



GARY HERBERT  
Governor  
SPENCER J. COX  
Lieutenant Governor

State of Utah  
Department of Commerce  
Division of Public Utilities

FRANCINE GIANI  
Executive Director

THOMAS BRADY  
Deputy Director

CHRIS PARKER  
Director, Division of Public Utilities

MEMORANDUM

To: Utah Public Service Commission

From: Division of Public Utilities  
Chris Parker, Director  
Artie Powell, Manager, Energy Section  
Sam Liu, Utility Analyst  
Charles Peterson, Technical Consultant

Subject: Docket No. 14-035-55/Docket No. 14-035-T04 Schedule 37 Avoided Cost Purchases for Qualifying Facilities (QF).

Date: February 20, 2015

**RECOMMENDATION: (Correct and Refile)**

Based upon its review of the January 23, 2015 compliance filing in these dockets, the Division of Public Utilities (Division) recommends that the Commission order PacifiCorp (Company) to make certain corrections identified below. In addition to the corrections, the Public Service Commission of Utah (Commission) may wish to hold a hearing on the proper procedure for including integration costs for solar QFs. While the Company's proposed method is defensible, there are possibly unintended consequences associated with the Company's method.

**BACKGROUND**

These dockets were originally initiated when PacifiCorp, dba Rocky Mountain Power, made its annual update to Schedule 37 on May 7, 2014 wherein it proposed substantial changes to that Schedule. After a lengthy procedural process, the Commission issued an Order on January 16,

2015 in which it generally approved the concepts found in the original filing which were to provide separate schedules for “base load,” “wind,” “solar-single tracking,” and “solar-fixed” based upon volumetric prices. The one significant change from the original filing was that the Commission ordered the continuation of using a simple cycle combustion turbine (SCCT) gas plant as a capacity resource to be deferred during the resource sufficiency period, even though PacifiCorp has no plans for acquiring such a resource during that time frame. Subsequent orders by the Commission were issued on February 2, 2015 and February 13, 2015 largely confirming this view. On January 23, 2015, the Company filed updated tariff sheets based upon the current Commission orders in this matter.

In its February 13, 2015 order, the Commission required the Division to file comments on the Company’s latest tariff filing by February 20, 2015. This memorandum, outlining the Division’s investigation and conclusions, is in response to the Commission’s order.

## **ANALYSIS**

The Company originally proposed to have separate volumetric price lists for different types of generator technologies. The “base load” schedule would be used for any facility that was not a wind or solar generator. A “wind” price list would be available to wind developers; two solar price lists would be available to solar fixed axis plant and solar single axis tracking plant. This was a departure from the previous price lists of Schedule 37 which had a general volumetric list and a capacity and energy price list. A developer could choose between the two lists regardless of the generation technology used. However, there was a provision in the tariff for wind developers: “[a] Wind Facility taking the capacity and average energy price option, will be paid a reduced capacity payment equal to 20% of the Capacity Price multiplied by the Capacity kW.” There were no separate provisions for solar generation.

An additional change proposed by the Company was the removal of a SCCT gas facility that was used as a plant that could be deferred during the resource sufficiency period. The SCCT resource had been part of Schedule 37 price calculations for some time. After first agreeing with the

Company (with the support of the Division) in an October 2014 order that removed the SCCT plant, the Commission reversed itself on reconsideration and ordered that the SCCT plant remain as a deferrable plant although the Company contemplates acquiring no such plant in the foreseeable future. This is where the matter lies today. The Company refiled Schedule 37 price lists with the SCCT plant included on January 23, 2015.

In addition to the changes to Schedule 37 described above, the Company made other, more routine, changes to the Schedule 37 calculations including updating the Company's official forward price curves for natural gas and electricity to their March 31, 2014 values. Carbon taxes were removed from the electricity prices pursuant to the Commission's order in Docket No. 12-035-100.

The Division has reviewed the numerical calculations that resulted in the Schedule 37 price lists and also held an informal conference call with Company representatives to go over questions the Division had. Other than the exceptions and concerns explained below, the Division believes that the tariff sheets filed accurately reflect the Commission's orders in this matter and should be acknowledged after the correction of an error in the wind integration costs and possibly after further adjudication of the Division's additional concerns regarding the solar integration costs discussed below.

On Table 12 of the Company's filing are set forth wind integration costs for "Inter-hour Wind Integration Costs," "Intra-hour Wind Integrations Costs," and "Total Wind Integration Costs." The Company used the "Total" column in reducing the volumetric prices for wind QFs. However, in reviewing the source documents for Table 12, the Division discovered that the values in the "Intra-hour Wind Integrations Costs" column already included the "Inter-hour Wind Integration Costs." In other words, the "Total" column double counts the "Inter-hour Wind Integration Costs." The Division recommends that the Commission direct the Company to correct the wind integration charges and re-file the Schedule 37 tariff sheets.

The Division has some concerns about the way the Company incorporated the solar integration charges into its calculations. In Docket No. 12-035-100 the Commission adopted \$2.18/MWh for tracking solar facilities and \$2.83/MWh for fixed axis solar facilities which were derived as percentages of the \$4.35/MWh levelized wind integration the Company calculated in that docket. In an order dated October 4, 2013 in Docket No. 12-035-100, the Commission clarified that

In the August Order, use of the wind integration charge as a basis to derive solar integration charges was not intended to be permanent. Rather, in the absence of a solar integration study, we accepted the Utah Division of Public Utilities proposal to apply 65 percent and 50 percent of PacifiCorp's wind integration charges to fixed solar and tracking solar resources, respectively. We therefore directed PacifiCorp to apply a solar integration charge of \$2.83 per megawatt hour for Fixed Solar resources and a \$2.18 per megawatt hour solar integration cost for Tracking Solar resources based on the wind integration charge of \$4.35 per megawatt hour levelized starting in 2013. We further noted these values will remain in effect pending PacifiCorp filing a solar integration study. To that end, we fully anticipate that PacifiCorp will file a solar integration study in the near future.<sup>1</sup>

The Company still has not filed a solar integration study. The Division interprets the Commission's conclusion to mean that solar integration charges would not update as the Company periodically updated its wind integration charges. Rather, the integration charges would remain in effect until PacifiCorp filed a separate solar integration study.

In this docket, based upon its interpretation of the Commission's October 3, 2013 order cited above, the Company inserted exactly \$2.18/MWh and \$2.83/MWh in each year of its solar avoided cost calculations. While this has a minimal effect on developers who choose the levelized rates, there is a front-loading of integration costs for those who choose the annual prices. This means that a developer who also has front-loaded development costs has to wait until the later years of the price list to recoup the higher up-front integration costs. While the Division believes that the Company's position is defensible given the Commission's previous rulings, it is concerned that this may result in an unintended consequence. An alternative would

---

<sup>1</sup> "Order Granting in Part and Denying in Part Rocky Mountain Power's Petition for Review and Clarification," October 4, 2013, page 14.

be to insert the original annual dollar amounts from Docket No. 12-035-100 that gave rise to the \$4.35/MWh levelized wind integration figure and multiply those amounts by the respective percentages to arrive at the annual solar integration charges. The Commission might consider holding a hearing on this matter.

### **CONCLUSIONS AND RECOMMENDATIONS**

Based upon the above outlined analysis, the Division recommends Commission approve the filed Schedule 37 tariff sheets after the Company corrects the wind integration calculations discussed above. In making this recommendation the Division notes that as discussed in previous filings made in this docket, it continues to believe that the inclusion of the SCCT facility does not lead to results that are just, reasonable and in the public interest.

The Commission might consider holding a hearing on the correct application of the interim solar integration charges.

CC: Bob Lively, PacifiCorp  
Michele Beck, Office of Consumer Services  
Service List