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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 Powel, Manager
Abdinasir Abdulle, Utility Analyst
Charles Peterson, Technical Consultant

Date: June 20, 2018

Re: Docket No. 18-035-23 (03-035-14) – Rocky Mountain Power’s Quarterly Compliance Filing – 2018.Q1. Avoided Cost Input Changes

RECOMMENDATION (No Action)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) take no action on Rocky Mountain Power’s (“Company”) quarterly compliance filing – 2018.Q1 avoided cost input changes. The Filing complies with the Commission Orders in Docket Nos. 03-035-14, 14035-140 and 17-035-37.

ISSUE

On May 31, 2018, the Company filed its Quarterly Compliance Filing – 2018.Q1. This filing reports changes since the Company’s 2017.Q4 Quarterly Compliance Filing dated February 22, 2018. On May 31, 2018, the Commission issued an Action Request to the Division requesting the Division to review the application for compliance and make recommendations. The Commission asked the Division to report back by June 20, 2018. This memorandum represents the Division’s response to the Commission’s Action Request.

DISCUSSION

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. 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 2018.Q1 on May 31, 2018. 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.

The Company updated several inputs and assumptions to its model since the 2017.Q4 update filing. These updates are all categorized as routine updates. The routine updates serve to update the basic model inputs to keep the GRID model current. The specific routine updates that the Company made include updating the discount rate and the wind and solar capacity contribution, integration costs and the Official Forward Price Curve (OFPC) to be consistent PacifiCorp’s 2017 IRP Update. Furthermore, consistent with the IRP Update, the Company applied Production Tax Credit (PTC) benefits on a nominal basis rather than on a levelized basis, consistent with the 2017 IRP Update. This change in the treatment of PTCs is consistent with PacifiCorp’s final position in Docket Nos. 17-035-39 and 17-035-40, which were recently litigated before the Commission. The Company had previously announced its intention to treat PTCs in nominal terms in its 2017 IRP Update. These changes drive the changes in wind and solar prices between this filing and the 2017.Q1. The Division concludes that the updates appear reasonable and are correctly incorporated into the avoided cost calculations.

CONCLUSION

Overall, the input changes made by the Company between this compliance filing and the 2017.Q4 filing **increases avoided cost** pricing on a 15-year nominal levelized basis for thermal

resources by \$2.66 per MWh. However, for wind resources the levelized price **declined** by \$8.87 per MWh primarily due to applying PTC credits on a nominal basis consistent with the 2017 IRP Update. This increase 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 of the avoided cost calculations are reasonable and the avoided cost prices are calculated according to the Commission approved methods. Therefore, the Division recommends that the Commission take no further action on the Company's filing.

CC: Jana Saba, RMP
Michele Beck, OCS