT is displaced would over-compensate the QF and violate

the ratepayer neutrality objectives.” (id at 35-36). As the Company correctly points out on page 11 of its Petition, there is no material difference between Schedule 38 and Schedule 37 in identifying the source of capacity costs avoided by QFs during a resource sufficiency period. Specifically, both methods defer wholesale market purchases which contain a capacity value and both methods rely on the Company’s Integrate Resource Plan (“IRP”) to determine the timing of resource sufficiency. Because there is no material difference in the way capacity value is determined between Schedule 37 and Schedule 38, adding capacity costs based on a SCCT during periods of resource sufficiency yields excessive payments and violates the PURPA principle that rate payers be indifferent to QF pricing based on avoided costs.

Given that the volumetric pricing recognizes capacity contribution through deferral of wholesale market transactions, a comparison of Table 2 and Table 3 in RMP’s petition demonstrates that the inclusion of SCCT based capacity payments produces substantially inflated QF prices. When volumetric rates for Base Load, Fixed Solar and Tracking Solar without SCCT included in Table 2 are compared to the same rates including SCCT in Table 3 the difference becomes obvious. Including SCCT increases the cost between \$7.03/MWh and \$10.50/MWh which represents price increases ranging between 15.5% and 22.9%. The inclusion of SCCT-based capacity costs is clearly excessive and violates the requirement of ratepayer indifference under federal and state law and should not be allowed.

B. The Company Provided Sufficient Evidence to Demonstrate that the Capacity and Energy Payment Options Produce Materially Different Payments in Violation of Ratepayer Indifference

In its January 9th Petition the Company pointed out that in direct testimony Mr. Duvall had provided an analysis comparing the results of the capacity and energy payment option and

volumetric pricing using Commission ordered interim capacity contribution values for the intermittent resources. It is clear from this table that there is a material difference in the amount paid to a QF depending on which method is employed. Specifically QFs payments for fixed solar vary between \$54.39/MWh using the capacity and energy method and \$43.77 /MWh using volumetric pricing for a difference of \$10.62 /MWh. Likewise tracking solar yields \$51.51/Mh for capacity and energy method and \$45.81/MWh using volumetric pricing for a difference of \$5.70/MWh between the two.

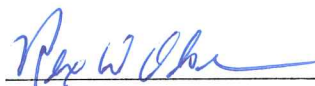
This difference in payment clearly demonstrate that the two methods yield materially different prices for an identically situated QF. There is ample evidence in the record to support the elimination of the capacity/energy option in order to maintain ratepayer indifference for such QF pricing.

CONCLUSION

Based on the foregoing, the Office respectfully requests that the Commission reconsider its Order on Review and eliminate the capacity and energy payment option and eliminate the inclusion of SCCT capacity costs during the sufficiency period in calculating Schedule 37 reimbursement.

DATED this 26th day of January, 2015.

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CERTIFICATE OF SERVICE

I CERTIFY that on the 26th day of January, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

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