State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Abdinasir M. Abdulle, Utility Analyst
Charles Peterson, Technical Consultant

Date: August 31, 2015

Re: Docket No. 15-035-56 – Rocky Mountain Power Quarterly Compliance Filing – 2015.Q2 Avoided Cost Input Changes

RECOMMENDATIONS (Acknowledge)

The Division of Public Utilities ("Division") recommends that the Commission acknowledge Rocky Mountain Power's ("Company") quarterly compliance filing – 2015.Q2 avoided cost input changes – as generally complying with the Commission Order in Docket No. 03-035-14.

ISSUE

On August 10, 2015, the Company filed its Quarterly Compliance Filing – 2015.Q2. This filing reports changes since the Company's 2015.Q1 Quarterly Compliance filing dated June 1, 2015. On the same day, the Public Service Commission ("Commission") issued an Action Request to the Division requesting a review of the Company's filing for compliance and to make recommendations. The Commission asked the Division to report back by August 31, 2015. On the same day, the Commission also issued a Notice of Filing and Comment Period in which it indicated that "any interested party must submit comments within the time parameters established in the settlement agreement that the Public Service Commission ("Commission") approved on June 9, 2015 in *In the Matter of Review of Electric Service Schedule No. 38, Qualifying Facilities Procedures, and Other Related Procedural Issues,* Docket No. 14-035-140 ("Settlement Agreement"). This memorandum represents the Division's comments on the Company's filing.

DISCUSSION

General and Routine Updates

Based upon Commission Orders dated October 31, 2005 and February 2, 2006, in Docket No. 03-035-14, the Company is required to provide quarterly updates of its avoided cost indicative pricing, highlighting any changes made to the Proxy and GRID models that are used to calculate Schedule 38 avoided costs. Furthermore, the parties to the proceeding in Docket No, 14-035-140, stipulated and the Commission approved that the Company classify new and updated assumptions as either "Routine Updates" or "Non-Routine Updates". In addition, it has been stipulated that "…parties will file a notice with the Commission within three weeks after the Company files its quarterly compliance filing, to identify which specific assumptions, if any, they intend to contest".

In compliance with these Commission Orders, the Company filed with the Commission its quarterly report for the 2015.Q2 on August 10, 2015. The Division reviewed and checked the accuracy and reasonableness of the calculations in the Company's filing. The Division believes that the Company properly documented the input changes to the avoided cost calculations. Based on our review, the Division concludes that the updates appear reasonable and separated the updated assumptions in routine and non-routine.

The Division notes that the Company updated several inputs and assumptions to its model since the 2015.Q1 update filing. These updates are separated into Routine and Non-Routine. The Routine updates serve to update the basic model inputs to keep the GRID model current. The specific Routine updates that the Company made are listed in the cover letter of the Company's filing. The Division agrees that the routine updates are correctly designated as routine.

Non-Routine Updates

In this filing, the Company made four Non-Routine updates including adjustments for solar degradation, Wyoming 2028 transmission rights, reserve shortage, and wind integration reserve shortage. The Division reviewed these Non-Routine updates and found them reasonable. The Division's review included a conference call with Company representatives to clarify certain issues.

The solar degradation update changed the current assumption of modeling solar resources at their nameplate to one of identifying the degradation rate associated with each solar project and adjusting the partial displacement calculations directly within the Company's GRID model. The Company is making this change in response to the Division's concerns raised in recent solar PPA dockets regarding the previous method that made degradation adjustments to the GRID output or results. While the Company contended that this previous method was easier to implement and gave approximately correct results, the Division determined in the PPA dockets that, in its opinion, the differences between performing the degradation adjustment within the GRID model versus outside the GRID model were material. The Division believes that the degradation adjustments are most properly done directly within the GRID model. The Division reviewed Exhibit H of the Company's filing which contains the calculations of the partial displacement adjusted for solar degradation and did not see any problems with the calculations. Therefore, the Division does not contest this update.

Regarding the Wyoming 2028 transmission rights, currently, the Company does not have firm transmission rights in Wyoming Northeast that would allow it to import energy into Utah during calculated times of resource deficit. The resource deficit calculation is the result of the combination of the 2015 IRP forecasted retirement of Dave Johnston plant in 2028, and the full displacement of a CCCT plant by non-dispatchable Utah QFs. The Company indicated that there is capacity available on the PacifiCorp transmission system that it does not currently possess rights to that it could call on, at no net cost to customers, to import the necessary power. The current avoided cost model assumes the addition of these transmission rights. Therefore, this change in the model assumptions will have no impact on the avoided costs. The Division believes that this Non-Routine change is reasonable at this time and does not contest it.

Qualifying facilities do not hold reserves. Hence, the displacement of a CCCT by a QF will create a shortage in the reserve requirement and therefore a reduction in reliability. To compensate for this shortage, the Company assumes that it will have to back down a thermal resource (the Company assumed a coal plant would be backed down) and make additional market purchases to make up for the reduced output. The costs associated with this reserve shortage have not in the past been included in the avoided cost calculation. The Company proposes going forward to include this cost in the calculation. This will impact the avoided costs downward by $0.04/MWh on a 20-year nominal levelized basis starting in 2016. The Division believes that inclusion of this cost in the avoided calculation is reasonable and does not contest it.

The current wind integration model estimates the wind integration reserve shortage costs on an annual basis. The Company is proposing to perform this estimation on a monthly basis. The impact of this proposed change is an increase of the wind integration costs by $0.03/MWh on a 20-year nominal levelized basis starting in 2016. The Division believes that this Non-Routine change is reasonable and does not contest it.

Summary

Overall, the input changes made by the Company between this compliance filing and the 2015.Q1 filing ***decreases*** avoided cost prices on a 20-year nominal levelized basis by approximately $0.52 per MWh. This decrease represents the cumulative impact of all the changes made by the Company. The incremental impact of each change from the prior step will depend on the order in which the changes are introduced into the model.

Based upon its review, the Division believes that the updates to the inputs of the avoided cost calculation are generally reasonable and the avoided cost prices are calculated according to the Commission approved methods. Furthermore, the Division does not contest any of the Non-Routine changes proposed by the Company. Therefore, the Division recommends that the Commission acknowledge the Company’s filing as complying with the Commission Orders.

CC: Bob Lively, RMP
Michele Beck, OCS