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Application of Rocky Mountain Power for Approval of Power Purchase Agreement between PacifiCorp and Tesoro Refining and Marketing Company LLC	<u>DOCKET NO. 18-035-38</u> <u>ORDER APPROVING QUALIFYING FACILITY POWER PURCHASE AGREEMENT</u>
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ISSUED: December 13, 2018

**BACKGROUND AND PROCEDURAL HISTORY**

On October 5, 2018, 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 from a natural-gas-fired cogeneration facility for a period of 12 months, beginning January 1, 2019. As stated in the PPA, this 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”).<sup>1</sup>

On October 17, 2018, the PSC held a scheduling conference and on October 18, 2018, issued a Scheduling Order and Notice of Hearing (“Scheduling Order”). On November 13, 2018,

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<sup>1</sup> 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.

PacifiCorp filed an amended version of the PPA, modifying Section 5.1 of the agreement correcting erroneous line loss factors, as identified by the Division of Public Utilities (“DPU”).

Pursuant to the PSC’s Scheduling Order, the DPU filed comments on November 20, 2018 recommending the PSC approve the PPA. The DPU represents PacifiCorp has correctly complied with PSC orders regarding the methodology used to determine contract pricing under Schedule 38 and that the PPA’s rates, terms, and conditions are in accordance with those the PSC approved in Docket No. 03-035-14 and Docket No. 12-035-100.<sup>2</sup>

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; and (2) continue to provide, at least quarterly, hourly power purchased reports for contract performance monitoring purposes.

On December 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

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<sup>2</sup> See *supra* n.1.

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 to PacifiCorp 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.

At hearing, PacifiCorp testified the PPA, as amended, is compliant with relevant PSC orders and with Schedule 38. Pursuant to the DPU's recommendations, PacifiCorp agreed, in testimony, to provide GRID outputs and spreadsheets supporting the PPA price calculations and avoided line loss calculations in future PPA filings, and indicated it will continue to provide hourly power purchased reports on a quarterly basis.

### **2. DPU**

At hearing, the DPU testified the terms of the proposed PPA comply with Schedule 38, applicable PSC orders, and specifically the orders found in Docket Nos. 03-035-14 and 12-035-

100. The DPU testified that PSC approval of the PPA would be just, reasonable, and in the public interest.

**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.

The PSC notes no party opposed the Application or otherwise provided evidence challenging the PPA's rates, terms, or conditions.

Based upon our review of the Application, the PPA, the comments filed in the docket, and the testimony and evidence provided at hearing, we find and 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, we order:

1. PacifiCorp's Application in Docket No. 18-035-38 is approved. The PPA between PacifiCorp and Tesoro, as amended, is 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.

DATED at Salt Lake City, Utah, December 13, 2018.

/s/ Michael J. Hammer  
Presiding Officer

Approved and Confirmed December 13, 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#305837

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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 December 13, 2018, 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](mailto:datarequest@pacificorp.com)), ([utahdockets@pacificorp.com](mailto:utahdockets@pacificorp.com))  
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Administrative Assistant