

- 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. 16-035-40
ORDER APPROVING QUALIFYING
FACILITY POWER PURCHASE
AGREEMENT

ISSUED: November 18, 2016

SYNOPSIS

The Commission approves the qualifying facility power purchase agreement between PacifiCorp and Tesoro Refining & Marketing Company LLC.

BACKGROUND AND PROCEDURAL HISTORY

On September 21, 2016, 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, 2017, and PacifiCorp represents that the facility is 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 and 12-035-100.¹

¹ See, e.g., *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; *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.

On September 27, 2016, the Commission held a scheduling conference and on September 28, 2016, issued a scheduling order and notice of hearing. Pursuant to the Commission's scheduling order and notice of hearing, the Division of Public Utilities (Division) filed comments on November 3, 2016, recommending the Commission approve the PPA provided that PacifiCorp update the PPA to correctly reflect the 2017 Protocol related to inter-jurisdictional cost allocation. The Division also recommends that in future PPA filings, PacifiCorp provide GRID outputs and spreadsheets supporting the PPA price calculations and spreadsheets showing avoided line loss calculations, with all spreadsheet formulae intact. 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 November 10, 2016, PacifiCorp filed an amended version of the PPA modifying Section 2.1 of the agreement in response to the Division's concern about inter-jurisdictional cost allocation. On November 14, 2016, PacifiCorp filed reply comments in which it agreed to provide, concurrent with future PPA filings, supporting GRID outputs and spreadsheets in the requested format. Further, PacifiCorp agreed to continue to provide, at least quarterly, a report of hourly power purchased.

On November 16, 2016, 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, as amended. The evidence supporting the Application is uncontested and is briefly summarized below.

DISCUSSION, FINDINGS AND CONCLUSIONS

A. The Amended 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 an estimated average annual energy delivery to PacifiCorp of 10,000 megawatt-hours. 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 consistent with the methodologies approved in Docket Nos. 03-035-14 and 12-035-100.²

² See *id.*

At hearing, PacifiCorp testified that the PPA is compliant with relevant Commission orders on avoided cost and with Schedule 38, including the 2017 Protocol, and recommends the Commission approve the PPA.

2. Division

At hearing, the Division testified that the PPA, as amended, satisfies the concerns identified in the Division's November 3, 2016 written comments and the Division recommends the Commission approve the amended PPA. Based on its review of the PPA, including PacifiCorp's modifications, as contained in PacifiCorp's November 10, 2016 reply comments, the Division indicates 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 No. 12-035-100.

Based on its review, the Division accepts PacifiCorp's representation that the costs of the PPA do not exceed the costs it would have incurred acquiring other market resources. The Division testified at hearing that the PPA, as amended, is just, reasonable, and in the public interest and recommends the Commission approve it. No one testified in opposition of the Application.

C. 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 dealings with Tesoro and, in particular, that PacifiCorp has

properly determined pricing for the PPA based on the appropriate Commission-approved methodology.

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

ORDER

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

1. PacifiCorp's Application in Docket No. 16-035-40 is approved. The PPA between PacifiCorp and Tesoro, as amended, is approved.
2. In future PPA filings, PacifiCorp shall provide in its applications GRID outputs and spreadsheets supporting the derivation of PPA prices and avoided line loss calculations, with all spreadsheet formulae intact.
3. 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, November 18, 2016.

/s/ Melanie A. Reif
Presiding Officer

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Approved and Confirmed November 18, 2016, 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#290340

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 November 18, 2016, 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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By Hand-Delivery:

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