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

DOCKET NO. 17-035-60
ORDER APPROVING QUALIFYING FACILITY POWER PURCHASE AGREEMENT

ISSUED: February 23, 2018

BACKGROUND AND PROCEDURAL HISTORY

On November 29, 2017, PacifiCorp, doing business as Rocky Mountain Power (“PacifiCorp”), filed an application (“Application”) with the Public Service Commission (“PSC”) 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, 2018, and PacifiCorp represents 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 PSC approval of the PPA consistent with the approved pricing methodology for QFs under Rocky Mountain Power Electric Service Schedule No. 38 – Qualifying Facility Procedures (“Schedule 38”).¹

On December 6, 2017, the PSC held a scheduling conference and on December 7, 2017, issued a scheduling order and notice of hearing (“Scheduling Order”).

On December 8, 2017, in Docket No. 17-035-63, PacifiCorp filed an application for approval of a two-month extension (“Extension”), through March 1, 2018, of the current PPA

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; *Rocky Mountain Power’s 2017 Avoided Cost Input Changes Quarterly Compliance Filing*, Docket No. 17-035-37.

between PacifiCorp and Tesoro.² The Extension includes a provision in which Tesoro and PacifiCorp agree to true up the price paid by PacifiCorp for the output from Tesoro's facility under the existing contract during the Extension period with the contract price in the Application. On December 18, 2017, the PSC approved the Extension.³

Pursuant to the PSC's Scheduling Order, the Division of Public Utilities ("DPU") filed comments on January 16, 2018 recommending the PSC approve the PPA. In addition, the DPU also recommends PacifiCorp: 1) continue to provide GRID outputs and spreadsheets supporting the PPA price calculations and spreadsheets showing avoided line loss calculations, with all spreadsheet formulae intact, in future PPA filings; 2) timely file future PPAs allowing for a 75-day review period; and 3) continue to provide, at least quarterly, hourly power purchased reports for contract performance monitoring purposes.

On February 13, 2018, the PSC's designated presiding officer held a hearing to consider the Application. At the hearing, PacifiCorp and the DPU provided testimony supporting PSC approval of the PPA. 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 in Salt Lake City, Utah. The facility is operated as a QF with a nameplate capacity rating of 25.0 MW

² See *Application of Rocky Mountain Power for Approval of Extension of Power Purchase Agreement between PacifiCorp and Tesoro Refining and Marketing Company*, Docket No. 17-035-63.

³ See *id.* (Order, issued December 18, 2017).

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 PSC orders. PacifiCorp also represents it calculated the purchase prices set forth in the PPA consistent with the methodology approved in Docket No. 03-035-14.⁴

At hearing, PacifiCorp testified the PPA is compliant with relevant PSC orders and with Schedule 38, and is just and reasonable and in the public interest. In addition, PacifiCorp agrees to the DPU's three recommendations presented in its January 16, 2018 comments. PacifiCorp recommends the PSC approve the PPA.

2. DPU

At hearing, the DPU testified the terms of the proposed PPA comply with the PSC's guidelines and orders found in Docket Nos. 03-035-14 and 12-035-100. The DPU testified that

⁴ See *supra* n.1.

PSC approval of the PPA would be just, reasonable, and in the public interest. No one testified in opposition to the Application.

C. Findings and Conclusions

Based on the current regulatory framework in place as established by PURPA, Utah law, prior PSC orders, and PacifiCorp's tariff, the PSC reviews PPAs to ensure PacifiCorp has properly administered its tariff and, in particular, that PacifiCorp has properly determined pricing for the PPA based on the appropriate PSC-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 conclude the prices, terms and conditions of the PPA are consistent with applicable law, relevant PSC orders, and Schedule 38. We find that approval of the Application and the PPA is just, reasonable, and in the public interest.

ORDER

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

1. PacifiCorp's Application in Docket No. 17-035-60 is approved. The PPA between PacifiCorp and Tesoro is, therefore, also 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.

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3. As with past practice, PacifiCorp shall file, at least quarterly, data reflecting the hourly power purchased under the Tesoro PPA to allow the DPU to monitor contract performance.
4. PacifiCorp shall file future PPAs at least 75 days in advance of the PPA's proposed effective date.

DATED at Salt Lake City, Utah, February 23, 2018.

/s/ Michael J. Hammer
Presiding Officer

Approved and Confirmed February 23, 2018, 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
PSC Secretary
DW#300370

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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 PSC 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 PSC 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 PSC'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 February 23, 2018, a true and correct copy of the foregoing was served upon the following as indicated below:

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