



State of Utah
Department of Commerce
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: January 11, 2019

Re: **No Action Required, Docket No. 18-035-23** – Rocky Mountain Power’s Quarterly Compliance Filing – 2018. Q3. 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.Q3 avoided cost input changes. The Filing complies with the Commission Orders in Docket Nos. 03-035-14, and 14-035-140.

ISSUE

On December 24, 2018, RMP filed its Quarterly Compliance Filing – 2018.Q3. This filing reports changes made since RMP’s 2018.Q2 Quarterly Compliance Filing dated September 25, 2018. On December 24, 2018, the Commission issued an Action Request to the Division requesting the Division to review the application for compliance and to make recommendations. The Commission asked the Division to report back by January 14, 2019. 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.Q3 on December 24, 2018. The Division reviewed and checked the accuracy and reasonableness of the calculations in RMP’s filing.

RMP made some updates to the inputs and assumptions of its avoided cost model since the 2018.Q2 update filing. All of these updates were routine updates. 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 GRID Scenario study period to January 1, 2019 through December 31, 2033.
- 2) Updating the Official Forward Price Curve to the curve dated September 28, 2018 (“1809 OFPC”);
- 3) Updating the RMP’s inflation rate to the September 2018 forecast;
- 4) Long-term contracts are indexed to the 1809 OFPC and modeled based on 48 months ended June 2018;
- 5) Market capacity set at 48-month average of all short-term firm (“STF”) sales ended November 2018;
- 6) Additional heavy load hour (“HLH”) and light load hour (“LLH”) sales limited to 48-month average less monthly executed STF contracts as of November 2018; and
- 7) Execution of STF transactions as of November 2018.

Based on its review, the Division concludes that these routine updates appear reasonable and were correctly incorporated into the avoided cost calculations.

However, the Division noticed that avoided cost prices have increased considerably since the previous filing. Based on Appendix C of the filing, most of the price increase can be attributed to the Official Forward Price Curve. The reduction in the QF queue also contributed to the increase in price. Therefore, the Division believes that the increase in the avoided cost prices is reasonable based on the Official Forward Price Curve. However, the Division has not yet had occasion to validate the information used to formulate the Official Forward Price Curve and its use for other purposes might not be appropriate.

CONCLUSION

Overall, the input changes made by RMP between this compliance filing and the 2018.Q2 filing **increased avoided cost** pricing on a 15-year nominal levelized basis for thermal resources by \$2.56 per MWh, wind resources levelized price **increases** by \$3.20 per MWh, and solar tracking resources levelized price **increases** by \$2.07 per MWh.¹ 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

¹ Rocky Mountain Power, Docket No. 18-035-23 – 2018.Q3, Avoided Cost Input Changes Quarterly Compliance Filing, December 24, 2018, Appendix B.1.