State of Utah

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Division of Public Utilities

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Reply 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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Bob Davis, Utility Technical Consultant

Justin Christensen, Utility Analyst

Date: June 25, 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.

Issues

As per the Commission's Second Amended Scheduling Order dated April 16, 2020, on May 28, 2020, Utah Clean Energy (UCE) filed its comments in which it recommended the Commission reject RMP's non-routine update to the avoided cost method and to determine the avoided cost of the Utah wind QFs based on the deferral of the next deferrable resource of the same type in the 2019 IRP preferred portfolio. UCE also recommended the Commission require RMP to publish prices for a solar QF paired with storage. The Division would like to take this opportunity to respond to these comments.

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DISCUSSION

RMP's non-routine update

In its May 28, 2020 filing, Utah Clean Energy recommended the Commission reject RMP's proposed non-routine update and keep the current Commission approved Proxy/PDDRR method in which the avoided cost of the Utah wind QF is determined based on the deferral of the Wyoming wind, which is the next deferrable resource in the 2019 IRP preferred portfolio. To justify its recommendation, UCE indicated that if RMP decides to pursue the 2024 Wyoming wind, the costs that it would incur and seek recover from the ratepayers are the costs of the 2024 Wyoming wind and the transmission resources. Hence, according to UCE, these costs represent the avoided cost for wind QF. The Division disagrees with this proposal. The Division does not believe that inclusion of known unavoidable costs is consistent with PURPA's definition of avoided costs. Avoided costs "means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source."[1] The Division has supported partial displacement calculation for avoided costs and continues to support partial displacement so long as there is a reasonable likelihood that multiple QFs might displace the resource.

In its comments filed on May 28, 2020, the Division indicated that the avoided costs associated with the cost of a partial deferral of the Wyoming wind and transmission as selected in the IRP is high and provided a brief discussion of the main drivers of that avoided cost. In this case the Division does not agree that the Wyoming wind costs are a reasonable representation of the incremental costs that RMP will incur but for the QF and the Division therefore supports the use of the Utah wind resources.

In Docket No. 17-035-37, the 2017 IRP result included significant additional wind resources as well as a transmission line.[2] The Commission's order explained that the proxy/PDDRR method

[1] 18 CFR §292.101(b)(6).
[2] *Rocky Mountain Power's 2017 Avoided Cost Input Changes Quarterly Compliance Filing* (Order issued January 23, 2018 at p. 20), Docket No. 17-035-17.

relies on an assumption that the calculation of avoided cost will be made based on the partial displacement of the next generation resource regardless of whether the resource can be partially displaced by a QF.[3] The Commission held that the wind and transmission proposed in the IRP were "deferrable by potential wind QFs for the purposes of determining avoided cost prices until the PSC issues a final determination on these resources or if PacifiCorp independently determines it will no longer pursue these resources."

The Commission is bound by Utah Code §63G-4-403(4)(h)(iii) and must "justif[y] the inconsistency by giving facts and reasons that demonstrate a fair and rational basis for the inconsistency." Section 63G-4-403(4)(h)(iii) is not a prohibition on reconsidering prior orders, but rather a statutory recognition that such reconsiderations may be necessary. It requires a fair and rational basis to do so. As explained, there is fair and rational basis for doing so in this case.

Historically the Division has supported the use of partial value for offsetting future generation and transmission resources. The partial displacement calculation is a reasonable method if the next generation resource needed is sufficiently distant in time that multiple QFs might reasonably be expected to displace the IRP selected resource before acquisition. Similarly, it assumes that system planning will account for the QF generation before the next resource is acquired.

For example, if the IRP called for a 240MW wind farm and transmission line capable of connecting those wind resources in 2030 it would be reasonable to price the next three 80MW QFs at 1/3 of the cost. Three 80MW QFs could all come online before 2030 and displace the entire 240MW IRP resource. And each QF should receive its fair share of the avoided cost. In this scenario the three QFs would in fact be avoiding the full 240MW resource and the transmission that was associated with it.

The instant case involves a relatively similar set of facts, but for the fact that it is very unlikely that QFs will fully avoid the next resource because it involves both a large fixed cost transmission line and also because there is insufficient time to adjust planning assumptions prior

[3] *Id.*

to making long term commitments. QF PPAs have not reliably proceeded to completion in a timely manner. RMP could not rely on the output of a wind QF that may or may not proceed to a completed project. Therefore, a PPA signed now will have little or no impact on the decision to construct or not construct the proposed Gateway South transmission line. The inclusion of an unavoidable and imminent resource acquisition that will not be offset by QFs will result in a price that does not represent avoided cost.

In addition to the fact that a QF would not avoid the transmission line costs if built, the Commission has also called into question the prudence and necessity of the resource. The IRP generally represents the expected future generation resource need and acquisition timing. This instance presents a novel issue where Commission has explicitly questioned the resource stating that it is, "unwilling to acknowledge the Action Plan that ignores a known, promising, and possibly far less costly alternative to Gateway South."[4] It would be counterintuitive to both express concerns over a proposed resource and require analysis of a potentially lower cost alternative while simultaneously requiring RMP to sign PPAs with QFs that are based on the high cost resource in question. Strict adherence to the use of the IRP preferred portfolio in an instance like this may cause significant harm to ratepayers.

RMP's proposal to use the most comparable deferrable resource that is similar in size and location is reasonable to set avoided cost pricing given the skepticism regarding the Gateway South proposal. The Utah wind resources are closest to interchangeability with Utah wind QFs and most accurately represent the avoided costs for RMP. The Division recognizes that this is a deviation from the prior method, however there is a fair and rational basis for accepting the non-routine update. Therefore, the Division maintains its recommendation that the wind avoided costs be determined based on the deferral of Utah wind instead of Wyoming wind.

Published prices for a solar QF paired with storage

In its May 28, 2020 filing, UCE also recommended that the published QF prices and quarterly compliance filing included pricing for a solar QF with storage. This is in line with the

[4] *Id*. at p. 24.

requirement of like-for-like displacement of resources approved by the Commission. This would send price signals to the QF developers regarding the value of the solar plus storage as a generation source.

The Division does not believe that UCE provided enough evidence for the Division to judge the merits of UCE's proposed inclusion of pricing for a solar QF with storage. Therefore, the Division recommends the Commission not adopt this recommendation in this docket. If the Commission intends to create an additional category of QF pricing to include battery or other energy storage, the Division recommends that the Commission open a docket where a more comprehensive analysis can be completed.

Conclusions and Recommendations

Based on its review of UCE's Comments, dated May 28, 2020, The Division recommends that the Commission approve RMP's proposed non-routine change, and does not support requiring RMP to include published QF prices for QFs that include storage without further review. Therefore, the Division recommends the Commission approve RMP's proposed non-routine update and reject UCE's proposal to include in the published QF prices and quarterly compliance reports a pricing for a solar QF with storage.

CERTIFICATE OF SERVICE

I certify that on June 25, 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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