



JON HUNTSMAN Jr.
Governor
GARY HERBERT
Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

CONSTANCE B. WHITE
Director, Division of Public Utilities

MEMORANDUM

To: Public Service Commission
From: Division of Public Utilities
Constance White, Director
Artie Powell, Manager, Energy Section
Judith Johnson, Technical Consultant

Subject: EAct 2005 Amendments to PURPA - Fuel Sources Standard - Docket 06-999-03

Date: February 1, 2007

ISSUE

On August 8, 2005, the President signed into law the Energy Policy Act of 2005 (EAct2005) which included amendments to the Public Utility Regulatory Policies Act (PURPA) and added five new federal standards to PURPA section 111(d) for state commissions and utilities to consider. PURPA states that “each state regulatory authority (with respect to each electric utility for which it has ratemaking authority) and each nonregulated electric utility shall consider each standard” and “make a determination concerning whether or not it is appropriate to implement such standard”¹ The standards are regarding the following: Net Metering, Fuel Diversity, Fossil Fuel Generation Efficiency, Time-Based Metering and Communication, and Interconnection.

According to a reference manual produced by EEI and NARUC, and others, the law requires that state commissions and unregulated utilities consider the standards; they are not required to implement them. They may:

“implement any standard, decline to implement any standard, or adopt a different or modified standard from those described in the statute (PURPA section 117(b)). However, if they decline they are required to state in writing the reason for their decision and make that statement available to the public (PURPA section 111(c)). State commissions and utilities

¹ PURPA section 111(a)

may also take into account prior determination of the standards if it complies with the requirement of Title I of PURPA (PURPA section 112(a)).”²

This memo is the Division of Public Utilities’ recommendation regarding the Fuel Sources Standard which is reproduced in the following section.

PURPA FUEL SOURCES STANDARD

Each electric utility shall develop a plan to minimize dependence on one fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

RECOMMENDATION

The Division of Public Utilities recommends that the Commission find that the Integrated Resource Plan Standards and Guidelines, issued on June 18, 1992, as part of the order in Docket No. 90-2035-01, is equivalent to the proposed PURPA Fuel Sources Standard.

We also recommend that Rocky Mountain Power’s integrated resource plan (IRP) contain a section that explicitly details the fuel sources plan. Requiring an electric utility to produce an explicit plan derived from the IRP will keep the utility’s focus on working towards the goal of a optimum diversified portfolio and allow the public and regulators to provide feedback and to monitor its progress.

We recommend that the explicit plan include both fuels and technologies. For example, coal is a fuel source but clean coal is a different technology and therefore should be treated as a separate fuel source. Further, cost effective technologies that manage load should also be considered a source of fuel diversity.³ According to information given during the PURPA Standard Tech conferences, we believe that RMP’s 2006 IRP will contain information on its fuel diversity plan. We will use the IRP comment period to evaluate the section on RMP’s fuel diversity plan and make further recommendations as to the report.

ANALYSIS

The Law allows states to make the determination that prior state actions have provided an equivalent standard that is already in place.

² Reference Manual and Procedures for Implementation of the “PURPA Standards” in the Energy Policy Act of 2005, March 22 ,2006. Sponsored by American Public Power Association (APPA); Edison Electric Institute (EEI); National Association of Regulatory Utility Commissioners (NARUC); National Rural Electric Cooperative Association (NRECA). Prepared by Kenneth Rose and Karl Meeusen.

³ Reference Manual, page 56, section 4.2.4.2.2, Regulatory risk, last paragraph, for a discussion of how technologies can impact different types of fuel sources.

The IRP Standards and Guidelines, issued on June 18, 1992, as part of the order in Docket No. 90-2035-01, set out for PacifiCorp the standards and guidelines for its planning process.

We consider the Standard and Guidelines to be equivalent to the proposed standard. The following excerpt from the Standard and Guidelines address the same issues as raised by the proposed PURPA fuel source standard. The Utah standard calls for an “optimal set of resources given the expected combination of costs, risk and uncertainty” which we see as a superior standard to just minimizing dependence on one fuel source. Optimizing takes into account the risk of dependence on one fuel source as part of the cost and benefit analysis of the fuel source mix.

The Utah standard also addresses the part of the PURPA proposed standard that calls for generating from a diverse range of fuels and technologies including load management programs. We have provided the excerpt from the IRP Standard and Guidelines, section 4bi,ii,iii that we believe are equivalent to the PURPA standard. We have highlighted the sections that we believe speak directly to the PURPA standard.

1. Definition:

Integrated resource planning is a utility planning process which evaluates all known resources on a consistent and comparable basis, in order to meet current and future customer electric energy services needs at the lowest total cost to the utility and its customers, and in a manner consistent with the long-run public interest. **The process should result in the selection of the optimal set of resources given the expected combination of costs, risk and uncertainty.**

4. PacifiCorp's future integrated resource plans will include:

a. ...

b. An evaluation of all present and future resources, including future market opportunities (both demand-side and supply-side), on a consistent and comparable basis.

i. An assessment of all technically feasible and cost-effective improvements in the efficient use of electricity, including load management and conservation.

ii. An assessment of all technically feasible generating technologies including: renewable resources, cogeneration, power purchases from other sources, and the construction of thermal resources.

iii. The resource assessments should include: life expectancy of the resources, the recognition of whether the resource is replacing/adding capacity or energy, dispatchability, lead-time requirements, flexibility, efficiency of the resource and opportunities for customer participation.

cc: Committee of Consumer Services
Dave Taylor, PacifiCorp