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DEIDRE HENDERSON
Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

MARGARET BUSSE
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

Action Request Response

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Jeff Einfeldt, Utility Technical Consultant

Date: January 18, 2022

Re: **Docket No. 21-035-68**, In the matter of the Application of Rocky Mountain Power for Approval of an Amendment to the Power Purchase Agreement Between PacifiCorp and Tesoro Refining and Marketing Company LLC.

Recommendation (Approve)

The Division of Public Utilities (“Division”) recommends the Public Service Commission of Utah (“Commission”) approve the Second Amendment to the Non-Firm Power Purchase Agreement (“Second Amendment” or “PPA”) between PacifiCorp (“Utility” or “Company”) and Tesoro Refining and Marketing Company (“Tesoro”). In addition, the Division recommends the Utility continue to provide reports, at least quarterly, of hourly power purchased to allow the Division to continue to monitor this contract.

The Division continues to request the Commission order the Utility at the time of future PPA filings to provide to the Division and Office of Consumer Services the GRID outputs and Excel spreadsheets supporting the price calculations along with the spreadsheets showing avoided line loss calculations. All spreadsheets are to be provided with formulas left intact.

Issue

On December 17, 2021, PacifiCorp filed an Application for Approval of the Second Amendment to Non-Firm Power Purchase Agreement with Tesoro. The term of the Second Amendment requested by the Utility is January 1, 2022 through December 31, 2022, and amends the current contract (First Amendment), that expired on December 31, 2021

This Application was filed several months later than the Division has requested in the past. However, for this year only, the Division agreed to work with the Utility to process this Application in a judicious manner to accommodate the parties.

The Commission held a scheduling conference on January 4, 2022. Following the scheduling conference, the Commission issued a Scheduling Order requiring comments from the Division, and any other interested parties, by January 18, 2022. This memorandum serves as the Division's comments and recommendations regarding the amended PPA.

Analysis

General

Included with the application is a copy of the Second Amendment to Non-Firm Power Purchase Agreement between PacifiCorp and Tesoro dated December 16, 2021. Tesoro owns, operates, and maintains a natural gas cogeneration facility for the generation of electric power located at its Salt Lake City refinery. The nameplate capacity rating of the plant is 25 megawatts ("MW") with an expected annual delivery to PacifiCorp of 10,000 MWh¹ in 2022. Power sales to PacifiCorp are done on a "net" basis. That is, it is expected Tesoro will first use the plant's output to supply its own power needs and sell any excess generation to PacifiCorp.

The Tesoro facility is operated as a qualifying facility ("QF") as defined by 18 C.F.R Part 292² and Tesoro has previously provided its FERC self-certification to PacifiCorp. All interconnection requirements have been met and the Tesoro facility is fully integrated with the PacifiCorp system. Under the terms of the QF contract Tesoro has the option, but not the obligation, to deliver the net output to PacifiCorp at the point of delivery. Tesoro is not permitted to sell any

¹ PPA, page 1.

² Ibid., page 5, section 3.2.6

portion of the net output to parties other than PacifiCorp; however, it can offset its own retail load before selling any excess power.

QF Pricing

The Division has reviewed the GRID outputs and concludes the pricing for this Second Amendment reflects the correct facts of this facility. The Utility appears to have correctly complied with Commission orders on the method used to determine pricing for a contract under Schedule 38.

Avoided Line Losses

Under the terms of the Commission order in Docket No. 03-035-14, non-firm QF resources are not entitled to a capacity payment, therefore, this Second Amendment contains energy-only prices. The Utility supplied the detailed calculations determining the avoided line loss percentage with its filing of the Second Amendment. The calculations were based on the method the Division, the Utility, and Tesoro have accepted in prior years.³ The avoided line loss percentage is added to the dollar per megawatt hour pricing set forth on confidential Exhibit E to arrive at the final price.⁴

Other Comments

The proposed Second Amendment will remain in place through December 31, 2022. The general terms and conditions of the Second Amendment appear to be generic in nature and like the previous contract. The primary differences appear to be the pricing terms including the adjustment factor for avoided line losses. The non-price related conditions within the Second Amendment remain consistent with previous contracts and appear to be reasonable.

³ The method agreed to is based upon the locations in the Utility's transmission topology, i.e., the transmission "bubbles," of the avoided generation sources. The calculation is the ratio of the avoided generation "outside" the bubbles containing the primary load, i.e., the Wasatch Front, to the total generation avoided multiplied by the OATT percentage. The current OATT percentage is 4.45% for real power losses as set forth in Schedule 10 of PacifiCorp's Open Access Transmission Tariff (OATT) approved in FERC Docket No. ER11-3643-000. For a discussion of the history of the determination of this method, see the Division's memorandum to the Commission dated July 21, 2010 and filed July 26, 2010 in the (Miscellaneous) Docket No. 10-999-01.

⁴ The pricing details are set forth in Section 5.1.

The rates, terms, and conditions in this Second Amendment are in accordance with the rates, terms, and conditions approved by the Commission in Docket No. 03-035-14 and Docket No. 12-035-100 for purchases from qualifying facilities.⁵ PacifiCorp represents that “According to the terms of the 2020 Protocol, approved by the Commission on April 15, 2020, in Docket No. 19-035-42, costs of the qualifying facility power purchase agreement will be allocated in accordance with section 4.4.2 of the 2020 Protocol.”⁶ The Division accepts this representation based on its review of the Utility’s price calculations for this Second Amendment and prior analyses of the Utility’s avoided cost reports.

Conclusion

The terms of the Second Amended Tesoro Power Purchase Agreement comply with the Commission’s guidelines and order in Docket Nos. 03-035-14 and 12-035-100. The remaining contractual arrangements and facts in this matter, in particular the method for calculating the avoided energy costs, have been previously found to be just and reasonable and in the public interest. The Division recommends the Commission approve the Second Amendment to the Non-Firm Power Purchase Agreement between PacifiCorp and Tesoro as just, reasonable, and in the public interest.

cc: Michele Beck, Office of Consumer Services
Jana Saba, PacifiCorp
Emily Wegener, PacifiCorp
Craig Eller, PacifiCorp
William Airhart, Marathon Petroleum for Tesoro

⁵ Tesoro PPA Sec 2.1

⁶ Application page 3, paragraph 8.