

August 18, 2020

VIA ELECTRONIC FILING

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

Attention: Gary Widerburg
Commission Administrator

RE: **Docket No. 20-035-37 – In the Matter of the Application of Rocky Mountain Power for Approval to Enter into Resource Contracts in Excess of Fifteen Years Pursuant to Commission Approved Agreements Under Electric Service Schedule Number 34**

Rocky Mountain Power (the “Company”) hereby submits for filing its application for approval to enter into a resource commitment longer than fifteen years under certain Renewable Energy Service Contracts (“Contracts”) approved by the February 6, 2020, order of the Public Service Commission of Utah in Docket No. 19-035-39 pursuant to Utah Code Ann. § 54-17-806 and Electric Service Schedule No. 34 – Renewable Energy Purchases for Qualified Customers – 5,000 kW and Over.

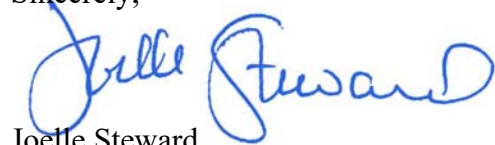
The Company respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com
utahdockets@pacificorp.com
jana.saba@pacificorp.com
jacob.mcdermott@pacificorp.com

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

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,



Joelle Steward
Vice President, Regulation

Enclosures

Jacob A. McDermott (16894)
Rocky Mountain Power
1407 W North Temple, Suite 320
Salt Lake City, UT 84116
Telephone: (801) 220-2233
Facsimile: (801) 220-4615

Attorney for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No. 20-035-37
Rocky Mountain Power for Approval to)	
Enter into Resource Contracts in Excess)	
of Fifteen Years Pursuant to Commission)	APPLICATION OF
Approved Agreements Under Electric)	ROCKY MOUNTAIN POWER
Service Schedule Number 34)	
)	

Pursuant to Utah Code Ann. § 63g-4-201, and Utah Admin. Code R746-1-203, PacifiCorp, doing business in Utah as Rocky Mountain Power (“Company”) hereby submits this application (“Application”) to the Public Service Commission of Utah (“Commission”) requesting Commission approval to enter into a resource commitment longer than fifteen years under certain Renewable Energy Service Contracts (“Contracts”) approved by the February 6, 2020, order of the Commission in Docket No. 19-035-39 pursuant to Utah Code Ann. § 54-17-806 and Electric Service Schedule No. 34 (“Schedule 34”). The Contracts are with Salt Lake City, Park City, Summit County, Utah Valley University, Vail Resorts, and Deer Valley Resorts (collectively “Customers”).

In support of its Application Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a division of PacifiCorp, an Oregon Corporation that provides electric service to retail customers through its Rocky Mountain Power division in the States of Utah, Wyoming, and Idaho, and through its Pacific Power division in the states of Oregon, California and Washington. Rocky Mountain Power is a public utility in the state of Utah and is subject to the Commission's jurisdiction with respect to its prices and terms of electric service to retail customers in Utah. The Company serves approximately 948,000 customers in Utah Rocky Mountain Power's principal place of business in Utah is 1407 West North Temple, Suite 320, Salt Lake City, Utah 84116.

2. Communications regarding this Application should be addressed to:

Jana Saba
Utah State Regulatory Affairs Manager
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Telephone: 801-220-2823
Email: jana.saba@pacificorp.com

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Senior Counsel
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In addition, the Company requests that all data requests regarding this matter be addressed to:

By email (preferred): datarequest@pacificorp.com

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

Informal inquiries may be directed to Jana Saba by telephone at (801) 220-2823.

BACKGROUND

1. The Company seeks Commission approval confirming it may enter into an agreement with a renewable resource for the Customers that has a term longer than fifteen years, because the Contracts utilize the renewable resource pricing option in Schedule 34, “Conditions of Service,” Section 1(c)(iii)(1), which states that the Customer pay for the renewable resource through “an incremental charge equal to the difference between the cost to the Company to supply renewable generation to the Customer and the Company's avoided costs as defined in Utah Code Annotated § 54-2-1(1).” The Company’s Commission-approved avoided cost pricing only extends for fifteen years.

2. The Company and Customers have been negotiating with a developer to contract for the first renewable resource to be added under the Contracts for several months, and have been informed by that developer that, in the current financing environment, it is unable to finance its project under a power purchase agreement (“PPA”) with the Company for the fifteen year term originally anticipated by all parties. The Company and the Customers have successfully negotiated an agreement with the developer for a longer PPA term as more fully described in the testimony of Kyle T. Moore filed in support of this Application.

3. Under the negotiated arrangement, the Company proposes to use two sets of avoided cost pricing, the 15-year levelized avoided costs as developed in May of 2019 used by the Customers in selecting a resource from the Request for Proposals (“RFP”), and levelized avoided costs developed in May of 2020 for the remaining portion of the negotiated longer PPA terms to accommodate the developer’s financing difficulties. This proposal reasonably balances the risk between the Customers who are seeking additional renewable energy through Schedule 34 and the Company’s other customers. However, given that Commission approved avoided cost pricing

under Utah Code Annotated § 54-2-1(1) only extends for fifteen years with respect to Qualifying Facilities, the Company seeks Commission approval of a longer term agreement using avoided cost pricing in the context of Schedule 34, “Conditions of Service,” Section 1(c)(iii)(1).

4. While the Company asserts that the modified proposal extending the term of the PPA under the Contracts is just and reasonable, and in the public interest, it cannot assert that it is compliant with its Commission approved Schedule 34 or with Utah Code Ann. § 54-17-806 without Commission approval.

CONCLUSION

WHEREFORE, based on the foregoing and by this application, the Company respectfully requests that the Commission:

- a) Hold a scheduling conference in this matter as soon as practicable;
- b) Find that the approach proposed in this Application is just and reasonable and in the public interest; and
- c) Grant such other relief it deems just and reasonable and in the public interest.

DATED this 18th day of August, 2020.

Respectfully submitted,

ROCKY MOUNTAIN POWER



Jacob A. McDermott

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REDACTED

Rocky Mountain Power

Docket No. 20-035-37

Witness: Kyle T. Moore

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

REDACTED

Direct Testimony of Kyle T. Moore

August 2020

1 **Q. Please state your name, business address, and position with PacifiCorp dba Rocky**
2 **Mountain Power (“the Company”).**

3 A. My name is Kyle T. Moore. My business address is 1407 West North Temple Street,
4 Suite 310, Salt Lake City, Utah 84116. My present position is Originator/Power
5 Marketer, Customer Solutions and Business Strategy for Rocky Mountain Power.

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

7 A. I have been in my present position since July 2015. I previously held other positions
8 within PacifiCorp since July 2007.

9 **Q. Please describe your education and business experience.**

10 A. I have a B.A. in Finance and an M.B.A. from the University of Utah. I have been
11 employed with PacifiCorp since 2015 as an originator/power marketer responsible for
12 negotiating qualifying facility contracts, negotiating interruptible retail special
13 contracts, and managing wholesale or market-based energy and capacity contracts with
14 other utilities and power marketers. Prior to my current role, I worked at PacifiCorp
15 from 2007 through 2015 in various finance, planning, and structure and pricing roles.
16 I also worked in the regulatory department at Kern River Gas Transmission Company
17 for approximately three years and as an energy consultant at Energy Strategies in Salt
18 Lake City for approximately five years.

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of my testimony is to describe and request Commission approval of the
21 proposed [REDACTED] and associated avoided cost treatment for the
22 last [REDACTED] associated with power purchase agreements (PPA) for the 80-megawatt
23 Elektron Solar resource (the “Resource”) chosen by the Customers and being acquired

24 in conjunction with the Commission-approved Renewable Energy Service Contracts
25 (the “Contracts”) under Electric Service Schedule No. 34 (“Schedule 34”) between the
26 Company and Salt Lake City, Park City, Summit County, Deer Valley Resort, Park
27 City Mountain Resort and Utah Valley University (“the Customers”).

28 **Q. Please summarize the background of the Schedule 34 Contracts for the**
29 **Customers.**

30 A. The Schedule 34 Contracts were negotiated between the Company and the Customers
31 in order to allow the customers to meet all or a portion of their energy needs with new
32 renewable resources acquired on their behalf. The Schedule 34 Contracts were filed
33 with the Commission on October 16, 2019, in Docket No. 19-035-39, and approved by
34 the Commission on February 6, 2020.

35 **Q. How are avoided costs used for pricing under the Contracts?**

36 A. The Contracts follow the standard rate structure found in Schedule 34 in Conditions of
37 Service 1(c), in which the Customers will pay normal tariff rates, a cost-based
38 administrative fee, and an incremental charge equal to the difference between the cost
39 to the Company to supply the renewable generation and the Company’s avoided costs
40 as defined in Utah Code Annotated § 54-2-1(1). The Schedule 34 Contracts anticipated
41 that the Company would later enter into PPAs with renewable resources to supply
42 renewable energy and Renewable Energy Credits (“RECs”) for the benefit of the
43 Customers.

44 **Q. Has the Company negotiated a PPA for the Customers?**

45 A. Yes. The Company issued a Request for Proposals (“RFP”) in 2019 on behalf of the
46 Customers and since that time has been negotiating a PPA for the Resource that is

47 mutually acceptable to the developer, the Customers and the Company. The Company
48 proposed to limit the PPA term to 15 years, and calculated 15-year avoided-cost prices
49 that were used in selecting the Resource and in setting the Schedule 34 rates. [REDACTED]

50 [REDACTED]

51 [REDACTED]

52 [REDACTED]

53 [REDACTED]

54 [REDACTED]

55 [REDACTED]

56 [REDACTED]

57 [REDACTED]

58 [REDACTED]

59 [REDACTED]

60 [REDACTED] The Company also

61 determined that it should update the avoided cost pricing used for setting Schedule 34
62 rates for the extended length of the PPA.

63 **Q. Why is the Company seeking approval of the PPA term length and associated**
64 **avoided costs pricing for this Resource under the Contracts?**

65 A. PPAs entered into for Schedule 34 customers are not subject to Commission approval.
66 However, given the unusual circumstances associated with this Project, and the
67 Company's determination to use two different sets of avoided cost pricing for setting
68 Schedule 34 rates to be paid by the Customers, the Company determined that it was
69 prudent to seek Commission approval of its proposed longer-term PPA terms, and its

70 proposed use of updated avoided cost numbers for setting Customers' Schedule 34 rates
71 for the extended length of the PPA.

72 [REDACTED]

73 [REDACTED]

74 [REDACTED]

75 [REDACTED]

76 [REDACTED] Since the proposed term and avoided cost treatment deviate from the
77 currently-approved Schedule 38 avoided costs, the Company is seeking Commission
78 approval of our recommended PPA term lengths and avoided cost pricing.

79 **Q. What is the avoided cost pricing Rocky Mountain Power is recommending?**

80 A. For the first 15-year term of the PPAs, Rocky Mountain Power proposes to use the 15-
81 year levelized avoided cost price that it calculated in July of 2019, and which was used
82 by the Customers in selecting a resource from the RFP responses. [REDACTED]

83 [REDACTED]

84 [REDACTED]

85 **Q. Why is Rocky Mountain Power recommending these avoided cost prices?**

86 A. Rocky Mountain Power provided the July 2019 avoided costs to enable resource
87 selection in the RFP, which final selection occurred in early August of 2019. At that
88 time the Customers decided to move forward with the project based on the economics
89 present with the bid price and the avoided costs, which are used to calculate the
90 Schedule 34 adder. The avoided costs were developed based on a term of 15-years to
91 match the pricing terms requested in the RFP. During the course of PPA negotiations,
92 which typically last several months, [REDACTED]

93 [REDACTED]

94 [REDACTED]

95 [REDACTED]

96 [REDACTED]

97 [REDACTED]

98 [REDACTED]

99 **Q. Why are the first 15 years' prices based on an avoided costs developed in July of**
100 **2019?**

101 **A.** The pricing for the first 15 years of the contract is based on the avoided costs developed
102 in July of 2019 because it was the pricing used on the date of determination by the
103 Customers to move forward with the project under Schedule 34 in early August 2019.

104 [REDACTED]

105 [REDACTED]

106 [REDACTED]

107 [REDACTED]

108 **Q.** [REDACTED]

109 [REDACTED]

110 [REDACTED]

111 **A.** [REDACTED]

112 [REDACTED]

113 [REDACTED]

114 [REDACTED]

115 **Q. Please further explain the proposed avoided costs?**

116 A. [REDACTED]

117 [REDACTED]

[REDACTED]

118

119 **Q.** [REDACTED]

120 [REDACTED]

121 A. [REDACTED]

122 [REDACTED]

[REDACTED]

123

124 **Q. Please summarize your recommendation to the Commission.**

125 A. I recommend approval of the proposed PPA terms and associated avoided cost pricing
126 as shown in Exhibit 1 for use under the Contracts for this Resource, as it is just and
127 reasonable and in the public interest under all relevant circumstances. While this
128 necessarily uses numbers that are different than the currently-approved term for
129 Qualifying Facilities, the Resource in this circumstance is a bilaterally-negotiated
130 power purchase agreement that is dedicated to serving the load for the specific
131 Customers unlike a Qualifying Facility. Schedule 34 uses the avoided cost pricing as a
132 proxy tool to determine the incremental costs to be paid by Schedule 34 customers. The

133 Company's proposed avoided cost pricing for the Resource generally retains the same
134 calculation methodology for the extended term proposed in the circumstance but with
135 an added customer protection of using the levelized price from the more current
136 avoided cost calculation for the final years of the contract. Under all of the
137 circumstances, it provides a reasonable balance between fairness to the Customers and
138 facilitating their efforts to obtain power from the selected Resource and mitigating any
139 potential harm to other customers for the extended term.

140 **Q. Does this conclude your direct testimony?**

141 **A. Yes.**

CERTIFICATE OF SERVICE

Docket No. 20-035-37

I hereby certify that on August 18, 2020, a true and correct copy of the foregoing was served by electronic mail to the following:

Utah Office of Consumer Services

Michele Beck mbeck@utah.gov
ocs@utah.gov

Division of Public Utilities

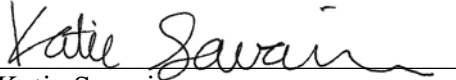
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