ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

201 South Main, Suite 2300
Salt Lake City, Utah 84111

May 11, 2015

VIA ELECTRONIC FILING
AND HAND DELIVERY

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: Docket No. 15-035-__
In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities

In the above referenced matter, Rocky Mountain Power ("Company") hereby submits its application to the Public Service Commission of Utah for an order authorizing the Company to modify the maximum contract term of prospective power purchase agreements ("PPAs") with qualifying facilities ("QFs") under the Public Utility Regulatory Policies Act of 1978. An original and ten (10) copies of the Company's Application and the supporting testimony and exhibit of Paul H. Clements will be provided via hand delivery. The Company will also provide electronic versions of this filing to psc@utah.gov.

Rocky Mountain Power respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com
bob.lively@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Bob Lively at (801) 220-4052.

Sincerely,

Jeffrey K. Larsen
Vice President, Regulation
Enclosures

UIEC Cross 1

Q. Please state your name, business address, and present position with Rocky Mountain Power (the "Company"), a division of PacifiCorp.

A. My name is Paul H. Clements. My business address is 201 S. Main, Suite 2300, Salt Lake City, Utah 84111. My present position is Senior Originator/Power Marketer for Rocky Mountain Power.

Q. How long have you been in your present position?

A. I have been in my present position since December 2004.

Q. Please describe your education and business experience.

A. I have a B.S. in Business Management from Brigham Young University. I have been employed with PacifiCorp since 2004 as an originator/power marketer responsible for negotiating qualifying facility contracts, negotiating interruptible retail special contracts, and managing wholesale or market-based energy and capacity contracts with other utilities and power marketers. I also worked in the merchant energy sector for approximately six years in pricing and structuring, origination, and trading roles for Duke Energy and Illinova.

PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to support and present the Company's application to modify the maximum allowable contract term for qualifying facility ("QF") contracts that the Company must enter into under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The Company is seeking a modification to the maximum contract term of QF contracts executed under both Schedules 37 and 38. This change is necessary in order to maintain the "ratepayer indifference" standard of new PURPA contracts system-wide, in addition to the 1,992 MW of QF contracts that are already executed.

I explain and illustrate how the required 20-year contract term is (1) inconsistent with the Company's hedging practices implemented after careful review by stakeholders in a recent collaborative, (2) inconsistent with resource acquisition policies and practices for non-PURPA energy purchases, and (3) not aligned with the Company's IRP planning cycle and action plan. I also provide evidence demonstrating the impact of PURPA contracts on customers' rates. I also describe how, without the requested modification to contract term, PacifiCorp will be forced to continue to acquire long-term, fixed-price PURPA contracts even though PacifiCorp's 2015 IRP, which was filed in March 2015, shows no new resource is required until 2028.

Q. Why is the requested modification critical at this time?

A. PacifiCorp routinely reviews PURPA contract terms and conditions and avoided cost methods, and recent events dictate that the Company petition this Commission for a change at this time.

The Company has experienced a significant increase in QF pricing requests in Utah and across its six-state system. The Company has no need for resources for the next decade. The Company's hedging practices and policies are short-term in nature. The Company's hedging program was modified as a result of a series of hedging collaborative workshops the Company held with stakeholders in 2011 and 2012 which reduced the Company's standard hedging horizon from 48 months to 36 months.

Given the magnitude of new QF requests, and considering the inherent uncertainties in projecting avoided cost rates out 20 years or more, current Utah avoided cost rates expose customers to unreasonable fixed-price risk for 20 years. To protect customers from this risk on an on-going basis, the Company requests approval of a reduction in the maximum contract term for PURPA contracts, from 20 years to three years. Such a term would be more consistent with the Company's hedging and trading policies and practices for non-PURPA energy contracts and more aligned with the IRP cycle.

BACKGROUND

Q. Describe the history and purpose of PURPA.

A. Congress enacted PURPA in response to the nationwide energy crisis of the 1970s. Its goal was to reduce the country's dependence on imported fuels by encouraging the addition of cogeneration and small power production facilities to the nation's electrical generating system.[2] PURPA requires electric utilities to purchase all electric energy made available by QFs at rates that (a) are just and reasonable to electric consumers, (b) do not discriminate against QFs, and (c) do not exceed "the incremental cost to the electric utility of alternative electric energy."[3] The

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[2] *See, e.g.,* 16 U.S.C. § 2601 (Findings).

[3] The provisions of 16 U.S.C. § 824a-3 provide in pertinent part:

(a) Cogeneration and small power production rules

> Not later than 1 year after November 9, 1978, the Commission [FERC] shall prescribe, and from time to time thereafter revise, such rules as it determines necessary to encourage cogeneration and small power production, which rules require electric utilities to offer to -
>
> (1) sell electric energy to qualifying cogeneration facilities and qualifying small power production facilities and
>
> (2) purchase electric energy from such facilities . . .

(b) Rates for purchases by electric utilities

> The rules prescribed under subsection (a) of this section shall insure that, in requiring any electric utility to offer to purchase electric energy from any qualifying cogeneration facility or qualifying

activities to the prompt 36 months, is that long-term fixed price energy contracts carry significant price risk. The market becomes more and more uncertain as you move further into the future, and it is difficult to forecast with reasonable certainty what prices will be far out into the future. Moreover, the Company does not typically enter into long-term transactions unless those transactions have been identified as least-cost, least-risk transactions through the IRP process. Even then, the Company typically utilizes a rigorous RFP process to acquire any long-term resource identified by the IRP action plan. At this point in time, the Company does not have a need for a new long-term resource until 2028, and due to the timing of this need, the Company will not have any action items to procure a new long-term resource in the next two to four years.

The modification to the Company's current Utah avoided cost contract term is required at this time to maintain the ratepayer indifference standard required by PURPA and to protect Utah customers from ongoing harm.

Q. Does this conclude your direct testimony?

A. Yes.