

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Rocky Mountain Power's)
Proposed Electric Service Schedule No. 32,)
Service from Renewable Energy Facilities)
)

DOCKET NO. 14-035-T02

REPORT AND ORDER

ISSUED: March 20, 2015

SHORT TITLE

**Rocky Mountain Power Electric Service Schedule No. 32
"Service from Renewable Energy Facilities"**

SYNOPSIS

The Commission approves PacifiCorp's Schedule 32 tariff sheets as proposed and amended at hearing with certain modifications. The Commission approves: an administrative fee of \$110 per month per generating source and \$150 per month for each delivery point; the Office of Consumer Services' proposal to apply various surcharges/credits to Schedule 32; the Utah Association of Energy Users' proposed delivery charge; and PacifiCorp's proposed daily power charge.

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I. BACKGROUND

In 2012 the Utah State Legislature enacted Senate Bill 12 (“SB12”), effective May 8, 2012, which added Part 8, “Renewable Energy Contracts,” (“REC”)¹ sections 54-17-801 through 805, to Utah Code Ann. (“UCA”) Title 54, Chapter 17. Part 8 enables a contract customer (“Contract Customer”)² to receive electricity directly from a renewable energy facility (“REF”)³ under the following conditions (“REC Statute”). First, the amount of renewable electricity provided to the Contract Customer under a REC must be two megawatts (“MW”) or greater. Second, the Contract Customer must pay the incremental costs associated with metering facilities, communication facilities, and administration. Third, the Contract Customer must pay for the use of transmission or distribution facilities at a qualified utility’s applicable rates.⁴ The Contract Customer’s electric service requirements beyond those provided by the REF will be provided by a qualified utility, in this case PacifiCorp, dba Rocky Mountain Power (“PacifiCorp”), at the applicable tariff rates.

Since SB12 became law PacifiCorp indicates it has received inquiries from numerous customers, cities, and renewable energy developers expressing interest in providing or receiving renewable energy service under §§ UCA 54-17-801 *et seq.* To provide guidance to potential

¹ UCA § 54-17-801(3) “Renewable energy contract” means a contract under this part for the delivery of electricity from one or more renewable energy facilities to a contract customer requiring the use of a qualified utility’s transmission or distribution system to deliver the electricity from a renewable energy facility to the contract customer.

² UCA § 54-17-801(1) “Contract customer” means a person who executes or will execute a renewable energy contract with a qualified utility.

³ UCA § 54-17-801(4) “Renewable energy facility”: (a) except as provided in Subsection (4)(b), means a renewable energy source defined in Section 54-17-601 that is located in the state; and (b) does not include an electric generating facility whose costs have been included in a qualified utility’s rates as a facility providing electric service to the qualified utility’s system.

⁴ UCA § 54-17-801(2) “Qualified utility” means an electric corporation that serves more than 200,000 retail customers in the state.

Contract Customers and to avoid the need to negotiate the rates and terms of service individually with each Contract Customer, PacifiCorp developed and proposed for Public Service Commission of Utah (“Commission”) approval Electric Service Schedule No. 32, Service from Renewable Energy Facilities (“Schedule 32”) to be applicable to all Contract Customers taking service under the provisions of UCA §§ 54-17-801 *et seq.*

II. PROCEDURAL HISTORY

On April 25, 2014, PacifiCorp filed Advice Letter 14-02 requesting approval of proposed Schedule 32 for inclusion in PacifiCorp’s P.S.C.U. Tariff No. 49.⁵ The proposed Schedule 32 governs the conditions of service, pricing, and the contracting and interconnection procedures under which PacifiCorp will enter into a REC to supply electric service to a Contract Customer from one or more REFs that are owned by or contractually tied to that Contract Customer.

On April 28, 2014, the Commission issued Notices of Filing and Scheduling Conference to be conducted on May 7, 2014. On April 29, 2014, the Utah Association of Energy Users (“UAE”) and SunEdison requested a continuance of the scheduling conference until May 14, 2014, which the Commission granted. On April 29, 2014, the Commission issued an amended notice of scheduling conference. On May 16, 2014, the Commission issued a Scheduling Order and Notices of Technical Conferences and Hearing (“May 16 Order”). The May 16 Order provided notice of a technical conference that was conducted on June 10, 2014.

⁵ Since the date of Advice Letter 14-02, the Commission approved P.S.C.U. Tariff No. 50 on October 8, 2014, in Docket No. 14-035-T10, “In the Matter of Rocky Mountain Power's Tariff Sheets in Compliance with the Commission's Report and Order in Docket No. 13-035-184, dated August 29, 2014.”

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Pursuant to the May 16 Order, PacifiCorp filed direct testimony on July 10, 2014, including a revised Schedule 32 updated to reflect the cost of service study (“COS Study”), the stipulated revenue requirement, and the approved rates for Electric Service Schedule Nos. 6, 8, and 9 (“Schedules 6, 8, and 9”)⁶ approved by the Commission in PacifiCorp’s 2014 General Rate Case (“2014 GRC”) in Docket No. 13-035-184.⁷ In addition, PacifiCorp corrected two errors and presented minor language changes to the proposed tariff sheets.

On July 31, 2014, the Commission issued a request for comments on the need for the August 12, 2014, technical conference referenced in the May 16 Order. On August 5 or 6, 2014, Utah Clean Energy (“UCE”), Ormat Technologies, Inc. (“Ormat”), eBay Inc. (“eBay”), and Energy of Utah LLC (“EOU”) filed comments in support of a second technical conference and suggested relevant discussion topics. On August 6, 2014, the Commission issued an order confirming the procedural schedule set forth in the May 16 Order. On August 12, 2014, the second technical conference was conducted during which PacifiCorp discussed Schedule 32 billing examples.

Between May 20, 2014, and September 23, 2014, the following parties requested intervention in this docket which the Commission granted: Ormat, EOU, Interwest Energy Alliance (“Interwest”), Wal-Mart Stores, Inc. and Sam’s West, Inc. (collectively, “Walmart”), Utah Clean Energy (“UCE”), UAE, Powdr Corp., eBay, and the University of Utah (“U of U”).

⁶ These schedules, applicable to large commercial and industrial customers, are entitled Schedule No. 6, “General Service Distribution Voltage,” Schedule No. 8, “Large General Service 1,000 kW and Over Distribution Voltage,” and Schedule No. 9, “General Service Transmission Voltage.”

⁷ Docket No. 13-035-184, “*In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*” (Report and Order; August 29, 2014).

On September 9, 2014, direct testimony was filed by the Division of Public Utilities (“Division), the Office of Consumer Services (“Office”), UAE, Powdr Corp., UCE, and Ormat, followed by Walmart on September 10, 2014, and by EOU on September 11, 2014. On September 10, 2014, Interwest filed comments.

On October 9, 2014, rebuttal testimony was filed by PacifiCorp, the Division, the Office, EOU, and UCE. PacifiCorp’s rebuttal testimony presented two form contracts to be used in conjunction with Schedule 32. PacifiCorp’s rebuttal testimony presents Schedule 32 rates for Contract Customers of less than 1 MW in size that would be applicable to Schedule 6 customers.⁸ On October 20, 2014, PacifiCorp filed a motion to amend the schedule which the Commission granted on the same day.

On December 2, 2014, surrebuttal testimony was filed by PacifiCorp, the Division, the Office, UCE, and UAE. Additionally, Salt Lake City Corporation filed a petition to intervene out of time (“Petition) and surrebuttal testimony. PacifiCorp’s surrebuttal testimony presents the most current version of Schedule 32 tariff sheets incorporating the changes introduced in PacifiCorp’s rebuttal testimony. On December 3, 2014, Interwest filed surrebuttal comments. On December 4, 2014, Interwest filed a motion to be excused from the December 9, 2014, hearing.

On December 5, 2014, Salt Lake City Corporation filed a motion to withdraw its Petition and surrebuttal testimony filed on December 2, 2014, and, alternatively, filed public comment. In addition, the Office filed a reply to Interwest’s motion to be excused from the December 9, 2014, hearing.

⁸ UCA § 54-17-802(3)(a) enables a single Contract Customer to aggregate multiple metered delivery locations to satisfy the minimum 2 megawatt contract limit requirement.

On December 9, 2014, the Commission conducted a hearing addressing PacifiCorp's proposed Schedule 32 ("December 9 Hearing"). Representatives of PacifiCorp, the Division, the Office, UCE, UAE, and Wal-Mart provided sworn testimony during the hearing. At the December 9 Hearing, the Commission clarified that the written testimony of parties who were not present at the hearing will be received in the docket as public comment.

During the December 9 Hearing, PacifiCorp offered several modifications to the proposed Schedule 32 filed on December 2, 2014. In addition, parties requested permission to file post-hearing briefs by January 16, 2015, addressing legal issues associated with this case. On or before January 16, 2015, PacifiCorp, the Division, the Office, UAE, UCE, Walmart, Ormat, and Interwest filed briefs on legal issues associated with this case. On January 29, 2015, Ormat filed errata and supplemental comments.

III. PACIFICORP'S PROPOSAL

PacifiCorp's proposed Schedule 32,⁹ including the modifications proposed in its December 2, 2014, surrebuttal testimony and during the December 9 Hearing, addresses the conditions of service, pricing, and the contracting and interconnection procedures under which PacifiCorp will enter into a REC to supply electric service to a Contract Customer from one or more REFs. Schedule 32 is available to customers taking electric service under PacifiCorp's Schedules 6, 8, and 9. With the exception of the administrative fee, PacifiCorp's proposed Schedule 32 pricing elements are based on customer size, type of grid connection (*i.e.*, at

⁹ In surrebuttal testimony, PacifiCorp presented a revised version of the proposed Schedule 32 which it maintains reflects the proposed changes in its rebuttal testimony. This revision includes prices for service to Contract Customers smaller than 1 MW, removal of the sections of the tariff relating to back-up or maintenance service, and revised daily power charges due to the removal of the back-up/maintenance service costs.

secondary, primary, or transmission voltage), and on-peak hours for the May through September and October through April time periods. PacifiCorp's proposal identifies Step 1 and Step 2 rates. Step 1 rates are to be effective upon Commission approval of Schedule 32 and Step 2 rates are conditionally effective September 1, 2015, contemporaneous with the Step 2 rates approved by the Commission in PacifiCorp's 2014 GRC.

Under proposed Schedule 32 PacifiCorp will execute a power purchase agreement ("PPA") with the REF for the provision of renewable power and energy to be used by the Contract Customer. PacifiCorp also will execute a REC with the Contract Customer for the sale and delivery of power from the REF to the specified delivery locations. The REC will include all the costs of electricity provided from the REF and will match all prices, terms, and conditions of the contract between the Contract Customer and the REF contained in the PPA. In accordance with UCA § 54-17-802(7), proposed Schedule 32 limits the amount of electricity to be generated by REFs and delivered to Contract Customers at any one time under all RECs to 300 MW, unless the Commission approves in advance a higher amount.

PacifiCorp proposes Schedule 32 include the following monthly charges:

- 1) **Renewable Power and Energy Charges:** Determined pursuant to the terms of the REC executed between the Contract Customer and the REF.
- 2) **Customer Charges per Agreement:** These charges are equal to the customer charges of full service Schedules 6, 8, and 9.

	<u>Step 1</u>	<u>Step 2</u>
Distribution Voltage < 1 MW:	\$54	\$54
Distribution Voltage > 1 MW:	\$69	\$70
Transmission Voltage:	\$255	\$259 ¹⁰

3) **Administrative Fee:** This fee covers PacifiCorp’s costs to complete the manual monthly billing process. During the December 9 Hearing, PacifiCorp proposed a fee of \$110 per month per generating source and \$150 per month for each delivery point (No Step 2 increase).¹¹

4) **Delivery Facilities Charges:** The delivery facilities charge (“Delivery Charge”) is a per kilowatt (“kW”) charge up to the amount of the REF contract amount for PacifiCorp to deliver electricity from the REF to the Contract Customer over PacifiCorp’s transmission and distribution facilities, when applicable. This charge also covers the delivery of electricity from PacifiCorp’s resource portfolio using PacifiCorp’s transmission and distribution facilities when the REF is not generating or generating less than its contracted capacity.¹²

	<u>Step 1</u>	<u>Step 2</u>
Secondary Voltage < 1 MW:	\$7.68	\$7.75
Primary Voltage < 1 MW:	\$6.74	\$6.81
Secondary Voltage > 1 MW:	\$7.97	\$8.05
Primary Voltage > 1 MW:	\$6.83	\$6.91
Transmission Voltage:	\$4.29	\$4.34

¹⁰ See December 9, 2014, Hearing Transcript, p. 42. PacifiCorp clarified that the customer charges in Schedule 32 should reflect the same customer charges in Schedules 6, 8, and 9 from the last general rate case. To the extent its proposal does not reflect that, PacifiCorp stated it was an oversight. The transmission voltage customer charge listed on Page 5 of PacifiCorp’s Exhibit RMP_(DLT-1SR) is \$247. The transmission voltage customer charge approved in the 2014 GRC is \$255.

¹¹ See December 9, 2014, Hearing Transcript, p. 20.

¹² The Commission notes PacifiCorp inconsistently incorporates the voltage discount used in the calculation of these rates. For example, for Step 1 Primary Voltage < 1MW PacifiCorp uses the voltage discount for Schedule 6 approved in the 2014 GRC. In contrast, for Step 1 Primary Voltage >1MW PacifiCorp uses the voltage discount for Schedule 8 presented in the 2014 GRC application rather than that approved in the 2014 GRC. A similar inconsistency is noted for the Step 2 increase.

5) **Daily Power Charges:** The Daily Power Charge is a per kilowatt day (“kW-day”) demand charge based on the fifteen (15) minute period of the Contract Customer’s greatest use of power during on-peak hours each day, for power up to the renewable contract power amount. This charge covers PacifiCorp’s costs of providing generation capacity during periods when the REF either is not generating or is generating at less than the full contract capacity. This charge includes the remaining generation demand-related costs included in Schedules 6, 8, and 9.

	Step 1	Step 2
On-Peak Secondary Voltage < 1 MW		
May - September:	\$0.63	\$0.64
October - April:	\$0.41	\$0.42
On-Peak Primary Voltage < 1 MW¹³		
May - September:	\$0.61	\$0.63
October - April:	\$0.40	\$0.41
On-Peak Secondary Voltage > 1 MW		
May - September:	\$0.71 ¹⁴	\$0.72
October - April:	\$0.46	\$0.46
On-Peak Primary Voltage > 1 MW		
May - September:	\$0.70	\$0.70
October - April:	\$0.45	\$0.45
On-Peak Transmission Voltage		
May - September:	\$0.64	\$0.66
October - April:	\$0.40	\$0.41

¹³ The Commission notes PacifiCorp did not update the voltage discount rate used in its calculation of the Step 2 On-Peak Primary Voltage < 1MW to reflect the Step 2 voltage discount approved in the 2014 GRC.

¹⁴ Exhibit RMP_(DLT-1R), p. 2 shows an on-peak Secondary Voltage > 1MW charge of \$0.71 per kW Day, however Exhibit RMP_(DLT-1SR) Page 6 of 11 presents an on-peak Secondary Voltage > 1MW charge of \$0.714 per kW Day.

- 6) **Supplementary Power and All Energy:** Supplementary Power and all measured energy not supplied by the REF are to be billed under the pricing provisions of the applicable full service Schedules 6, 8, and 9. Supplementary service is provided from PacifiCorp's resource portfolio and is not 100 percent renewable energy.
- 7) **Surcharge Adjustments:** PacifiCorp proposes adjusting all monthly bills in accordance with Schedule 193 and, at hearing, clarified its intent to include all other applicable surcharge/credit adjustments on Schedule 32 bills as well.¹⁵
- 8) **Adjustment for Line Losses:** Pursuant to SB12, both renewable power and energy metered at the REF are to be multiplied by the applicable line loss adjustment before being included as part of the metered electric service at the point of delivery.

Deliveries at Secondary Voltage:	91.4729 percent
Deliveries at Primary Voltage:	93.7778 percent
Deliveries at Transmission Voltage:	95.6691 percent

PacifiCorp's proposed Schedule 32 also addresses contracts necessary to implement Schedule 32. In rebuttal testimony, in response to comments and testimony filed by various parties, PacifiCorp introduced two form agreements to implement Schedule 32, a Renewable Energy Electric Service Agreement ("RESA") and a Non-Firm Qualifying Facility Power Purchase Agreement ("QF PPA"). The QF PPA is an addendum to the RESA providing a separate but linked agreement to the RESA enabling PacifiCorp to purchase excess generation

¹⁵ See December 9, 2014, Hearing Transcript, p. 40. PacifiCorp clarified that it agreed with the Office's position on surcharge/surcredit adjustment and stated its intent that, in addition to Electric Service Schedule No. 193 – Demand Side Management (DSM) Cost Adjustment, Schedule 32 would be subject to all of the surcharges or credits applied to other bills. Other applicable rate schedules include Electric Service Schedule No. 91 – Surcharge to Fund Low Income Residential Lifeline Program, Electric Service Schedule No. 94 – Energy Balancing Account EBA Pilot Program, Electric Service Schedule No. 98 – REC Revenue Adjustment, and Electric Service Schedule No. 195 – Solar Incentive Program Cost Adjustment.

from the REF. The RESA was patterned after the Electric Service Agreement (Partial Requirements) used for Electric Service Schedule No. 31 – Partial Requirements Service – Large Generator Service – 1,000 kW and over (“Schedule 31”).¹⁶ The QF PPA for excess generation is based on the template QF PPAs used with Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities (QFs up to 3.0 MW) and Electric Service Schedule No. 38 – Qualifying Facility Procedures (QFs over 3.0 MW but less than 80 MW).

PacifiCorp states these form agreements, necessary to implement a proposed transaction under Schedule 32 between PacifiCorp, the Contract Customer, and the REF, will require limited modifications to the terms and conditions to fit the specific arrangement of the Schedule 32 transaction and were provided for illustrative purposes. In response to concerns about confidentiality of pricing between the Contract Customer and the REF, PacifiCorp proposes to use proxy pricing in the RESA. In response to concerns pertaining to the confidentiality of commercial terms between the Contract Customer and the REF, PacifiCorp stated the concerns would need to be identified before solutions can be explored.

In response to questions pertaining to the RESA and the QF PPA, PacifiCorp clarified it was not requesting Commission approval of the forms, it would be willing to negotiate contract modifications on a limited-basis, the most appropriate interconnection agreement would be referenced in the contract, and pricing in the QF PPA would reflect, as applicable, Schedule 37 prices or those determined through Schedule 38. PacifiCorp also clarified that “Net Output” simply means the QF has the opportunity to sell excess generation to the utility and the utility

¹⁶ Schedule 31, “Partial Requirements Service – Large General Service – 1,000 kW and Over,” a Settlement Stipulation for which was approved by the Commission in Docket No. 13-035-196 at hearing on June 30, 2014, followed by a written Order Confirming Bench Ruling issued on July 23, 2014.

has the obligation to purchase it. In addition, PacifiCorp stated its intent to have both the executed RESAs and the QF PPAs approved by the Commission.

A. Schedule 32 Undisputed Issues

At the conclusion of the December 9 Hearing, the following items in PacifiCorp's proposed Schedule 32 were unopposed: 1) PacifiCorp's renewable power and energy charges determined pursuant to the REC; 2) customer charges equal to the charges of the applicable full service Schedules 6, 8, and 9; 3) an administration fee of \$110 per generation source and \$150 per delivery point; 4) all energy consumed by the Contract Customer beyond that provided by the REF and any supplement power and energy will be billed at the prices in the applicable Schedules 6, 8, or 9; 5) adjustments for line losses; and 6) surcharge adjustments.

B. Proposed Schedule 32 Disputed Issues

1. Delivery Facilities Charge

As mentioned above, the Delivery Charge is a per kW per month charge for PacifiCorp to deliver the electricity from the REF to the Contract Customer over PacifiCorp's transmission and distribution facilities, when applicable. This charge also covers electricity delivery using PacifiCorp's transmission and distribution facilities when the REF is not generating or generating less than its contracted capacity. This charge applies to electric service up to the kW of renewable contract power. PacifiCorp and UAE propose different charges for this service.

PacifiCorp developed its delivery charges using a three step process based on the transmission and distribution costs identified in the functionalized COS Study results used in PacifiCorp's 2014 GRC. PacifiCorp maintains it designed its delivery charge ". . . such that a

[Contract] Customer that uses Backup Power every day during a month would pay essentially the same in facilities charges . . . as a Customer on the otherwise applicable general service tariff.”¹⁷

UAE’s charges are developed using the final demand-related rates and billing units identified in the Commission approved 2014 GRC Settlement Stipulation adjusted by the ratio of the sum of the transmission and distribution unit costs to the total demand-related unit costs identified in the 2014 COS Study. UAE’s method results in the following monthly Delivery Charges:

	<u>Step 1</u>	<u>Step 2</u>
Secondary Voltage < 1 MW:	\$7.54	Step 1 plus 1.03 percent
Primary Voltage < 1 MW:	\$6.60	Step 1 plus 1.03 percent
Secondary Voltage > 1 MW:	\$7.82	Step 1 plus 1.03 percent
Primary Voltage > 1 MW:	\$6.68	Step 1 plus 1.03 percent
Transmission Voltage:	\$3.79	Step 1 plus 1.47 percent

UAE emphasizes that the actual rates in the respective Schedules 6, 8, and 9 do not match the COS Study results used by PacifiCorp to develop its Delivery Charges. UAE points out the COS Study used by PacifiCorp was not adopted or approved by the Commission in the 2014 GRC. In addition, UAE maintains the COS Study is just one factor among several that are used in setting rates for full service customers. Therefore, according to UAE, the Delivery Charges proposed by PacifiCorp “do not reasonably reflect the equivalent ‘delivery facilities’ unit charges actually found in the Schedule 9 or Schedule 8 rate schedules.”¹⁸ UAE asserts that under PacifiCorp’s approach, Schedule 32 Contract Customers would pay different effective rates for delivery service than their counterparts taking bundled service under Schedules 6, 8, or 9. UAE

¹⁷ See July 10, 2014, Direct Testimony of David L. Taylor, p. 11.

¹⁸ UAE Exhibit 1.0, Direct Testimony of Kevin C. Higgins, September 9, 2014, p. 13.

argues this mismatch is inequitable and results in an unreasonable disadvantage for Schedule 32 Contract Customers.

UAE maintains that an additional consequence of using PacifiCorp's method is that the generation demand avoided by Schedule 32 Contract Customers would then be undervalued, *i.e.*, if the Delivery Charges are set higher than the effective rates embedded in Schedules 6, 8, and 9 then the portion of the demand charge that the Schedule 32 Contract Customer is able to avoid (*i.e.*, the generation portion) would be valued at less than the generation demand charges reflected in Schedules 6, 8, and 9. UAE claims that under-valuing generation demand appears to undermine the statutory requirements that "any kilowatt of electricity delivered from the renewable energy facility that coincide with the Contract Customer's monthly metered kilowatt demand measurement" must be excluded from the Contract Customer's bill. During the December 9 Hearing, PacifiCorp stated it disagrees with this representation because its full service tariff rates are not unbundled, therefore, there are no identifiable delivery components in Schedules 6, 8, or 9.

PacifiCorp points out, and UAE concurs, that "[i]f current rates were exactly equal to cost of service, both in total and by component, his method and my method would produce the same delivery charge."¹⁹ However, UAE and PacifiCorp note current rates are not equal to costs and as a result, both PacifiCorp's and UAE's methods produce similar but slightly different results. While PacifiCorp supports its approach, it believes either approach is reasonable and conceptually sound.

¹⁹ See Rebuttal Testimony of David L. Taylor, October 9, 2014, p. 8.

The Division agrees with PacifiCorp's calculation of its Delivery Charge. Regarding the appropriate data source for development of the Delivery Charge, the Division asserts neither the stipulation data nor the COS Study can be declared "the one and only one right data source, because absent a new and preferably Commission-approved cost of service study, both sets of data do not reflect the actual current cost faced by the Company."²⁰

The Office neither explicitly supports nor rebuts either method for determining the Delivery Charge. Rather, the Office argues that the implementation of Schedule 32 must maintain ratepayer indifference for non-participants, *i.e.*, implementation of Schedule 32 must not result in shifting of costs between customer classes.

UCE supports UAE's method for determining Delivery Charges and claims it is more equitable. UCE asserts current rates are not exactly consistent with COS, therefore UAE's approach more accurately calculates the delivery costs actually embedded in full service Schedules 6, 8, and 9.

2. Power Demand Charge

The power demand charge, or Power Charge, covers PacifiCorp's costs to provide generation capacity when the REF either is not generating or is generating at less than its full capacity. PacifiCorp proposes a daily power demand charge and UAE proposes an hourly power demand charge.

PacifiCorp developed its daily Power Charges using demand-related rates approved by the Commission in the 2014 GRC. PacifiCorp points out that under UCA § 54-17-805(3)(b), Contract Customers are to be charged for their net billing demand (kW) "during the contract

²⁰ December 9 Hearing Transcript, pp. 65 – 66.

customer's monthly metered kilowatt demand measurement, or the customer's monthly non-coincident peak"²¹ and maintains it developed Schedule 32 in accordance with this provision. PacifiCorp asserts that while SB12 does not contemplate that demand charges should be more granular than monthly, PacifiCorp proposes to convert the demand-related generation component of the rate into a daily charge.

PacifiCorp maintains that a daily Power Charge acknowledges that Schedule 32 Contract Customers are not full-requirements customers. In addition, it provides the Contract Customer with an opportunity to avoid demand-related generation costs on days service is not required from PacifiCorp. Accordingly, the Contract Customer will pay the power charge only on days when the REF is not able to meet the Contract Customer's peak load requirements during on-peak hours. PacifiCorp maintains that Schedule 32 should comply with SB12 and, to avoid cost shifting, the Contract Customer should pay for all of the services they receive.

PacifiCorp asserts its daily Power Charge is designed such that if a Contract Customer requires PacifiCorp to provide the full-capacity requirement every day during the month, the Contract Customer would pay essentially the same for the combination of the delivery charge and the daily power charge as that Contract Customer would have paid for the demand component under the applicable Schedules 6, 8, or 9. In addition, PacifiCorp contends its daily Power Charge is consistent with the daily power charge for partial requirements customers with generation located on the customer's premises taking service under Schedule 31. PacifiCorp asserts consistency with Schedule 31 ensures Schedule 32 Contract Customers do not receive preferential treatment.

²¹ Rebuttal Testimony of David L. Taylor, p. 11.

UAE argues PacifiCorp's proposal is inadequate for reasonably implementing SB12 because it is not granular enough to produce reasonable and equitable results. UAE maintains PacifiCorp's daily Power Charge is an all or nothing proposition and provides no benefit to the type of resources, like solar, the Legislature probably intended to encourage by passing SB12. UAE asserts "[e]ven though the solar resource will be available and providing reliable capacity for much of the on-peak period, the daily demand charge approach realistically will not provide this customer any credit at all for avoiding generation capacity"²² because daily billing demand will always occur after the sun has gone down. This, UAE contends, would result in many Schedule 32 Contract Customers receiving very little, if any, credit for avoiding PacifiCorp's generation demand charges even when the REF provides reliable capacity during much of the on-peak period. UAE asserts this result is largely an artifact of the definition of the on-peak period, the definition of daily billing demand, and rate design for full-service customers.

To remedy this problem, UAE proposes making the daily Power Charge more granular by converting it into an hourly Power Charge (*i.e.*, an hourly on-peak shaping charge). UAE specifies that a shaping product will be needed on a daily basis for most renewable energy resources, even when they are operating entirely as planned. Under UAE's method, the Schedule 32 Contract Customer would effectively receive a pro-rata credit for the renewable energy capacity it imports during the on-peak period. UAE states its approach used PacifiCorp's daily Power Charge construct and merely takes it one step further by converting it to an hourly on-peak shaping charge. UAE admits that by making this charge more granular it indeed converges to an on-peak energy charge, as PacifiCorp contends. UAE asserts this granularity is appropriate

²² See UAE Exhibit 1.0, Direct Testimony of Kevin C. Higgins, page 16 (emphasis omitted).

given the unique character of this aspect of Schedule 32, *i.e.*, providing shaping and back-up power to customers who bring external capacity to the system during on-peak hours.

Similar to its Delivery Charge, UAE developed its summer and non-summer hourly Power Charge based on the revenue that would be collected using the applicable full service Schedules 6, 8, and 9 rates. UAE proposes the following Step 1 and Step 2 Hourly On-Peak Shaping Charges:

	<u>Step 1</u>	<u>Step 2</u>
On-Peak Secondary Voltage < 1 MW		
Summer:	8.2694¢/kWh	Step 1 plus 1.03 percent
Non-Summer:	2.7393¢/kWh	Step 1 plus 1.03 percent
On-Peak Primary Voltage < 1 MW		
Summer:	8.2694¢/kWh	Step 1 plus 1.03 percent
Non-Summer:	2.7393¢/kWh	Step 1 plus 1.03 percent
On-Peak Secondary Voltage > 1 MW		
Summer:	8.3724¢/kWh	Step 1 plus 1.03 percent
Non-Summer:	2.8216¢/kWh	Step 1 plus 1.03 percent
On-Peak Primary Voltage > 1 MW		
Summer:	8.3724¢/kWh	Step 1 plus 1.03 percent
Non-Summer:	2.8216¢/kWh	Step 1 plus 1.03 percent
On-Peak Transmission Voltage		
Summer:	7.9371¢/kWh	Step 1 plus 1.47 percent
Non-Summer:	2.5444¢/kWh	Step 1 plus 1.47 percent

UAE believes this approach is reasonable because it enables Schedule 32 Contract Customers to receive credit for the capacity they are “bringing to the table” that is in direct proportion to its availability during PacifiCorp’s on-peak hours. UAE explains both PacifiCorp’s and UAE’s proposals pass a fundamental reasonableness test because their charges produce the same revenue as the Contract Customer’s applicable full service rate schedule in a month in

which the renewable energy resource is unavailable for the entire month. However, UAE argues its approach produces more reasonable results in that the renewable resource is operating as anticipated and the Contract Customer must purchase shaping power on a regular basis.

UAE maintains its proposal is consistent with all of the provisions of UCA § 54-17-805(3)(a) and (b). In addition, UAE asserts its rate is designed to be compensatory to the utility and reasonably acknowledge the capacity contribution provided by the Schedule 32 Contract Customer. UAE argues there are meaningful distinctions between Schedule 31 and Schedule 32 and, therefore, consistency between the two schedules should not be an overriding factor in the development of Schedule 32. First, UAE notes there is no size limit on the amount of capacity that can be provided under Schedule 31, whereas Schedule 32 by law includes a cap of 300 MW. Second, UAE notes Schedule 32 implements statute. In spite of the similarities between Schedules 31 and 32, UAE believes the Commission has the latitude to develop a rate design that would specifically fit Schedule 32 Contract Customers.

PacifiCorp disagrees with UAE's proposed hourly on-peak shaping charge arguing that such granularity eliminates the concept of demand and it simply becomes an additional energy or kilowatt-hour charge. PacifiCorp believes UAE's method is not supported by SB12. In addition, even if hourly demand were allowable under the statute, PacifiCorp states it would not support this proposed method. PacifiCorp does not believe UAE's method is good rate design because it is inconsistent with how other rates are designed, including rates for customers who have generation behind the meter, *i.e.*, those taking service under Schedule 31. PacifiCorp believes if the concept of billing is restructured only for Schedule 32 Contract Customers, it would "allow

them to avoid what I believe are legitimate costs, we very likely would be shifting costs to other customers. And I'm not sure that that's what the intent of the tariff is."²³

PacifiCorp agrees that, depending on the renewable energy source, some Contract Customers may receive very little, if any, credit for the capacity provided from the REF. For example, generation from a geothermal or waste heat recovery plant may fully offset the Contract Customer's billing demand while solar and wind facilities are unlikely to provide a significant offset because of their intermittent nature. PacifiCorp explains that a "solar or wind facility may indeed provide generation during some of the on-peak billing period identified in the tariff, and may even provide some capacity during the hour of the Company's Coincident peak. Under [PacifiCorp's] tariffs, however, customers' billing demands are calculated using the 15-minute period of the customer's greatest use during the billing period, or during the on peak billing period, depending on the rate schedule. . . Therefore, the minimal impact of the solar or wind generation on the customer's billing demand is a function of how tariff rates are billed and not a function of how Schedule 32 is structured."²⁴ PacifiCorp maintains parties are free to propose changes to the basic structure of PacifiCorp's rates in general rate cases.

While PacifiCorp agrees there may be some on-peak benefit provided by a Contract Customer that would not be fully compensated for under PacifiCorp's proposal, it asserts UAE's proposal would "go the other direction."²⁵ PacifiCorp suggests if a Contract Customer wants to receive the capacity value offset, as determined in the avoided cost docket, "it has the option of

²³ December 9, 2014, Hearing Transcript, p. 29.

²⁴ See October 9, 2014, Rebuttal Testimony, David L. Taylor, pp. 9-10.

²⁵ December 9, 2014, Hearing Transcript, p. 37.

selling the output of that facility to PacifiCorp at avoided costs rates rather than use [the capacity] to offset its retail purchases.”²⁶

The Division supports PacifiCorp’s daily Power Charge. The Division, however, recommended the Commission request legal briefing on the capacity contribution issue, specifically the meaning of UCA § 54-17-805-(3)(b). The Division infers this section may allow a capacity credit “but only insofar as it complies with a monthly demand charge that is consistent with rate design and interstate and class allocation methods in effect for non-Schedule 32 customers. Specifically, only that production from the renewable resource that coincides with the measured demand of the customer can be used as an offset to the customer’s demand charge.”²⁷

The Division agrees with PacifiCorp that UAE’s proposal effectively eliminates the concept of a demand charge. In addition, the Division maintains UAE’s proposal ignores the fact that in supplying back-up/shaping power PacifiCorp “must maintain reserves to meet the entire amount of the contractual maximum renewable generation. Other customers are not neutral or indifferent with regard to these provisions . . . ”²⁸ In surrebuttal testimony, UAE rebuts this assertion contending its “proposal does compensate [PacifiCorp] for the full amount of the capacity provided by the Company – for the hours in which the Schedule 32 customer requires it.”²⁹

The Division asserts the creation of hourly demand charges “at best creates a new definition of demand charge and at worst, makes Schedule 32 inconsistent with existing tariffs

²⁶ See October 9, 2014, Rebuttal Testimony, David L. Taylor, p. 10.

²⁷ See DPU Exhibit 1.0R, Rebuttal Testimony of Abdinasir M. Abdulle, Ph.D., October 9, 2014, pp. 7-8.

²⁸ Ibid.

²⁹ UAE Exhibit 1.0 SR, Surrebuttal Testimony of Kevin C. Higgins, December 2, 2014, p. 13.

and definitions, which, in turn, would likely eliminate the neutrality of other ratepayers, the neutrality to the Schedule 32 customers.”³⁰ The Division believes it is unfair to manipulate the definition of demand to the benefit of one group of customers without considering the effects on all customers and PacifiCorp through a general or broad cost of service study and docket. The Division recommends that if the Commission accepts an hourly demand charge, the Commission should explore doing so across all rate schedules that include demand charges.

The Division points out that certain prices in Schedule 32 rely on PacifiCorp’s functionalization of costs, however, the specifics of the COS Study have not been litigated and explicitly approved by the Commission.³¹ The Division suggests that the initial implementation of Schedule 32 may require modification after operational experience has been gained or circumstances changed. If serious flaws are discovered they can be presented to the Commission. In addition, these rates “will necessarily be updated in the next general rate case.”³²

The Office generally addresses the proposed Power Charges by asserting that the implementation of Schedule 32 must maintain ratepayer indifference for non-participants. The Office, however, acknowledges that establishing neutrality may be limited to some extent by what has been prescribed in statute. The Office agrees some level of capacity contribution provided by Schedule 32 Contract Customers may not be compensated for, but notes SB12 is very prescriptive, *i.e.*, PacifiCorp “may not charge for kilowatts delivered at the time of monthly

³⁰ December 9, 2014, Hearing Transcript, p. 66.

³¹ See DPU Exhibit 1.0, Direct Testimony of Abdinasir M. Abdulle, Ph.D., September 9, 2014, p. 7.

³² December 9, 2014, Hearing Transcript, p. 66.

demand measurement. The monthly demand measurement is a metric defined in current rate design.”³³

In surrebuttal testimony, the Office contends a rate design change for Schedules 6, 8, and 9 may be required to address parties’ concerns and asserts a rate design solution must be pursued in a general rate case, not in a single tariff filing. The Office believes any change to the method of calculation of monthly metered demand would have intra-class implications that would need to be analyzed by all interested parties and presented to the Commission. In surrebuttal testimony, the Office states it does not support any proposal presented in this docket pertaining to compensation for capacity.

The Office agrees with the Division’s recommendation regarding legal briefing on UCA § 54-17-805(3) and adds that if the “Commission wants to consider different capacity payment options, it should solicit legal briefs that address whether such payments are allowable under statute.”³⁴

UCE represents it participated in the creation of SB12 and believes its purpose is to facilitate growing utility customer interest in serving load with renewable energy, while ensuring the Contract Customer pays for reasonably identifiable incremental costs associated with their RECs. UCE recognizes that one of the goals of Schedule 32 is to prevent cost shifting between customer classes. UCE maintains it is important both to charge Contract Customers for the costs they incur, but also provide them fair value for the costs they offset.

³³ OCS-1R, Rebuttal Testimony of Cheryl Murray, October 9, 2014, p. 10 (emphasis omitted).

³⁴ See December 2, 2014, Surrebuttal Testimony of Cheryl Murray, OCS – 1SR, p. 6.

UCE asserts that implementation of SB12 must be fair and simple enough for interested customers to take advantage of it and supports UAE's proposal for the more granular hourly power charge. UCE, however, disagrees with UAE's characterization of the hourly power charge as a "shaping charge" as renewables do not need to be shaped to meet load, rather they are integrated into an entire system of variable load and supply. UCE states that because UAE's proposal will allow Schedule 32 Contract Customers to receive credit for the capacity contribution associated with the REF in direct proportion to the availability of the renewable energy facility during PacifiCorp's on-peak hours, it more fully captures the capacity contribution of the REF.

UCE asserts Schedule 32-associated REFs will add value to PacifiCorp's system by providing reliability benefits in heavy load hours. However, under PacifiCorp's proposal some Contract Customers will not receive credit for their reduced demand on PacifiCorp's system overall or at the time of coincident peak.³⁵ In the case of Contract Customers who do not receive credit for the REF capacity contribution, UCE argues the value from the Schedule 32 REF is "shifted" to other customer classes, resulting in reverse preferential treatment,³⁶ making Schedule 32 financially infeasible for potential Contract Customers. UCE believes this outcome is inconsistent with SB12.

UCE maintains that since Schedule 32 does not yet exist, its monthly metered kW demand measurement has not yet been defined. In summary, UCE notes Schedule 32 should

³⁵ See October 9, 2014, UCE Exhibit 1.0 Direct Testimony of Sarah Wright, p. 6.

³⁶ December 9, 2014, Hearing Transcript, pp. 85-86. In response to the Office's question that if by defining "demand" significantly differently in Schedule 32, similarly-sized customers will be given preferential treatment if they choose to take power under Schedule 32 rather than Schedules 6, 8, or 9, UCE stated that not treating them differently by recognizing their capacity contribution could create a reverse preferential treatment.

enable and facilitate development of contracts with REFs while ensuring the Contract Customer pays no more or less than the reasonably identifiable costs the utility incurs to serve them.

Walmart supports UAE's proposal for the implementation of an hourly shaping charge. While most of Walmart's issues were resolved prior to hearing, Walmart states that Schedule 32 will be an opportunity for Walmart to utilize Utah's world class renewable energy resources to meet its corporate goals as well as drive both economic and renewable development in Utah. Walmart suggests the Commission's deliberations consider that a contract between a Contract Customer and a REF under Schedule 32 will likely be 10 or more years in length.

Salt Lake City supports recognition of a REF's capacity contribution on the more granular level because 15-minute interval meter data will be available and will not add to billing costs. Further, a more granular approach compensates renewable energy in a more precise way that better reflects contributions to a customer's demand and the overall grid.

EOU, Interwest, and Ormat comment on the capacity contribution of an REF. EOU states it has been determined that renewable generation has firm capacity value and reduces PacifiCorp's costs. EOU offers that for solar and wind resources, the concept of capacity contribution is based on the spatial penetration of each technology, *i.e.*, cumulatively solar and wind resources are always providing a firm capacity contribution. EOU believes that the 300 MW upper limit in SB12 was established with sufficient generation reserve margin. EOU voices its concern that the Office has not addressed the scenario in which Schedule 32 provides an unjust subsidy to all non-participating customers with respect to capacity contribution.

Interwest maintains the power demand charges proposed by PacifiCorp are not explicitly allowed by SB12 and recommends a strict reading of the lists of costs to be included in the tariff.

To the extent costs are imposed, Interwest maintains they should be based on studies and analysis approved by the Commission. To provide more accurate recognition of the benefits and recovery of costs for REFs, Interwest supports UAE's hourly demand charge. Ormat also is concerned about the lack of recognition of capacity contribution in the proposed Schedule 32 and recommends providing for capacity contribution and reserve margin.

Powdr Corp., which is pursuing the construction of a waste-heat electrical power generating facility to be located in Utah County, states passage of SB12 was crucial in its efforts to reach this goal. Powdr Corp. recommends Schedule 32 should be restructured with different approaches for different and diverse technologies. In addition, Powdr Corp. does not believe the proposed backup and other charges are appropriate. Powdr Corp. suggests that because of Schedule 32's complicated approach and rate structure, it may be simpler for it to "use a Qualifying Facility approach rather than Schedule 32 as proposed. This seems a perversion of the legislative intent behind SB12, and may prove not to be financially viable."³⁷ Powdr Corp. would like to utilize SB12 to attenuate the impact of electric production on Utah's ski industry and had hoped SB12 would help Powdr Corp. "develop a fair and simple method to enable [it] to continue to make investment for more clean energy in Utah."

IV. DISCUSSION, FINDINGS, AND CONCLUSIONS

We commend all the parties who participated in the development, review and evaluation of PacifiCorp's proposed Schedule 32. This public input, as well as parties' willingness to re-evaluate initial positions, has resulted in constructive changes. We recognize SB12 does not

³⁷ Powdr Corp., Exhibit 1.0, Direct Testimony of Brent Giles, September 9, 2014, p. 3. The Commission notes this document has been entered into the record as comments.

require the development of a separate tariff for its implementation. We value the establishment of Schedule 32. It will provide greater transparency and efficiency with respect to implementation of SB12.

We further recognize the difficulty in developing this new rate schedule in compliance with the provisions of SB12 because both the number of customers who will ultimately take service under this schedule and the actual costs associated with serving these customers are currently unknown. We also acknowledge that the development of Schedule 32 rates is a departure from the traditional method by which rates are set for PacifiCorp's full service customers, particularly regarding the need to functionally unbundle the rates. In support of our statutory mandate to ensure rates are just, reasonable, and in the public interest, care must be taken to set Schedule 32 rates that, to the extent feasible, avoid unintended consequences and economic distortion of choices, reflect consistent treatment for similarly situated customers, are relatively stable and predictable, and ensure the rate schedule does not impose or shift costs to other rate schedules.

A. Undisputed Issues

1. Administrative Fees, Customer Charges, and Surcharge Adjustments

We approve PacifiCorp's proposed Schedule 32 filed in surrebuttal testimony, with the additions and corrections identified at the December 9 Hearing for administrative fees, customer charges, and surcharge adjustments. The administrative fees and customer charges are shown in Exhibit A. These fees and charges are either supported by various parties or undisputed.

2. Other Issues

We acknowledge that the contracts between Contract Customers and REFs may be ten years or longer in length, and that it is important to ensure rate stability. In this case, however, we agree with the Division and the Office that Schedule 32 rates can and must be updated during future general rate cases to ensure they remain just, reasonable, and in the public interest. Therefore, we direct PacifiCorp to perform a cost of service analysis on Schedule 32 in all future general rate cases and incorporate these results in future GRC COS studies.

We observe that Conditions of Service 8, on page 32.2 of the Company's proposed Schedule 32 references "Backup Service, Maintenance Service, and Supplementary Service." Since backup and maintenance services are not specific stand-alone parts of Schedule 32, the words "Backup Service, Maintenance Service" should be deleted.

B. Delivery Facilities Charge

PacifiCorp proposes a Delivery Charge based upon Schedules 6, 8, and 9 billing units identified in the 2014 GRC and the associated revenue requirement assigned to the transmission and distribution categories from its COS Study adjusted for the decreased revenue requirement authorized in that case. UAE developed its proposed Delivery Charge using the final demand-related rates and billing units approved by the Commission and identified in the 2014 GRC Settlement Stipulation, adjusted by the ratio of the sum of the transmission and distribution unit costs to the total demand-related unit costs identified in the COS Study.

PacifiCorp states that while the two approaches produce slightly different rates, either approach is reasonable and conceptually sound. UAE testifies the COS Study is just one factor among many that are used in setting rates for full service customers and that under PacifiCorp's

proposal, Schedule 32, Contract Customers would pay a different effective rate for delivery services than their full service counterparts who pay bundled rates. While the testimony suggests both PacifiCorp's and UAE's approaches are reasonable and conceptually sound, we find UAE's testimony persuasive that under PacifiCorp's proposal Schedule 32 customers would be paying a different effective rate than their full service counterparts. We therefore approve UAE's method for determining the Schedule 32 delivery charges and approve the delivery facilities charge rates shown in Exhibit A.

C. Power Demand Charge

Regarding power demand charges to a Contract Customer receiving metered electric service from a qualified utility under a REC, SB12 states:

(3) A qualified utility that enters a renewable energy contract shall charge a contract customer for all metered electric service delivered to the contract customer, including generation, transmission, and distribution service, at the qualified utility's applicable tariff rates, excluding: ...

(b) any kilowatts of electricity delivered from the renewable energy facility that coincide with the contract customer's monthly metered kilowatt demand measurement, adjusted for transmission losses...

UCA § 54-17-805(3). To address the delivered kW to be excluded under subsection (b), PacifiCorp proposes charging the Contract Customer for its highest kW demand, net of the REF kW delivered, per day during the on-peak hours, up to the amount of the REC. UAE proposes a more granular Power Charge billed at the Contract Customer's highest demand, net of the REF kW delivered, per hour during on-peak hours, up to the amount of the REC. Both of these proposals are detailed above.

Before turning to our decision on the Power Charge for Schedule 32, we first address as a threshold matter whether either approach is consistent with UCA § 54-17-805(3)(b). As previously noted, the Commission requested parties to provide legal briefs on this question (as well as any other legal issue that arose in the context of the hearing).³⁸ For the reasons discussed below, we conclude that neither PacifiCorp’s proposed daily Power Charge nor UAE’s proposed hourly Power Charge contravenes the statutory language of UCA § 54-17-805(3).

The Division reads UCA § 54-17-805(3)(b) to provide a credit for delivered kW from a Contract Customer coinciding with the “highest”³⁹ value of a Contract Customer’s monthly kW demand measurement to offset charges the Contract Customer must pay the utility. The Division notes that under the general definitions applicable to rate schedules, unless otherwise specified “demand” is defined as “[t]he rate in kilowatts at which electric energy is delivered by the Company to the Customer at a given instant or averaged over any designated period of time. For billing purposes, the 15 minute period of the Customer’s greatest use during the month is used.”⁴⁰ The Division notes the foregoing language applies to PacifiCorp’s Schedules 6, 8, and 9 and posits: “[t]hus, to credit the Contract Customer with costs which otherwise would be payable by the Contract Customer to the Company, the statute utilizes “the 15 minute period of the

³⁸ We acknowledge that Ormat in its Comments of January 16, 2015, and its Errata and Supplemental Comments of January 29, 2015, raises concerns regarding the constitutionality of UCA § 54-17-801(4)(a) (defining a “renewable energy facility” as a renewable energy source located in Utah) and the consistent language of PacifiCorp’s proposed Schedule 32. We note, however, that the Commission is a creature of statute and is limited in powers to those delegated by the Utah Legislature. Moreover, as an administrative agency, the Commission does not have authority to determine the constitutionality of statutes enacted by the Utah Legislature. *See Clayton v. Bennett*, 298 P.2d 531, 533; *Lyon v. Burton*, 5 P.3d 616. As such, the Commission must assume the constitutionality of the statute on which PacifiCorp’s Schedule 32 is based.

³⁹ *See* Division Brief at p. 3. We observe that the word “highest” does not appear in UCA § 54-17-805 (3)(b).

⁴⁰ Division Brief at p. 4, *citing* Tariff, Original Sheet No. 2R.2.

Customer's greatest use during the month" as that 15 minute period coincides with "kilowatts . . . delivered by the renewable energy facility."⁴¹

In essence, the Division interprets the words "monthly metered kilowatt demand measurement" to mean the 15 minute period of a Contract Customer's greatest use during the month, by reading UCA § 54-17-805 (3)(b) in the context of how the term "demand" is defined and applied in existing PacifiCorp rate schedules (6, 8, and 9). Notwithstanding its interpretation of the words "monthly metered kilowatt demand measurement," the Division asserts PacifiCorp's "proposal deviates from the *strict statutory language* in a manner designed to effectuate its purpose of compensating for the specific capacity at the time of the customer's peak usage. The Company's proposal, therefore, could be found to be in the public interest."⁴²

Like the Division, PacifiCorp interprets the language of UCA § 54-17-805 (3)(b) in the context of how "demand" is defined in PacifiCorp's existing rate schedules:

The Company submits that the Renewable Contract Statute . . . requires that customers' demand charges be credited based upon any kilowatts of electricity delivered from the renewable energy facility that *coincide* with the contract customer's monthly metered demand measurement. The key word in the statute is "coincide". The statute requires the bill to be calculated based upon like time periods and like methods as the contract customer would be billed on its *otherwise applicable standard tariff*. Under most standard tariffs, including Utah Schedules 6 and 9, customer demand is measured based on the highest 15-minute peak demand measurement for the month. It is a single number representing the highest usage the customer experienced over any given 15-minute period.⁴³

Notwithstanding its interpretation of UCA § 54-17-805(3)(b), PacifiCorp "supports an alternative approach, which is supported by Commission precedent in establishing and approving

⁴¹ Division Brief at p. 4.

⁴² Division Brief at p. 6 (emphasis added).

⁴³ PacifiCorp Brief at pp. 1-2 (emphasis added).

partial requirements tariffs.”⁴⁴ In other words, like the Division, PacifiCorp interprets the words “monthly metered kilowatt demand measurement” to mean the 15-minute period of a Contract Customer’s greatest use during the month but then asserts the Commission may deviate from this interpretation by adopting PacifiCorp’s proposed daily demand charge.

If we were to accept the Division’s and PacifiCorp’s reading of UCA § 54-17-805(3)(b) in light of how “monthly metered kilowatt demand” is billed in some rate schedules, we would adopt for the purpose of billing power demand cost the 15-minute monthly highest kW demand measurement net of the kW of REF output measured coincident to that point in time. We do not, however, interpret the words “monthly metered kilowatt demand measurement” in UCA § 54-17-805(3)(b) as necessarily referring to the 15-minute period of the Contract Customer’s greatest use during the month.⁴⁵ Rather, we conclude, as UAE argues, that UCA § 54-17-805(3) does not mandate that Schedule 32 charges be the same as, or even based upon, “otherwise applicable” rate schedules (*i.e.*, Schedules 6, 8 or 9), as implied by PacifiCorp.⁴⁶ SB12 does not use the term “otherwise applicable” in referring to tariff rates, nor does it specify how “monthly metered kilowatt demand” must be measured or charged. With this order, Schedule 32 will become the “applicable tariff” under which SB12 service will be billed.

⁴⁴ PacifiCorp Brief at p. 2.

⁴⁵ The demand measurement PacifiCorp and the Division advocate for Schedule 32, *i.e.*, a measure based on the on-peak hours per day, is also different from the measurement applied in Schedules 6, 8 and 9.

⁴⁶ See PacifiCorp Brief at pp. 1-2, stating: “[t]he statute requires the bill to be calculated based upon like time periods and like methods as the contract customer would be billed on its *otherwise applicable standard tariff*. Under most standard tariffs, including Utah Schedules 6 and 9, customer demand is measured based on the highest 15-minute peak demand measurement for the month.” (emphasis added). The Commission notes that the “*applicable tariff rates*” to be charged to Schedule 32 customers as referenced in the opening paragraph of UCA § 54-17-805(3) are in fact the Schedule 32 tariff rates to be determined in this docket. We further observe the absence of the word “otherwise” before the words “applicable tariff rates.”

Moreover, nothing in SB12 mandates the manner in which the “applicable tariff rates” will be determined. As argued by UAE, “[t]he only mandate is that kilowatts of demand delivered by the Schedule 32 customer must be excluded from that customer’s applicable tariff charges, based on whatever ‘monthly metered kilowatt demand measurement’ the Commission may adopt as just and reasonable for Schedule 32.”⁴⁷ Accordingly, we conclude that neither PacifiCorp’s daily Power Charge nor UAE’s hourly Power Charge contravene the statutory language of UCA § 54-17-805(3).

In fashioning rate design, our traditional objectives include: recovery of the rate schedule revenue requirement, revenue stability, simplicity, rate stability, correct price signals, fair cost apportionment among customers within the rate schedule, ease of administration, economic efficiency, and conservation of resources. We have no precedent or experience with functionally unbundled rates for service under Schedule 32 and no billing units. Additionally, we recognize prospective customers will be using Schedule 32 to make long-term resource decisions. For these reasons, we find it reasonable to adopt a rate design for Schedule 32 that both achieves the objectives of SB12 and maintains a measure of consistency with the way currently approved rates and schedules address demand charges. We find that, among the proposals presented, PacifiCorp’s daily Power Charge best meets these objectives and satisfies UCA § 54-17-805(3)(b).

PacifiCorp’s Power Charge provides the Contract Customer the opportunity to avoid demand-related generation costs on days this service is not received, and requires the Contract

⁴⁷ UAE Brief at p. 5. We note that Interwest, Walmart, UCE generally support UAE’s position that SB12 does not mandate how “monthly metered kilowatt demand” is measured or charged.

Customer to pay for this service on days it is needed. As PacifiCorp and the Division testify, we have some experience already with a daily demand charge in Schedule 31, a schedule that, like Schedule 32, also serves partial requirements customers. Schedule 31 has been in place for decades. Its daily demand feature is well understood by the Commission, PacifiCorp, the Division, and various customer representatives. The use of this demand measure in Schedule 32 will avoid the potential for disparate treatment among customers who place a similar level of partial requirements on the utility and may only be distinguishable by the side of the meter from which their renewable resource serves them. For these reasons, we find PacifiCorp's Power Charge is just and reasonable.

PacifiCorp develops its Power Charge from the rates determined to be just and reasonable for Schedules 6, 8, and 9 in the 2014 GRC. As noted earlier, to facilitate the ongoing development of Schedule 32, we direct PacifiCorp to perform cost of service analysis on Schedule 32 and to include this analysis in any COS study filed going forward.

The rates for Schedule 32 we approve today are shown in Exhibit A.

V. ORDER

1. PacifiCorp's proposed Electric Service Schedule No. 32 as presented in December 2, 2014, surrebuttal testimony, as modified at the December 9, 2014, hearing with respect to the customer charges, administrative fees, and surcharge adjustment, and as modified by this Order is approved, effective April 1, 2015.

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2. PacifiCorp shall file revised tariff sheets for Electric Service Schedule No. 32 for inclusion in PacifiCorp's P.S.C.U. Tariff No. 50 within 14 days of the date of this order reflecting the changes described herein.
3. PacifiCorp is directed to perform a cost of service analysis on Electric Service Schedule No. 32 and incorporate these results in all future GRC and historical COS studies.
4. PacifiCorp shall file revised tariff sheets for Electric Service Schedules 91, 94, 98, 193, and 195 containing surcharge/surcredit rates for Electric Service Schedule No. 32 within 30 days of the date of this order.

DATED at Salt Lake City, Utah, this 20th day of March, 2015.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#264664

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.

Exhibit A - Approved Schedule 32 Rates

	<u>Step 1⁴</u>	<u>Step 2⁵</u>
Customer Charges¹		
Distribution Voltage < 1 MW	\$ 54.00	\$ 54.00
Distribution Voltage > 1 MW	\$ 69.00	\$ 70.00
Transmission Voltage	\$ 255.00	\$ 259.00
Monthly Administrative Fee		
per Generator	\$ 110.00	\$ 110.00
per Delivery Point	\$ 150.00	\$ 150.00
Delivery Facilities Charges²		
Secondary Voltage < 1 MW	\$ 7.54	\$ 7.62
Primary Voltage < 1 MW	\$ 6.60	\$ 6.67
Secondary Voltage > 1 MW	\$ 7.82	\$ 7.90
Primary Voltage > 1 MW	\$ 6.68	\$ 6.75
Transmission Voltage	\$ 3.79	\$ 3.85
Daily Power Charges³		
On-Peak Secondary Voltage < 1 MW		
May - Sept	\$ 0.63	\$ 0.64
Oct - Apr	\$ 0.41	\$ 0.42
On-Peak Primary Voltage < 1 MW		
May - Sept	\$ 0.61	\$ 0.63
Oct - Apr	\$ 0.40	\$ 0.41
On-Peak Secondary Voltage > 1 MW		
May - Sept	\$ 0.71	\$ 0.72
Oct - Apr	\$ 0.46	\$ 0.46
On-Peak Primary Voltage > 1 MW		
May - Sept	\$ 0.70	\$ 0.70
Oct - Apr	\$ 0.45	\$ 0.45
On-Peak Transmission Voltage		
May - Sept	\$ 0.64	\$ 0.66
Oct - Apr	\$ 0.40	\$ 0.41
Supplementary Power and Energy Charges	Sch 6, 8, 9	Sch 6, 8, 9

Notes:

¹ per Customer Agreement per Month

² per kW per month up to the Renewable Contract Power

³ per On-Peak kW per Day up to the Renewable Contract Power

⁴ Step 1 rates effective upon approval of Schedule 32

⁵ Step 2 rates to be effective September 1, 2015

CERTIFICATE OF SERVICE

I CERTIFY that on the 20th day of March, 2015, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

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