

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Tesoro Refining and Marketing Company LLC

DOCKET NO. 15-035-77
ORDER APPROVING QUALIFYING
FACILITY POWER PURCHASE
AGREEMENT

ISSUED: December 2, 2015

SYNOPSIS

The Commission approves the qualifying facility power purchase agreement between PacifiCorp and Tesoro for purchase of energy from Tesoro's cogeneration facility.

BACKGROUND AND PROCEDURAL HISTORY

On October 8, 2015, PacifiCorp, doing business as Rocky Mountain Power (PacifiCorp), filed an application (Application) for approval of a power purchase agreement (PPA) between PacifiCorp and Tesoro Refining & Marketing Company LLC (Tesoro). The PPA provides for the sale of net-electric energy for a period of 12 months, beginning January 1, 2016. PacifiCorp identifies the facility as a qualifying facility (QF) as defined in 18 C.F.R. Part 292 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Accordingly, PacifiCorp seeks Commission approval of the PPA consistent with the pricing methodology for QFs under Rocky Mountain Power Electric Service Schedule No. 38 – Qualifying Facility Procedures (Schedule 38) as authorized by the Commission in Docket Nos. 03-035-14.¹

On October 19, 2015, the Commission held a scheduling conference and issued a scheduling order and notice of hearing (Scheduling Order). Pursuant to the Scheduling Order, the

¹ See *In the Matter of the Application of PacifiCorp for Approval of an IRP-Based Avoided Cost Methodology for QF Projects Larger than One Megawatt*, Docket No. 03-035-14.

Division of Public Utilities (Division) filed comments on November 23, 2015, recommending the Commission approve the PPA. Additionally, the Division recommends that PacifiCorp continue to provide, at least quarterly, hourly power purchased so that the Division can continue to monitor the PPA.

On December 1, 2015, the Commission's designated presiding officer held a hearing to consider the Application. At the hearing, PacifiCorp and the Division provided testimony supporting Commission approval of the PPA and the Office of Consumer Services did not appear. The evidence supporting the Application is uncontested and is briefly summarized below.

DISCUSSION, FINDINGS AND CONCLUSIONS

A. The PPA

Tesoro owns, operates, and maintains a natural gas-fired cogeneration facility for the generation of electric power located in Salt Lake City, Utah. The facility is operated as a QF with a nameplate capacity rating of 25.0 MW and expected average annual output as specified in the PPA. All interconnection requirements have been met and the facility is fully integrated with PacifiCorp's system.

Under the PPA, Tesoro has the option, but not the obligation, to sell to PacifiCorp all of Tesoro's QF net output. While Tesoro is not permitted to sell any portion of the output to parties

other than PacifiCorp, Tesoro may offset its own retail load before selling any excess power under the PPA.

B. Parties' Positions

1. PacifiCorp

PacifiCorp represents in its Application that it is a “purchasing utility” pursuant to Utah Code Ann. § 54-12-2, and, as such, is obligated to purchase power from QFs under PURPA, Utah Code Ann. § 54-12-1, and Commission orders. PacifiCorp also represents it calculated the purchase prices set forth in the PPA using the method approved in Docket No. 03-035-14.²

At hearing, PacifiCorp testified that the PPA is compliant with relevant Commission orders on avoided cost and with Schedule 38 and recommends the Commission approve the PPA.

2. Division

The Division recommends the Commission approve the PPA. Based on its review of the PPA, the Division indicates the pricing set forth in Exhibit E of the PPA appears to be consistent with the Commission’s previous orders. Specifically, the Division states that PacifiCorp appears to have correctly applied the pricing method the Commission approved along with the appropriate capacity contribution values the Commission approved in Docket Nos. 03-035-14 and 12-035-100.³

² See *id.*

³ See *In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts*, Docket No. 12-035-100.

The PPA constitutes a “New QF Contract” under the PacifiCorp Inter-Jurisdictional Cost Allocation 2010 Protocol. Consequently, costs associated with the PPA are allocated as system resource, unless any portion of those costs exceeds the costs PacifiCorp would have otherwise incurred acquiring comparable resources. In that event, the 2010 Protocol assigns those excess costs on a *situs* basis to Utah. PacifiCorp represents that its costs under this PPA does not exceed the costs it would have incurred acquiring other market resources. The Division accepts that representation based upon its prior analysis of PacifiCorp’s avoided cost reports.

The Division testified at hearing that the PPA is just, reasonable, and in the public interest and recommends the Commission approve it as such. No one testified in opposition of the PPA.

B. Findings and Conclusions

Based on current regulatory framework in place as established by PURPA, prior Commission orders, and PacifiCorp’s tariff, the Commission reviews PPAs to assure PacifiCorp has properly administered its tariff in contracting with Tesoro and, in particular, that PacifiCorp has properly determined pricing for the PPA is based on the appropriate Commission-approved methodology.

Based upon our review of the Application, the PPA, the comments filed in the docket, and the testimony provided at hearing, and the lack of opposition to the Application, we find the price, terms and conditions of the PPA are consistent with the applicable state law, relevant Commission orders, and Schedule 38. We conclude that the PPA is just and reasonable, and in the public interest.

ORDER

Pursuant to the foregoing discussion, findings and conclusions, we order:

1. The PPA between PacifiCorp and Tesoro is approved.
2. As with past practice, PacifiCorp shall provide to the Division, at least quarterly, data reflecting the hourly power purchased under the Tesoro PPA to allow the Division to monitor contract performance.

DATED at Salt Lake City, Utah, this 2nd day of December, 2015.

/s/ Melanie A. Reif
Presiding Officer

Approved and Confirmed this 2nd day of December, 2015, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary

DW#270779

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the 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 fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, 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 Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 2nd day of December, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
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