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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager
Abdinasir Abdulle, Utility Analyst
Bob Davis, Utility Analyst

Date: October 15, 2018

Re: **No Action Required, Docket No. 18-035-23** – Rocky Mountain Power’s Quarterly Compliance Filing – 2018. Q2. Avoided Cost Input Changes Quarterly Compliance Filing.

RECOMMENDATION (No Action Required)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) take no action on PacifiCorp’s dba Rocky Mountain Power (“RMP”) quarterly compliance filing – 2018.Q2 avoided cost input changes. The Filing complies with the Commission Orders in Docket Nos. 03-035-14, 14-035-140 and 17-035-37.

ISSUE

On September 25, 2018, RMP filed its Quarterly Compliance Filing – 2018.Q2. This filing reports changes made since RMP’s 2018.Q1 Quarterly Compliance Filing dated May 31, 2018. On September 25, 2018, the Commission issued an Action Request to the Division requesting the Division review the application for compliance and make recommendations. The Commission asked the Division to report back by October 15, 2018. This memorandum represents the Division’s response to the Commission’s Action Request.

BACKGROUND

Based upon Commission Orders dated October 31, 2005 and February 2, 2006 in Docket No. 03-035-14, RMP 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 RMP 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 RMP files its quarterly compliance filing, to identify which specific assumptions, if any, they intend to contest.”

DISCUSSION

In compliance with these Commission Orders, RMP filed with the Commission its quarterly report for the 2018.Q2 on September 25, 2018. The Division reviewed and checked the accuracy and reasonableness of the calculations in RMP’s filing.

RMP updated some of its routine inputs and assumptions and added two non-routine inputs and assumptions to its model since the 2018.Q1 update filing. The routine updates serve to update the basic model inputs to keep the GRID model current. The specific routine updates made by RMP include:

- 1) Updating the Official Forward Price Curve (“1806 OFPC”);
- 2) updating the average incremental coal costs based on the August 2018 forecast;
- 3) updating the RMP’s inflation rate forecast dated June 2018;
- 4) updating its 20-year load forecast date from June 29, 2018;
- 5) the updated wind resources contained in the load and resource balance for the 2017 IRP Update preferred portfolio that were not approved by the Utah or Wyoming Commission have been replaced by Front Office Transactions through 2029 and proxy wind resources in comparable locations starting in 2030. The deferrable replacement resources are Everpower Wind QF, EV2020 Uinta Wind, and Monticello Wind QF;
- 6) long-term contracts are indexed to the 1806 OFPC and modeled based on 48 months ended June 2018;
- 7) market capacity set at 48-month average of all short-term firm (“STF”) sales ended June 2018;

- 8) additional heavy load hour (“HLH”) and light load hour (“LLH”) sales limited to 48-month average less monthly executed STF contracts as of August 2018; and
- 9) execution of STF transactions as of August 2018.

RMP’s non-routine updates are:

- 1) Replacing the day by month (“12 x 24”) format for the Hourly Solar Shape values used in the past with the shaping methodology adopted for wind resources; and
- 2) non-PTC wind resources that are located in a constrained area and curtailable on an economic basis will be dispatched within the GRID model.

Hourly Solar Shape

Using forecasts provided by developers, the 12 x 24 format for Hourly Solar Shape values, which considers nameplate capacity, historical weather patterns, and degradations for example over the course of a year, was used to shape output from solar resources. This method, however, does not consider daily variations due to factors such as weather or outages. RMP claims for the first time, it had significant solar resources online for the whole 2017 year. For this reason, RMP proposes using the shaping methodology adopted for wind resources, which considers daily variations, for solar resource shaping. The Division is not opposed to RMP’s proposal to use the wind shaping method for solar resources.

Non-PTC Wind Resource

When resources in a constrained area exceed the load and available exports, the GRID model identifies any excess as “trapped energy” and avoided cost includes the cost of loss [sic] production tax credits (PTCs) if there are no other curtailable resources in that area.¹

RMP proposes that non-PTC wind resources that are curtailable on an economic basis and located in a constrained transmission area, be dispatched within the GRID model as a thermal resource. Currently, the amount of PTCs associated with the trapped energy are calculated separate from the GRID model using Excel. RMP claims using thermal resources as a proxy (\$1/MWh for owned resources subject to Wyoming wind tax or consistent with contract terms for purchased resources) for the PTCs contained in the trapped energy within the GRID model will simplify the calculation. Thermal resources are used as a proxy because the GRID model

¹Rocky Mountain Power, Docket No. 18-035-23 – 2018.Q2, Avoided Cost Input Changes Quarterly Compliance Filing, September 25, 2018, Non-Routine Updates, Section 2, Wind Dispatch, pg. 2.

only recognizes the wind as a contract and does not have the ability to separate individual components such as the trapped PTCs. Although the Division is generally supportive of this non-routine update, it intends to work with RMP to review this update and gain a better understanding of how modeling trapped PTCs within GRID works.

In Docket 17-035-37, the Commission specifically identified the 2021 Aeolus Wind and Aeolus-Bridger Anticline Transmission (Gateway Segment D2), found in the 2017 IRP, as deferrable by Utah Wind QFs waiting a final Commission determination. Because of the Utah Commission's June 22, 2018 order approving the EV2020 Wind resources and Energy Gateway sub-segment D2, this transmission segment is no longer deferrable.

The Division concludes that the routine and non-routine updates appear reasonable and correctly incorporated into the avoided cost calculations.

CONCLUSION

Overall, the input changes made by RMP between this compliance filing and the 2018.Q1 filing **decreases avoided cost** pricing on a 15-year nominal levelized basis for thermal resources by \$0.13 per MWh, wind resources levelized price **increases** by \$1.64 per MWh, and solar tracking resources levelized price **increases** by \$4.46 per MWh.² These changes represent the cumulative impact of all changes made by RMP. 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 routine and non-routine updates of the avoided cost calculations are reasonable and the avoided cost prices are calculated according to the Commission approved methods. The Division will follow up with RMP to understand better how trapped PTCs are modeled in GRID and may make comments in future filings. Therefore, the Division recommends that the Commission take no further action on RMP's filing.

cc: Jana Saba, RMP
Michele Beck, OCS
Service List

² Id., Appendix B.1.