ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

201 South Main, Suite 2300
Salt Lake City, Utah 84111

May 7, 2014

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

Attn: Gary Widerburg
Commission Secretary

RE: Advice Filing 14-04 – Schedule 37
Avoided Cost Purchases from Qualifying Facilities (QF)

In its order February 12, 2009, in Docket No. 08-035-78 on Net Metering Service, the Utah Commission directed the Company to calculate and file Schedule 37 avoided costs annually in order to establish the value or credit for net excess generation of large commercial customers under the Schedule 135 Net Metering Service. Furthermore, in its November 28, 2012, order in Docket No. 12-035-T10, the Commission directed that future annual filings should be made within 30 days of filing the Company's Integrated Resource Plan ("IRP") or IRP Update, or by April 30 of each year, whichever occurs first. On April 29, 2014, the Commission granted a seven-day delay, as requested by the Company, extending the filing date to May 7, 2014. This filing is in compliance with the direction in these orders.

Enclosed for filing are an original and five (5) copies of proposed tariff sheets associated with Tariff P.S.C.U No. 49 of PacifiCorp, d.b.a. Rocky Mountain Power, applicable to electric service in the State of Utah. Pursuant to the requirement of Rule R746-405D, PacifiCorp states that the proposed tariff sheets do not constitute a violation of state law or Commission rule. PacifiCorp will also provide an electronic version of this filing to psc@utah.gov. PacifiCorp respectfully requests an effective date of July 1, 2014.

First Revision of Sheet No. B		Tariff Index
First Revision of Sheet No. 37.1	Schedule 37	Avoided Cost Purchases From Qualifying Facilities
First Revision of Sheet No. 37.2	Schedule 37	Avoided Cost Purchases From Qualifying Facilities
Second Revision of Sheet No. 37.3	Schedule 37	Avoided Cost Purchases From Qualifying Facilities

Second Revision of Sheet No. 37.4	Schedule 37	Avoided Cost Purchases From Qualifying Facilities
Original Sheet No 37.5	Schedule 37	Avoided Cost Purchases From Qualifying Facilities
Original Sheet No 37.6	Schedule 37	Avoided Cost Purchases From Qualifying Facilities
Original Sheet No 37.7	Schedule 37	Avoided Cost Purchases From Qualifying Facilities

Included with this filing is Appendix 1 with Tables 1 through 12 that provide the supporting calculations for the proposed Schedule 37 rates, and Appendix 2 which is a description of the filing. Confidential Appendix 3 is provided in support of load and resource balances calculated in GRID, the Company's production cost model.

The currently effective Schedule 37 rates were approved by the Commission effective July 29, 2013. Since that time the Company has signed power purchase agreements with QFs under Schedule 37 totaling approximately 24 megawatts, almost meeting the 25 megawatt cap described in the "Applicable" section in Schedule 37. Consistent with the Commission's Orders establishing the cap in Docket No. 03-035-T10, upon Commission approval of the Company's proposed rates, the amount of QF megawatts contributing to the 25 megawatt cap will be reset to zero and the Company will continue to work with interested developers requesting purchase agreements under Schedule 37 taking into consideration the new rates and the new cap.

In May 2013, when the Company last filed to update Schedule 37, Docket No. 12-035-100 was underway to examine the avoided cost calculations for renewable QF resources exceeding 3 megawatts in size. The Company identified that several of the methodological issues discussed in that proceeding, including peak capacity contribution and integration costs, are relevant to standard avoided cost calculations under Schedule 37. The Company indicated in its May 2013 filing it would request that the relevant conclusions reached in Docket No. 12-035-100 be incorporated into Schedule 37 in a future filing.

On August 16, 2013, the Commission issued its Order on Phase II Issues in Docket No. 12-035-100. The Commission's Order approved changes to the avoided cost calculation for Schedule 38 QFs, including decisions regarding the capacity contribution and integration costs of solar and wind generators, adjustments for environmental risk as well as the applicability of capacity payments during the resource sufficiency period. The Company has reflected those decisions in the proposed Schedule 37 rates as described in more detail below.

The proposed Schedule 37 includes rates for base load, wind, fixed solar, and tracking solar resources. Proposed rates are calculated using the Commission-approved method as modified by its order in Docket No. 12-035-100, updated to be consistent with the 2013 IRP Update. Prices for base load, wind and solar resources are provided as seasonally differentiated volumetric rates, and for wind and solar resources are adjusted for the capacity contribution and integration costs approved by the Commission in Docket No. 12-035-100. The Company has eliminated the option for a separate capacity and energy payment to ensure that the avoided cost payments reflect the capacity factor of the avoided resource. Prices for wind resources are calculated using a 20.5 percent capacity contribution and are reduced each year by the integration costs shown in Appendix 1, Table 12. Solar resources are differentiated as either fixed or tracking, and use a 68 percent and 84 percent capacity contribution, respectively. Solar prices are also reduced for the cost of integration – $2.83/MWh for fixed, and $2.18/MWh for tracking. Without these changes, intermittent wind and solar QFs would be compensated the same as a base load generator, and would not accurately reflect the Company's avoided costs.

Capacity payments based on a Simple Cycle Combustion Turbine during the sufficiency period have been removed consistent with the Commission's order in Docket No. 12-035-100 and consistent with the Company's 2013 IRP and IRP Update. Prior to the start of the deficiency period in 2027, the Company will not procure additional thermal capacity resources; rather, it will utilize front office transactions, or wholesale market purchases, to meet its needs. Avoided cost prices during this period must be consistent with the Company's resource procurement plans to avoid burdening retail customers with QF costs that are higher than the costs actually avoided by the Company.

In addition to the above changes, the Company has based its calculation of avoided costs on forward market prices for electricity adjusted to remove the impact of a carbon tax. Excluding the impact of a carbon tax from the forward market prices is consistent with the Commission's order in Docket No. 12-035-100 where it concluded that no specific adjustments should be made for environmental costs.

Finally, the Company notes that these prices are not applicable to QF facilities whose power cannot be delivered to load without transmission upgrades as identified in the system impact study associated with the Transmission Service Agreement request for the QF. If a QF project is located in a geographic location that is transmission constrained or in which transmission capacity is physically available, but contractually constrained or unavailable, then the value of the QF will reflect the conditions of moving the energy into the Company's transmission system.[1] In the event this occurs, the Company will provide prices to the transmission constrained QF that reflect the applicable transmission constraint.

[1] *See Pioneer Wind Park I, LLC,* 145 FERC ¶ 61,215, n.79 (2013).

It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

By E-mail (preferred)	datarequest@pacificorp.com dave.taylor@pacificorp.com
By Regular Mail	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, OR 97232

Informal inquiries may be directed to Dave Taylor at (801) 220-2923 or Brian Dickman at (503) 813-6484.

Very truly yours,

Jeffrey K. Larsen
Vice President, Regulation & Government Affairs

Enclosures