



## Public Service Commission

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*Commissioner*

THAD LeVAR  
*Commissioner*

## State of Utah

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*Governor*

SPENCER J. COX  
*Lieutenant Governor*

March 2, 2015

Jeffrey K. Larsen  
Rocky Mountain Power  
201 South Main, Suite 2300  
Salt Lake City, UT 84111

Data Request Response Center  
PacifiCorp  
825 NE Multnomah St., Suite 2000  
Portland, OR 97232

Re: Docket Nos. 14-035-55 and 14-035-T04 – Schedule 37 Avoided Cost Purchases from Qualifying Facilities

Dear Mr. Larsen:

On January 16, 2015, the Commission issued a Notice of Intent to Alter Order on Review and Order Staying Portion of Order on Review (“Notice of Intent to Alter”). That order provided notice pursuant to Utah Code Ann. § 54-7-14.5 of the Commission’s intent to alter the Commission’s December 30, 2014, Order on Review (“December Order”) by eliminating the option for a qualifying facility (“QF”) to be paid a separate rate for its capacity and energy, consistent with the decision on this topic reached by the Commission in the Commission’s October 21, 2014, Report and Order. (“October Order”).

The Notice of Intent to Alter stayed, pending further order, that portion of the December Order that provides for a capacity and energy payment option and directed PacifiCorp to file Schedule 37 rates consistent with the partial stay of the December Order. Pursuant to that directive, on January 23, 2015, PacifiCorp filed revised Schedule 37 tariffs and rates consistent with the order of partial stay of the energy and capacity option. The tariff sheets are identified in the filing as “Documents Reflecting the January 16, 2015 Order” and are hereafter referred to as the “Proposed Tariff Sheets.”<sup>1</sup>

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<sup>1</sup> Potential future consideration of capacity costs based on an SCCT during the period in which PacifiCorp has sufficient resources to meet its energy requirements, alluded to in the Commission’s January 29, 2015, Order Partially Addressing Rocky Mountain Power’s Petition for Reconsideration, Review or Rehearing of the Commission’s December 30, 2014, Order on Review and Motion for Stay, may occur in connection with PacifiCorp’s next Schedule 37 update, and therefore is not relevant to the Commission’s approval of the Proposed Tariff Sheets. Similarly, the tariff sheets filed by PacifiCorp on January 23, 2015, in the section “Documents Reflecting the October Order with Shaped On- and Off- Peak Prices During Sufficiency Period” have not been substantively evaluated in this docket and may be considered in connection with PacifiCorp’s next Schedule 37 update.

On February 13, 2015, the Commission issued its Order Altering Order on Review (“February Order”) rescinding the decision contained in the December Order to allow the option for QFs to be paid a separate rate for its capacity and energy. In light of the February Order, the Proposed Tariff Sheets are proposed to implement the Commission’s final determination and agency action in this docket. The February Order directed the Division of Public Utilities (“Division”) to review the Proposed Tariff Sheets for compliance with the orders issued in this docket and file its recommendations on the compliance of the Proposed Tariff Sheets within seven days.

On February 20, 2015, the Division filed a memorandum in response to the February Order. The Division states it reviewed the numerical calculations underlying the Schedule 37 rates and also held an informal conference call with PacifiCorp representatives to discuss the Division’s questions. The Division states that except for the concerns explained below, the Division believes the Proposed Tariff Sheets accurately reflect the Commission’s orders in this docket.

The Division asserts PacifiCorp’s wind integration costs, shown in Table 12 of PacifiCorp’s January 23, 2015, filing are erroneous because PacifiCorp double counts the inter-hour component of total wind integration costs. The Division states it discovered what it believes to be an error when it reviewed the source documents for Table 12. The Division recommends the Commission direct PacifiCorp to correct the wind integration costs and re-file the Schedule 37 tariff sheets.

The Division also raises a concern regarding the solar integration costs included in PacifiCorp’s Schedule 37 rates. The Division states PacifiCorp applied levelized solar integration costs of \$2.83 and \$2.18 per megawatt hour for fixed solar resources and tracking solar resources, respectively, for each year to determine applicable annual Schedule 37 energy rates. The Division proposes it may be more reasonable to apply non-levelized solar integration costs for determining annual Schedule 37 energy rates for solar QFs. The Division also recommends the Commission consider holding a hearing on this matter.

The Commission appreciates the Division’s review of the source documents in Table 12 and its discovery of what the Division believes to be wind integration cost error. The Commission also appreciates the Division raising the issue regarding whether it is more appropriate to use levelized or non-levelized solar integration costs for determining annual Schedule 37 rates for solar QFs. The Commission notes, however, that the wind and solar integration costs the Division highlights were also included in PacifiCorp’s original May 7, 2014, filing. This is the first time the Division or any party has raised these issues. The costs questioned by the Division in this compliance filing were key inputs to the avoided costs litigated in this docket and are therefore not appropriate for review in a compliance filing. The objective of a compliance filing is to review consistency of the proposed tariff sheets with the Commission’s final order. The integration costs issues, along with any other concerns regarding

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key avoided cost inputs, should be addressed as part of a litigated case. As the record in this docket is now closed, due process requires that parties address these issues when PacifiCorp next files its Schedule 37 rates.

Based on the foregoing, the Commission approves the Revised Tariff Sheets, with an effective date of February 20, 2015.

Sincerely,

/s/ Gary L. Widerburg  
Commission Secretary  
DW#264024