



Salt Lake City, Utah 84111  
June 12, 2014

201 South Main, Suite 2300

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Public Service Commission of Utah  
Heber M. Wells Building, 4<sup>th</sup> 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 accordance with the Scheduling Order issued by the Public Service Commission of Utah (the “Commission”), in Docket No. 14-035-T04, Rocky Mountain Power (the “Company”) hereby submits its initial comments regarding the application of the 25,000 kW cumulative cap under Schedule 37 during the time period between when the cap is met but prior to the Commission’s decision regarding the Company’s proposed revisions to Schedule 37, which were filed on May 7, 2014.

As the Company described more fully in its initial filing, the proposed Schedule 37 includes updates to reflect the methodology and inputs related to wind and solar resources as approved by the Commission’s August 16, 2013, Order in Docket No. 12-035-100. These comments are filed to address concerns raised by the Commission and potential parties at the scheduling conference regarding the consequences if the Commission removed the annual 25,000 kW cap in Schedule 37 while keeping the current pricing structure in place.

It is the Company’s position that removing the 25,000 kW cap without implementing the requested changes will result in serious financial harm to the Company’s customers because the current prices do not reflect the Company’s actual avoided cost. If the cap is raised while keeping current prices in place, the Company anticipates a flood of requests from developers seeking to execute power purchase agreements (“PPA”) under the current Schedule 37 prices before the new proposed prices are implemented. As of June 12, 2014, the Company has 16 Schedule 37 PPA requests totaling 46.17 MW. It is anticipated that each of those requests would seek to have an executed PPA before the proposed new avoided cost prices are approved. As pointed out later in our comments, these QFs have been offered the option to proceed under Schedule 38, however, all of these QFs have refused that option as they are seeking the higher current avoided cost price under Schedule 37.

The current Schedule 37 rates result in prices on a 20-year levelized basis of \$104.84 per MWh for fixed tilt solar (assuming an 18.5 percent capacity factor) and \$81.94 per MWh for tracking

solar (assuming a 29.0 percent capacity factor). In contrast, the proposed rates in the Company's May 7, 2014, filing are \$43.77 per MWh for fixed tilt solar and \$45.77 for tracking solar. Executing power purchase agreements under the current prices would result in millions of dollars of excess costs above the Company's actual avoided cost that would then be borne by the Company's customers over the life of these power purchase agreements. Using the existing Schedule 37 PPA queue as an example and assuming all are tracking solar at a 29.0 percent capacity factor would result in overpayment of approximately \$85 million. The same projects using fixed tilt and an 18.5 percent capacity factor would result in overpayment over \$91 million.

Removing the cap and keeping the current price would also be in opposition to the Commission orders in Docket No. 03-035-T10, which requires that "[w]hen the cap is reached, a new cap will be considered and new rates calculated."<sup>1</sup> The Order on Reconsideration in the same Docket raised the cumulative cap for Schedule 37 pricing from 10 to 25 megawatts before "the schedule 37 avoided cost payments must be updated."<sup>2</sup> (emphasis added) Allowing additional power purchase agreements in excess of the 25 megawatt cap to be executed before prices in the current proceeding are updated would violate both the intent and explicit language of the orders that originally created the cap.

As an alternative to providing prices under Schedule 37, it is possible for a developer to request prices under Schedule 38 if it desires to move forward with a project prior to the issuance of an order by the Commission in this proceeding. There is nothing in the tariffs which prevents a developer from seeking pricing under Schedule 38, regardless of size, and this provides an appropriate path forward for getting a contract in place without exposing Rocky Mountain Power's customers to excessive costs. In fact, the current Schedule 37 PPA queue have all been offered that option as noted earlier.

The Company believes that waiting to remove the cap until the Commission has issued an order regarding the Company's proposed tariff changes, on or after September 16, 2014, while allowing requests for pricing to move forward under Schedule 38, strikes an appropriate balance between the desire of developers to move forward with projects under Schedule 37, and the Company's need to protect its customers from avoided costs that are far in excess of the Company's actual avoided costs.

Very truly yours,

Jeffrey K. Larsen  
Vice President, Regulation & Government Affairs

Enclosures

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<sup>1</sup> Order, Issued June 1, 2004, in Docket No. 03-035-T10. The order is not available in a paginated format on the Commission's website. The quote is from the sixth paragraph in the section titled "Schedule No. 37 Size Restriction."

<sup>2</sup> Order on Reconsideration, Issued July 20, 2004, in Docket No. 03-035-T10, at p. 4.