State of Utah

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Division of Public Utilities

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Comments

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Artie Powell, Director

Doug Wheelwright, Utility Technical Consultant Supervisor

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Date: May 28, 2020

Re: **Docket No. 19-035-18,** RMP's 2019 Avoided Cost Input Changes Quarterly Compliance Filings – 2019.Q3 and 2019.Q4

Docket No. 20-035-T04, Proposed Tariff Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities.

Background

The Commission Orders dated October 31, 2005 and February 2, 2006 in Docket No. 03-035-14 and the Stipulation in Docket No. 14-035-140 require RMP to update its avoided cost indicative pricing quarterly. The orders also require RMP to indicate any changes made to the Proxy and GRID models that are used to calculate Schedule 38 avoided costs and to classify the new and updated assumptions as either "Routine Updates" or "Non-Routine Updates."

In compliance with these Commission orders, RMP filed with the Commission its quarterly report for the 2019.Q3 on January 10, 2020. In reviewing RMP's filing, the Division noticed a significant change in avoided cost prices between RMP's 2019.Q2 and 2019.Q3 Quarterly

Compliance filings. On January 24, 2020, the Division contacted RMP to discuss the reasons for the price change. On January 29, 2019, the Division filed a request for extension to complete its investigation of the significant change in avoided cost prices. In accordance with the stipulation in Docket No. 14-035-140, on January 30, 2020, Utah Clean Energy (UCE) filed with the Commission its Notice of Challenge and Request for Scheduling Conference. In this filing, UCE requested a comment period or technical workshop in which RMP would provide additional information regarding the avoided cost updates and answer questions from other parties. UCE also indicated that it reserves its right to challenge several issues if they are not resolved by the comment period or technical workshop. These issues are, in short, the non-routine update of deferring Utah wind resource, the impact of the 2019 IRP on the Proxy/PDDRR avoided cost method, and the displacement of solar with storage resources by the tracking solar resources. On February 18, 2020, the Commission issued a Scheduling Order, Notice of Technical Conference, and Notice of Hearing (Scheduling Order). This Scheduling Order was amended twice, once on March 26, and again on April 16, 2020.

Consistent with the Amended Scheduling Order, on April 9, 2020, RMP filed a Supplemental Filing which included Advice No. 20-05 dealing with both Schedule 37, Avoided Cost Purchases from Qualifying Facilities (QF), and 2019.Q3 in Docket Nos. 20-035-T04 and 19-035-18, respectively. On the same date, RMP filed with the Commission its 2019.Q4 avoided cost input changes.

On April 24 and 29, 2020, the Division filed its comments on RMP's Schedule 37 and 2019.Q4 filings, respectively. In these comments, the Division recommended the Commission suspend the wind prices in both filings since both filings contain the same non-routine Utah wind deferral update to the avoided costs for wind generation as in the 2019.Q3, which is before the Commission for resolution. On April 29, 2020, the Division also filed a motion to suspend updates to Schedule 37 wind pricing and to amend the schedule to align it with Docket No. 19-035-18. The motion also requested the Commission stay the non-routine Utah wind deferral update contained in the 2019.Q4 filing, which is the same as that of the 2019.Q3 filing until the issues are resolved according to the schedule in Docket No. 19-035-18. On May 6, 2020, the Commission issued an Order suspending Schedule 37 and Order granting motion.

Discussion

RMP 2019.Q3 Avoided Cost Compliance Filing

On January 10, 2020, RMP filed its Quarterly Compliance filing – 2019.Q3. This filing identified four routine updates and one non-routine update. The routine updates included: 1) Updating the Official Forward Price Curve (OFPC) to prices dated September 30, 2019 (1909 OFPC); 2) Updates to incorporate the 2019 IRP assumptions; 3) Updating the queue of the signed contracts and the potential qualifying facilities (QF); and 4) Updates that take into consideration the extension of the Production Tax Credit (PTC). The non-routine update was the deferral of a Utah wind resource, rather than a Wyoming wind resource, by a Utah wind QF.

Updating the OFPC, the QF queue, and accounting for the extension of the PTC are straight forward and need no further discussion. The updates associated with the 2019 IRP assumptions and the deferral of a Utah wind resource warrant further discussion. Before delving into these issues, we briefly discuss the current Proxy/PDDRR method.

The Proxy Partial Displacement Differential Revenue Requirement Method[1]

The Proxy Partial Displacement Differential Revenue Requirement (Proxy/PDDRR) method is the method that the Commission approved for the calculation of the avoided costs and pricing QFs associated with Schedules 38 and 37. The avoided cost is calculated as the sum of avoided fixed cost and avoided energy cost. The avoided fixed costs include the avoided capital cost and the avoided fixed and variable O&M costs of the proxy resource and uses the operating characteristics, payment factor, and the capacity factors reported in the IRP.

[1] A more complete summary is contained in RMP's April 9, 2020 Supplemental filing in this proceeding.

To calculate the energy cost, the PDDRR method uses PacifiCorp's Generation and Regulation Initiative Decision Tool (GRID). The avoided energy cost is calculated by comparing two GRID forecasts of system costs, one with the proposed QF project and the other without. The difference in production costs between the two runs is the avoided energy cost.

Updates Associated with the 2019 IRP Assumptions

In its 2019.Q3 filing RMP indicated that it updated the GRID model by including the assumptions contained in the 2019 IRP. These assumptions include the preferred portfolio, capacity contribution, integration cost, and energy storage dispatch, and a modification to the wind and solar generation profiles.

The 2019 IRP preferred portfolio contains thermal, wind, wind combined with energy storage, solar combined with energy storage, and stand-alone energy storage resources. Among these resources, there are a Utah wind and a Utah solar combined with energy storage that are designated renewable resource for customer preference requirements. These customer preference resources are resources added to the preferred portfolio to serve customers who have requested to be served with 100% renewable energy for all of their load requirement, not because they are the lowest cost resources. Under the approved Proxy/PDDRR method, only cost-effective resources of the same type in the IRP preferred portfolio are available to be deferred by a renewable resource. Hence, all of the resources in the preferred portfolio are available for deferral except the customer preference resources (with one exception as discussed below), which are not cost-effective. The costs of the customer preference resources will be borne by those customers making the request. The 2019 IRP resource shows proxy resources for thermal, solar and wind resources. The thermal proxy resource is Naughton SCCT in 2026.

The 2019 IRP preferred portfolio shows proxy solar with energy storage resources coming online in 2024 in various locations. Hence, to determine which proxy resource to defer when multiple resources of the same type are coming in the same year, RMP proposes to use the geographic location as a tiebreaker. In other words, a solar QF, or any other QF, will a defer proxy solar resource, or any other proxy resource of the same type, based on geographic location. A QF resource coming in a particular location will first defer the proxy resource of the same type in that location and then the one in the next closest location and so on until all proxy resources of that type coming in that year are deferred. Rocky Mountain Power justifies this proposal as it would help maintain the balance of load and resources in the IRP preferred portfolio. The Division believes that this proposal is reasonable. Therefore, the Division does not oppose this proposal.

Regarding wind resources, the next deferrable resource is the 1,920 MW Aeolus wind in 2024 that is associated with the new Gateway South transmission line. However, RMP is proposing the deferral of the 69 MW Utah South wind in 2023 even though it is a resource designated to meet customer preference requirements.

The reason that RMP is proposing to defer the customer preference wind resource rather than the cost-effective Wyoming wind is that the avoided cost associated with the deferral of the Wyoming wind is very high. For Utah wind the avoided costs based on the deferral of the Utah South customer preference wind is more reasonable. Rocky Mountain Power indicated that a major part of the avoided costs associated with the deferral of Wyoming wind is the capital and fixed costs of the Gateway South transmission[2] which is not partially displaceable. On the other hand, fixed costs are inversely related to capacity contribution. The Wyoming wind resource has lower capacity contribution (12.7%) than the Utah wind resource (17.9%) and therefore has higher fixed cost which is a greater portion of the total avoided cost when the Wyoming wind is deferred.[2]

Based on its review, the Division believes that RMP's proposed non-routine update would result in reasonable avoided cost prices for wind resources and prevents ratepayers from paying unnecessarily high avoided costs. Therefore the Division recommends the Commission approve RMP's proposed non-routine update of having Utah wind QF defer the Utah wind proxy instead of the Wyoming wind proxy.

[2] Rocky Mountain power's response to DPU's Technical Workshop question No. 6.

Conclusions and Recommendations

In its motion dated April 29, 2020, the Division requested the Commission suspend the update to Schedule 37 wind pricing to amend the schedule to align it with Docket No. 19-035-18, and stay the non-routine Utah wind deferral update contained in the 2019.Q4 filing until the issues are resolved according to the schedule in Docket No. 19-035-18. After reviewing RMP's applications, the Division concludes RMP's proposed non-routine update in 2019.Q3 is reasonable and is recommending its approval. The Division is also recommending this recommendation be extended to the 2019.Q4 and Schedule 37 wind prices.

CERTIFICATE OF SERVICE

I certify that on May 28, 2020, I caused a true and correct copy of the foregoing to be filed with the Public Service Commission and served by the Utah Division of Public Utilities to the following in Utah Docket Nos. **19-035-18 & 20-035-T04** as indicated below:

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