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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Date: June 12, 2012

Re: Docket No. 12-999-01, Rocky Mountain Power's Fossil Fuel Heat Rate Improvement Plan—The Division recommends that the Commission direct the Company to revise and resubmit its HRIP.

RECOMMENDATION

Although the Division finds that Rocky Mountain Power's Fossil Fuel Heat Rate Improvement Plan complies with the intent of the Commission's direction, the Division has identified several areas of concern with the current 2012 HRIP. Therefore, the Division recommends that the Commission direct the Company to address the issues discussed herein and resubmit the 2012 HRIP.

ISSUE AND DISCUSSION

On May 1, 2012, in accordance with Commission order, Rocky Mountain Power (Company) filed its Fossil Fuel Energy Efficiency Standard Plan or Heat Rate Improvement plan (HRIP). On May 8, 2012, the Commission issued an Action Request to the Division of Public Utilities (Division) requesting an "Explanation and Statement of Issues to be Addressed." This memorandum constitutes the Division's response.

As indicated in the Company's cover letter, dated May 1, 2012, the 2012 HRIP differs in format from previous reports. The format (and content) change was discussed with the Division and other parties. The Division believes the current format better suits the intended purpose of the report and, thus, complies with Commission direction.

The 2012 HRIP consists of ten sections, nine sections of narrative, and one data analysis section (section 10, Appendix). Among other analysis, Section 10 includes an electronic spreadsheet summarizing FERC Form 1 data for the Company's thermal plants for the years 1994 through 2011.

Section 1, Revision History, appears to provide information on the Company's internal document control. The Division does not believe that this section provides much useful information. More useful information may be a reference to a Docket Number or Commission Order governing the report requirements. However, information about the relevant docket or Commission order is usually provided by the Company in its cover letter.

Sections 3 and 4 provide definitions and acronyms. These sections are helpful and the Division recommends that they be retained in future reports.

Section 5 describes the Company's overall objectives or strategy to "minimize heat rate losses." There are five objectives/actions listed with more specific detail discussed in sections 5.1 through 5.7. Section 5.4 (Availability Improvements) indicates that heat rate improvements in individual units resulting from planned maintenance is not included in the HRIP. The Division agrees with this exclusion. The heat rate loss from natural degradation and the recovery from maintenance would distort any heat rate improvements. Improvements in heat rates, as explained in the Company's 2012 HRIP will come from other areas or activities. Section 5.6 indicates that no retirements are included in the current plan. Specifically, Carbon is reported in the FERC Form 1 data in Section 10. Carbon will not be retired, according to current Company plans, until 2015. Section 5.7 indicates that the Company's overall heat rate is affected by its economic dispatch of its thermal plants. According to section 5.7, while the Company always uses economic dispatch that does not necessarily mean that the marginal unit will have the lowest heat rate since dispatch is affected by variables other than heat rates.

Section 6 explains the Heat Rate Index defined in Section 3 as the ratio of the planned heat rate to the actual heat rate. This is a new index meant to measure the Company's actual performance against the engineering design specifications. The results for the last four years, 2008 through 2011, are presented in Section 10, Figure 2. Figure 2 appears to be a plot of the heat rate index against a time trend of the form $y = a + bx$, where x is a time variable (possibly the year). From the figure, it appears that the index fluctuates between about 94% and 95%. In other words, the Actual Heat Rate is about 4% to 5% greater than the Planned Heat Rate. Since Figure 2 contains only four data points, the heat rate index appears to be an aggregate for the Company's thermal fleet, although it is not clear how that aggregate is calculated. The Division believes more explanation of the heat rate index, its calculation, and its use would be helpful. Also, while not vital, the Division believes the index would be easier for others to interpret if the inverse of the Company's index were reported, namely, the "Actual Heat Rate" divided by the "Planned Heat Rate."

Figure 1 in Section 10 of the 2102 HRIP reports to compare the Company's current "Planned Net Heat Rate" to its "Actual Net Heat Rate." The graph indicates a relatively large jump or increase (i.e., degradation) in the Company's planned heat rate in 2016. However, the plan does not provide an explanation of why a jump is built into or part of the Company's plan. An explanation would be helpful.

Table 4 of Section 10 (provided electronically) reports certain FERC Form 1 data for each of the thermal units for the years 1994 through 2011. A summary by year for the fleet of thermal plants is the last tab in the spreadsheet. The information includes plant statistics and operations or production, capital costs, production expenses, O&M, and average BTU per kWh. While this information is informative, the Division has identified several problems with this spreadsheet model.

First, some formulas in the model appear to be incomplete. In the upper section of each tab is a line item, "Plant Hours Connected to Load." This information appears on the annual tabs but is not summed in the final column, "Thermal Plant Totals," and is therefore not

picked up on the Summary tab. The Division recommends that the Commission direct the Company to review the model and fix all the missing or incomplete formulas.

Second, the installed total capacity appears in the upper section of the model as part of plant statistics on each tab. However, the cost per kWh in the upper middle section of each tab appears to be based on the Company's share of capacity for each plant. The Division recommends that the Company reconcile this apparent discrepancy and report the Company's capacity share in each plant.

Third, at least one value appears to be stored as "text" and, thus, is not picked up in the subsequent calculations. (See tab 1994, cell P16). The Division recommends that the Company correct this apparent error and review the model for any additional problems.

CONCLUSION

As previously stated, the current HRIP differs in both form and content from past reports. However, the changes were discussed with the Division and other parties and the Division believes that the Company's 2012 HRIP better suits the intended purpose of the report and, thus, complies with Commission direction. However, the Division has identified several concerns with the current report. Therefore, the division recommends that the Commission direct the Company to address these concerns and refile its 2012 HRIP.

CC Dave Taylor, Rocky Mountain Power
Michele Beck, Office of Consumer Services