

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Rocky Mountain Power's)
Fossil Fuel Energy Efficiency Standard Plan) DOCKET NO. 14-035-56
) REPORT AND ORDER
)

ISSUED: September 3, 2014

PROCEDURAL HISTORY AND BACKGROUND

On April 30, 2014, in accordance with prior Utah Public Service Commission (“Commission”) orders in Docket No. 06-999-03,¹ Rocky Mountain Power, dba PacifiCorp (“PacifiCorp”), filed its 2014 Fossil Fuel Heat Rate Improvement Plan (“2014 HRIP”). On May 1, 2014, the Commission issued a Notice of Filing and Comment Period, with comments due by May 30, 2014, and reply comments due by June 16, 2014. On May 30, 2014, the Division of Public Utilities (“Division”) and the Office of Consumer Services (“Office”) filed comments on the 2014 HRIP. No other parties filed comments and no parties filed reply comments.

SUMMARY OF THE 2014 HRIP

The 2014 HRIP was submitted by PacifiCorp in accordance with previous Commission orders and describes an overall heat rate strategy to minimize heat rate losses in PacifiCorp’s operating plants. In the 2014 HRIP PacifiCorp identifies the following three main activities to improve system heat rate and minimize losses: 1) maintaining an emphasis on the

¹ See *In the Matter of the Consideration of the Amendment of 16 U.S.C. § 2621 - Consideration and Determination Respecting Certain Ratemaking Standards for Electric Utilities by the Energy Policy Act of 2005*, See August 10, 2007, Determination Concerning the PURPA Fossil Fuel Generation Efficiency Standard and the November 30, 2010, Order Modifying Filing Schedule for Rocky Mountain Power’s Fossil Fuel Generation Efficiency Annual Plan, Docket No. 06-999-03.

continuous improvement of existing generating fleet efficiency; 2) adding new fossil fuel generation with improved efficiency; and 3) retiring old and less efficient fossil fuel units.

While previously filed heat rate improvement plans (“HRIPs”) included only coal fired plants, the 2014 HRIP includes combined cycle gas plants owned and operated by PacifiCorp Energy. The plan describes the key items that specifically support PacifiCorp’s ongoing heat rate management and improvement process as it applies to the fossil fuel generation fleet. PacifiCorp also provides a list of 21 proposed projects through 2023, at an estimated cost of \$936 million, all of which will cause the heat rate to increase as a result of environmental upgrades to the coal plants. The 2014 HRIP includes graphs comparing actual versus forecast heat rates and a 5-year historical trend of the net heat rate index.

At the direction of the Commission, the 2014 HRIP has been modified to address the concerns raised by the Division and the Office in Docket No. 13-035-69.² In addition, PacifiCorp met with the Commission staff and interested parties on January 29, 2014, to receive further input on the 2014 HRIP. PacifiCorp has modified the 2014 HRIP from previous plan reports to reflect suggestions by the Commission and other interested stakeholders.

DIVISION AND OFFICE’S COMMENTS

The Division reviewed the 2014 HRIP and concludes that it complies with the intent of the Commission’s previous orders. The Division recommends the Commission acknowledge the 2014 HRIP but offers comments and recommendations for future plan improvements.

² See *In the Matter of Rocky Mountain Power’s Fossil Fuel Heat Rate Improvement Plan for 2013*, Docket No. 13-035-69 (Report and Order; July 11, 2013).

The Division acknowledges the 2014 HRIP provides useful information focused on key heat rate improvement initiatives and includes combined cycle gas plants owned and operated by PacifiCorp. The Division observes PacifiCorp's efforts to improve fossil fuel generation fleet efficiency focus on three main activities. However, the Division notes the discussion of heat rate management in the 2014 HRIP primarily focuses on coal plants. The Division requests that future HRIPs identify any specific problems and mitigation measures for the combined cycle combustion turbines ("CCCTs").

The Division observes that the efficiency of generating units, primarily measured by heat rate, degrades gradually as components wear over time. During the operation of the fossil fuel generation units, controllable processes are adjusted to optimize the unit's power output compared to its heat input. Turbine, boiler, and balance of plant improvements contribute to improved efficiency and increased availability, and are included during planned overhauls. The Division requests future HRIPs include expanded discussion of the controllable parameters referenced on page 11 of the 2014 HRIP under Heat Rate Management and Improvement.

The Office appreciates the effort PacifiCorp has made to improve the 2014 HRIP and acknowledges it contains significantly more background information and data on PacifiCorp's fossil fuel fleet heat rates than in previous HRIPs. The Office claims that although PacifiCorp mostly met the three directives from the Commission's Order in Docket No. 13-035-69, the 2014 HRIP does not fully comply with that Order because there is no discussion on the availability of the units with the best heat rates. The Office observes the four Jim Bridger Units and Huntington Unit 1 have the best incremental costs per kilowatt hour among all of the

PacifiCorp-operated fossil fuel plants and have the best incremental heat rates among the coal fired plants. According to the Office, PacifiCorp should have included a discussion, as directed by the Commission in Docket No. 13-035-69, on the availability of those plants in the 2014 HRIP.

The Office observes that the 2014 HRIP provides an extensive discussion of the factors that affect the efficiency of the steam processes involved in electricity generation. Some of this discussion also would apply to CCCT gas plants but overall the discussion appears to focus primarily on the operation of coal plants. The Office believes a section devoted to discussing the factors that are unique to the efficiency of a gas plant would also be useful.

The Office notes that while the 2014 HRIP is very informative, it is essentially just a report on fossil fuel heat rates and could be improved by providing an action plan on how PacifiCorp will increase the efficiency of its fossil fuel generation in the future. Regarding future HRIPs, the Office recommends PacifiCorp: 1) provide information on the historical availability of its least cost/best heat rate units and on its plans to improve the availability of these units; 2) include a section discussing factors unique to the efficiency of its gas powered generating units; and 3) include an action plan detailing the steps it plans to take to improve heat rates in the future.

DISCUSSION AND CONCLUSIONS

We commend PacifiCorp's effort in continually improving the format and content of the HRIP. The Commission values the plan and views its annual filing as a useful tool in understanding and tracking PacifiCorp's efforts over time to optimize the efficient use of its

generation fleet. The Commission acknowledges the concerns raised by the Division and the Office and we encourage PacifiCorp to address those comments in future plans. In addition to the information currently provided, we encourage PacifiCorp to dialogue with interested parties about appropriate ways to provide the following in future HRIPs:

1. An expanded discussion of specific factors that affect heat rate in CCCTs and measures taken to improve those units.
2. An expanded discussion identifying PacifiCorp's coal and gas units with the best heat rates, discussing the availability of those units, and indicating actions that will be taken to improve the availability of those units in the future.
3. An expanded discussion of the controllable Heat Rate Management and Improvement parameters identified on page 11 of the 2014 HRIP.

ORDER

1. The Commission acknowledges the 2014 HRIP and encourages PacifiCorp to address the comments and suggestions raised by the Division and the Office in its 2015 HRIP.
2. PacifiCorp shall convene a meeting with interested parties by February 1, 2015, to discuss the reporting suggestions made in this order and to receive additional input on the format and content of the 2015, and future, HRIPs.

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DATED at Salt Lake City, Utah, this 3rd day of September, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#260115

CERTIFICATE OF SERVICE

I CERTIFY that on the 3rd day of September, 2014, 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)
PacifiCorp

Dave Taylor (dave.taylor@pacificorp.com)
Rocky Mountain Power

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Assistant Utah Attorneys General

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, UT 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, UT 84111

Administrative Assistant