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Salt Lake City, Utah 84111

October 15, 2013

IDAHO PUBLIC
UTILITIES COMMISSION

VIA HAND DELIVERY

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

NEW CASE

**Re: CASE NO. PAC-E-13-12
IN THE MATTER OF ROCKY MOUNTAIN POWER'S APPLICATION FOR
APPROVAL OF SURROGATE AVOIDED RESOURCE METHODOLOGY
UPDATE**

Dear Ms. Jewell:

Please find enclosed for filing an original and seven (7) copies of Rocky Mountain Power's Application in the above-referenced matter, along with a CD containing Appendix A and B in their original format.

All formal correspondence and regarding this Application should be addressed to:

Ted Weston
Rocky Mountain Power
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-2963
Fax: (801) 220-2798
Email: ted.weston@pacificorp.com

Daniel E. Solander
Rocky Mountain Power
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-4014
Fax: (801) 220-3299
Email: daniel.solander@pacificorp.com

Communications regarding discovery matters, including data requests issued to Rocky Mountain Power, should be addressed to the following:

By E-mail (preferred): datarequest@pacificorp.com

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

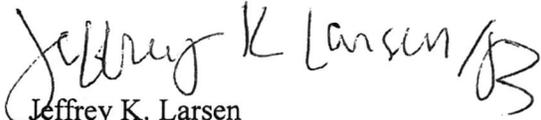
Idaho Public Utilities Commission

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Informal inquiries may be directed to Ted Weston, Idaho Regulatory Manager at (801) 220-2963.

Very truly yours,

A handwritten signature in black ink that reads "Jeffrey K. Larsen" followed by a stylized flourish.

Jeffrey K. Larsen

Vice President, Regulation & Government Affairs

Enclosures

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IDAHO PUBLIC UTILITIES COMMISSION

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Attorneys for Rocky Mountain Power

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

)	
IN THE MATTER OF ROCKY)	CASE NO. PAC-E-13-12
MOUNTAIN POWER'S)	
APPLICATION FOR APPROVAL OF)	APPLICATION
SURROGATE AVOIDED RESOURCE)	
METHODOLOGY UPDATE)	

Comes now, Rocky Mountain Power ("Company") and in accordance with Order Nos. 32697 and 32802 respectfully submits this Application for approval by the Idaho Public Utilities Commission (the "Commission") of the capacity deficiency period determination to be utilized in its Surrogate Avoided Resource ("SAR") Methodology. As more fully described below, this update identifies Rocky Mountain Power's deficiency periods for summer capacity, winter capacity, and energy, and explains how these deficiency periods were identified. The Company is also providing its most current updated load forecasts, gas price forecasts, a list of new and terminated PURPA contracts, and a list of new or terminated long term power purchase agreements.

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

1. Rocky Mountain Power is authorized to do and is doing business in the state of Idaho. The Company provides retail electric service to approximately 72,300 customers in the state and is subject to the jurisdiction of the Commission. Rocky Mountain Power is a public utility in the state of Idaho pursuant to Idaho Code § 61-129.

2. Communications regarding this Application should be addressed to:

Ted Weston
Daniel E. Solander
201 South Main, Suite 2300
Salt Lake City, Utah 84111
Telephone: (801) 220-2963
Fax: (801) 220-2798
Email: ted.weston@pacificorp.com
daniel.solander@pacificorp.com

In addition, the Company respectfully requests that all data requests regarding this matter be addressed to one or more of the following:

By e-mail (preferred)

datarequest@pacificorp.com

By regular mail

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

BACKGROUND

3. On November 5, 2010, Idaho Power Company, Avista Corporation, and PacifiCorp d/b/a Rocky Mountain Power filed a Joint Petition requesting that the Commission initiate an investigation to address various avoided cost issues related to the Commission's implementation of PURPA.

4. The Commission noticed the joint application, GNR-E-10-04, and subsequently ruled to temporarily reduce the eligibility cap for published avoided cost rates from 10 aMW to

100 kW for wind and solar projects.¹ Thus, the eligibility cap for published avoided cost rates for wind and solar QF projects was set at 100 kW effective December 14, 2010.

5. On February 25, 2011, consistent with the Commission's stated intent to investigate the issue of disaggregation, the Commission issued a combined Notice of Inquiry, Notice of Intervention Deadline, Notice of Scheduling, and Notice of Technical Hearing.² Specifically, the Commission solicited information and initiated an investigation of a published avoided cost rate eligibility cap structure that: (1) would allow small wind and solar QFs to avail themselves of published rates for projects producing 10 aMW or less; and (2) would prevent large wind and solar QFs from disaggregating into small projects in order to obtain published avoided cost rates that exceed a utility's actual avoided cost.

6. After careful consideration, the Commission ultimately determined that it was appropriate to maintain the 100 kW eligibility cap for published avoided cost rates for wind and solar QFs.³ Wind and solar projects larger than 100 kW are still entitled to PURPA contracts with avoided cost rates calculated through use of the IRP Methodology. The Commission found that any attempt to implement criteria in an effort to prevent disaggregation would be met by attempts to circumvent such criteria. The Commission emphasized that PURPA and this State's published rate structure were never intended to promote large scale wind and solar development to the detriment of utility customers.⁴ The Commission further found that a 100 kW threshold for wind and solar QFs would provide a certainty to the parties in negotiations that disaggregation criteria would not.

¹ Order No. 32212.

² Phase II, GNR-E-11-01, Order No. 32195.

³ Order No. 32262.

⁴ Order No. 32697.

7. At the conclusion of the Phase II case the Commission stated its intent to initiate additional proceedings to allow the parties to investigate and analyze both the SAR Methodology and the IRP Methodology.⁵ On September 1, 2011, the Commission issued a Notice of Review to investigate the standard terms of PURPA power purchase agreements.

8. The Commission initiated Phase III to investigate various PURPA topics including, but not limited to: the surrogate avoided resource (SAR) methodology, the Integrated Resource Planning (IRP) Methodology, the dispatchability of varying resources, curtailment options, integration costs, renewable energy credits, delay security and liquidated damages, timing and schedule of negotiations, and consideration of contract milestones.

9. At conclusion of Phase III the Commission found that,

“in order to maintain the most accurate and up-to-date reflection of a utility’s true avoided cost, utilities must update fuel price forecasts and load forecasts annually - between IRP filings. For the sake of consistency, these annual updates should occur simultaneously with SAR updates - on June 1 of each year. In addition, it is appropriate to consider long-term contract commitments because of the potential effect that such commitments have on a utility’s load and resource balance. We find it reasonable to include long-term contract considerations in an IRP Methodology calculation at such time as the QF and utility have entered into a signed contract for the sale and purchase of QF power. We further find it appropriate to consider PURPA contracts that have terminated or expired in each utility’s load and resource balance. We find it reasonable that all other variables and assumptions utilized within the IRP Methodology remain fixed between IRP filings (every two years)”.

10. After reconsideration the Commission determined that the annual updates to the IRP and SAR methods should be filed on October 15.⁶

REQUEST TO ESTABLISH SAR DEFICIENCY PERIOD

11. On April 30, 2013 Rocky Mountain Power filed its 2013 IRP with the Commission. The 2013 IRP includes the results of the Company's capacity balance in Table 5.12 on page 99. The capacity balance is calculated for summer peak loads only. The capacity

⁵ GNR-E-11-03, Phase III.

⁶ Order No. 32082.

balance is developed by determining firm resource capacity available at the annual system peak load hour, plus a 13 percent planning reserve margin. The study reports that the Company is capacity deficit in 2013. The capacity deficit is 824 MW starting in 2013 with the deficit increasing to 2,308 MW by 2022. Table 5.12 from the 2013 IRP is provided in Appendix B.

12. The 2013 IRP includes Figure 5.5 on page 103 which demonstrates the Company's energy balance. The figure shows a snapshot of how existing system resources could be used to meet forecasted load across on-peak and off-peak periods given IRP planning assumptions and wholesale power and natural gas prices. It shows expected monthly energy production from resources in relation to load assuming no additional resources are added to PacifiCorp's system. Periods where all available resource energy falls below forecasted loads are indicative of short energy positions absent the addition of incremental resources to the portfolio. On page 102 of the 2013 IRP the Company states, "During on-peak periods, the first energy shortfall appears in July 2018 and by 2022 available system energy falls short of monthly loads in January, July, August, and October." Figure 5.5 from the 2013 IRP is provided in Appendix B.

13. Updating the peak and energy balances to reflect the Company's most recent load forecast and for recent changes in long term contracts, provided in Appendix A, would not alter the identified deficit years.

14. Rocky Mountain Power submits that this update meets the requirements set forth in Commission Order Nos. 32697 and 32802, and requests that the Commission approve this Application establishing the capacity deficiency period to be utilized in its SAR calculation.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission approve this Application for Approval of Rocky Mountain Power's SAR methodology update and that this Application be processed pursuant to Modified Procedure.

DATED this 15th day of October, 2013.

ROCKY MOUNTAIN POWER



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