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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Abdinasir M. Abdulle, Technical Consultant
Charles Peterson, Technical Consultant

Date: May 22, 2014

Re: Docket No. 14-035-T04 (Cross Reference Docket No. 14-035-55), Schedule 37
Avoided Cost Purchases from QFs

RECOMMENDATION (Set Scheduling Conference)

The Division of Public Utilities (“Division”) has reviewed the Rocky Mountain Power’s (“Company”) proposed update to Schedule 37 for qualifying facilities that was filed with the Public Service Commission (“Commission”) on May 7, 2014. The Division has identified at least four issues on which other interested parties may wish to comment. Therefore, the Division recommends that the Commission set a scheduling conference to review the Company’s filing.

ISSUE

In compliance with Commission Orders in Docket No. 08-035-78, dated February 12, 2009 and 12-035-T10, dated November 28, 2012, on May 7, 2014, the Company made its annual filing of Schedule 37 for purchases from small qualifying facilities. On May 8, 2014, the Commission issued an Action Request to the Division requesting an investigation and to report back by May

22, 2014. This memorandum is the Division's response to the Commission's Action request. The Company requested and effective date of July 1, 2014.

DISCUSSION

In its Order, dated February 12, 2009, in Docket No. 08-035-78, the Commission directed the company to annually update the avoided cost pricing in Schedule 37 in order to establish the value or credit for net excess generation of large commercial customers under Schedule 135 Net Metering Service. In its Order, dated November 28, 2012, in Docket No. 12-035-T10, the Commission directed the Company to file future annual filings within 30 days of filing the Company's Integrated Resource Plan ("IRP") or by April 30 of each year, whichever comes first. On April 29, 2014, the Commission granted the Company's request for a week extension of the filing date to May 7, 2014. In compliance with these Orders the Company filed its updated avoided cost pricing for Schedule 37 on May 7, 2014.

In addition to the routine updates of the load forecast, Discount rate, and the Official Forward Price Curves, the Company has made a number of other changes to incorporate into Schedule 37 some of the methodological conclusions reached in Docket No. 12-035-100 that the Company deemed to be relevant to standard avoided cost calculations. These methodological issues included factoring into the calculation of avoided costs the capacity contribution and integration costs of wind and solar resources.

The Company has calculated its Schedule 37 rates using the Commission approved methodology. However, based on the Commission Order dated August 16, 2013 in Docket 12-035-100, the Company has modified the methodology previously used in Schedule 37 to reflect the methodology and inputs related to wind and solar resources approved in that Order. As a result, the Company has calculated four separate prices for base load, wind, fixed solar and tracking solar. Seasonally differentiated volumetric rates were calculated for the base load. For wind and solar resources, the rates were calculated using the Commission approved capacity contributions and reduced annually for the respective integration costs.

In addition to the above changes, the Company made several other changes including

- The elimination of the option for a separate overall schedule of capacity and energy payments. The elimination of the overall option is consistent with the move to separate schedules based on type of resource and for simplicity. However, the Company did not propose comparable pricing specific to each type of resource.
- The removal of the capacity payments based on a Simple Cycle Combustion Turbine during the sufficiency period. This is consistent with the Commission's August 16, 2014 order in Docket No. 12-035-100;
- The Official Forward Price Curve was adjusted to remove the impact of a carbon tax. This is consistent with the Commission's direction in Docket No. 12-035-100 to make no specific adjustments for environmental costs.

Furthermore, the Company indicates that these rates are not applicable to those QFs that require transmission upgrades to deliver its power to load centers as identified in a system impact study. For these QFs, the Company indicates that it will provide prices that reflect the applicable costs arising from the transmission constraint. However, the Company does not indicate how transmission constraints will be incorporated into the calculation of the avoided costs, how costs might be apportioned if more than one QF requests interconnection at the same point, or where and when such constraints might occur.

These last four changes in the filing likely of interest to several parties. Therefore, the Division recommends that the Commission notice a scheduling conference as soon as practicable allowing parties adequate time to comment.

The Company is requesting an effective date of July 1, 2014. According to the Company's filing, for the current year the QFs are close to filling the cap (25 MW). Once that cap is met, the Company will not be able to add any new QFs under Schedule 37 until the Commission approves new rates. Therefore, the Division recommends that any issues that other parties may raise in relation to this filing be resolved as soon as practical.

CC: Dave Taylor, RMP
Michele Beck, OCS