ROCKY MOUNTAIN
POWER
A DIVISION OF PACIFICORP

1407 W. North Temple
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June 25, 2020

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attn: Gary Widerburg
Commission Administrator

Re: **Docket No. 19-035-18 –** 2019.Q3 Avoided Cost Input Changes Quarterly Compliance Filing
Reply Comments

In accordance with the Order Granting Motion and Second Amended Scheduling Order, Amended Notice of Technical Conference, and Notice of Hearing issued by the Public Service Commission of Utah on April 16, 2020, PacifiCorp, d.b.a. Rocky Mountain Power hereby submits for filing its reply comments responding to the comments filed on May 28, 2020 by the Division of Public Utilities and Utah Clean Energy.

It is respectfully requested that all formal correspondence and requests regarding this matter be addressed to:

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Very truly yours,

Joelle Steward
Vice President, Regulation

cc: Service List (Docket No. 19-035-18)

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's 2019 Avoided Cost Input Changes Quarterly Compliance Filing	Docket No. 19-035-18 **ROCKY MOUNTAIN POWER'S REPLY COMMENTS**

I. INTRODUCTION

In accordance with the Order Granting Motion and Second Amended Scheduling Order, Amended Notice of Technical Conference, and Notice of Hearing issued by the Public Service Commission of Utah ("Commission") on April 16, 2020, PacifiCorp, d.b.a. Rocky Mountain Power ("the Company") hereby submits for filing its reply comments responding to the comments filed on May 28, 2020 by the Division of Public Utilities ("Division") and Utah Clean Energy ("UCE").

II. BACKGROUND

On January 10, 2020, the Company filed a quarterly compliance filing for the third quarter of 2019 that 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 Integrated Resource Plan ("IRP") assumptions; 3) Updating the transmission interconnection 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 a methodology change to the pricing of Utah wind QFs. On January 30, 2020 UCE challenged two main aspects of these updates. First, UCE challenged the routine updates associated with the 2019 IRP, particularly as they relate to the Proxy/Partial Displacement Differential Revenue Requirement ("Proxy/PDDRR") methodology, including the assumed deferral of solar with storage resources in the 2019 IRP preferred portfolio by Utah tracking solar qualifying facilities. Second, UCE challenged the non-routine update related to the assumed resource deferral associated with Utah wind qualifying facilities QFs. The Company filed additional support for the updates on April 9, 2020. On May 28, 2020, the Division and UCE filed comments on the Company's filing.

A. Division's Comments and Recommendations

The Division supports the Company's four routine and non-routine updates. Specifically, the Division states that, after reviewing the Company's proposal, the Division concludes that "the Company'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."[1] The Division also recommends that the Commission approve the Company's proposed Schedule 37 wind prices pending in Docket No. 20-035-T04, which incorporate the non-routine methodology update.

B. Utah Clean Energy's Comments and Recommendations

UCE makes two recommendations regarding the Company's proposed updates. First,

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[1] *Rocky Mountain Power's 2019 Avoided Cost Input Changes Quarterly Compliance Filing*, Docket No. 19-035-18, DPU Reply Comments at p. 5 (May 28, 2020).

UCE recommends that the Commission reject the Company's non-routine avoided cost methodology update and find that avoided costs for Utah wind QFs should continue to be determined based on deferral of the next like IRP resource, in this case the 2024 Wyoming wind resources and the Gateway South transmission. Second, UCE recommends that the Company's published QF pricing include prices for a solar QF paired with storage.

i. Utah Wind QFs

UCE disagrees with the Company's position that the QFs prices are too high and points to the fact that the avoided costs are based on the Company's own projections and represent the costs the Company will seek to recover from customers in future rate proceedings.[2] UCE asserts that the Wyoming wind and transmission resources appropriately represent the avoided cost for wind QFs.[3] UCE has presented little evidence to refute the Company's proposal and the information provided in the Company's April 9, 2020 Supplemental filing, so the Company will only touch on UCE's issues at a high level in these comments.

The PURPA statute defines the incremental cost of alternative electric energy as "the cost to the electric utility of the electric energy which, but for the purchase from such cogenerator or small power producer, such utility would generate or purchase from another source."[4] The Company's April 9, 2020 Supplemental filing presented avoided cost calculations for a Utah wind resource based on three different sources: a Wyoming wind resource and transmission, a Utah wind resource, and a resource mix produced by the IRP models that included deferral of energy efficiency, a simple cycle combustion turbine, and batteries. Two of these resource deferrals produce comparable avoided costs, while the Wyoming wind and transmission

[2] *Rocky Mountain Power's 2019 Avoided Cost Input Changes Quarterly Compliance Filing*, Docket No. 19-035-18, UCE Comments at p. 5 (May 28, 2020) (hereinafter referred to as "UCE Comments").
[3] *Id.* at p. 6.
[4] 16 U.S. Code § 824a–3(d)

produces a significantly higher result.[5] Even if a Utah wind resource was expected to produce system benefits equivalent to the $60/MWh or more calculated under the current approved methodology, it would be prudent for the Company to acquire a Utah wind resource at cost so that customers can receive those system benefits at the lowest available cost. This outcome is consistent with the Company's proposed methodology change. "Like-for-like" renewable resource deferral was approved in Docket No. 17-035-37 because of the importance of the alignment between the operating characteristics of a QF and the resources it is assumed to defer. Under the Company's proposal, standard wind QF rates are calculated based on an assumed Utah QF resource with the same generation profile as the Utah wind resource it defers from the IRP preferred portfolio. As a result, the QF and the deferred resource are as alike as possible. Paying a Utah wind QF a price that is significantly higher than the Company's expected cost for equivalent energy and capacity is contrary to the PURPA statute.

UCE claims that the avoided costs based on Wyoming wind and transmission are based on the Company's own projections and represent costs the Company would seek to recover in future rate proceedings. Should the Company move forward with Gateway South, it would provide evidence in a future rate proceeding that building Gateway South and making portfolio changes that it enables was expected to result in a lower revenue requirement than not building Gateway South. This all or nothing choice was also assessed within the modeling for the 2019 IRP, recognizing that even though constructing 90% of Gateway South at the same cost per kilowatt would likely be more cost-effective due to diminishing marginal returns, this option is not available. In contrast, the Wyoming wind and transmission avoided cost analysis presented in this proceeding assumes an intermediate option is available, in comparing 100% of Gateway

[5] April 9, 2020 Direct Testimony of Mr. Daniel MacNeil. Table 3.

South and associated wind resources to approximately 99% of Gateway South and associated wind resources plus a Utah wind resource.[6] If a 99% Gateway South option were available, it would likely be more cost-effective than the 100% option selected in the preferred portfolio regardless of the presence of an incremental Utah wind resource, so attributing the associated cost-savings to the Utah wind resource is inappropriate. While partial displacement is a useful technique for allocating and estimating avoided costs, the results are not consistent with all or nothing decisions that must be made in actual practice. This is especially true when the deferred components are at an advanced stage of development, with little room for modification.

Given the above, the Company reiterates its recommendation from its April 9, 2020 filing to adopt its proposed non-routine methodology change applicable to wind resources as follows. Utah wind resources will first be assumed to displace the 2023 customer preference Utah wind resources from the 2019 IRP preferred portfolio. If those Utah wind resources are fully displaced, the Company will continue to use the costs and characteristics of Utah wind resources to calculate avoided costs by adding Utah wind resources with equivalent capacity to the QF in the base study and removing them in the avoided cost study with the QF added. This has been shown to reasonably approximate the results produced by the IRP models, is consistent with resource options and costs available for selection in the 2019 IRP, and as a result is more consistent with the customer indifference standard than the current implementation of the Proxy/PDDRR methodology for Utah wind QFs.

ii. Pricing for Solar QF with Storage

UCE proposes the Company offer published pricing for a solar QF with storage and

[6] The deferred portion of Gateway South was identified in Rocky Mountain Power's April 9, 2020 Supplemental Filing, RMP Attachment 9. Tab "Table 1", cell DB3. Available online at: http://pscdocs.utah.gov/electric/19docs/1903518/313016RMPAtt9WorkpAvoidedCostStudyWYWind4-9-2020.xlsx (accessed June 24, 2020)

include such a QF in its quarterly compliance reports, arguing that this is more aligned with the like-for-like resource displacement approved by the Commission based on the current IRP preferred portfolio.[7] UCE argues that this would send QF developers a price signal to pair solar with storage and would demonstrate how the avoided cost prices for a comparable like-for-like QF resource compares to the Company's planned solar plant additions.[8] UCE also notes that the dispatch of the battery component could be addressed during contract negotiations.[9]

The Company does not dispute that solar with storage resources can qualify as QFs, and has provided indicative avoided cost pricing for proposed solar with storage resources in the past. The Company also agrees that solar with storage QFs can provide greater value. For instance, in December 2019, the Company provided indicative pricing to two solar with storage QF resources proposed to be located in Utah. The nominal levelized avoided cost pricing for both projects exceeded $50 per megawatt-hour over a fifteen year term, which is significantly higher than avoided cost pricing for stand-alone solar QFs.

Any developer can request QF pricing for a proposed solar with storage project, and will receive indicative pricing specific to their proposal. The addition of storage adds a number of factors that impact avoided costs, performance requirements, and contract terms. For instance, the storage size relative to the renewable nameplate, hours of storage capability, degradation over time, and charge and discharge patterns would all factor into the avoided cost calculation. Because of the array of parameters that impact avoided costs, published prices for a generic solar with storage QF would only be consistent with forecasted avoided costs if applied to a very narrow set of resource proposals, defeating the purpose of a standard rate. UCE notes that

[7] UCE Comments at p. 6.
[8] *Id.*
[9] *Id.* at p. 7.

aspects of the battery dispatch would need to be addressed during contract negotiations. The Company agrees that battery dispatch would need to be addressed in contract negotiations, but would point out that battery dispatch can also impact the avoided cost price, again defeating the purpose of a standard rate. Therefore, the Company opposes the inclusion of solar with storage QF pricing in Schedule 37.

For much the same reasons, the Company is also opposed to the inclusion of a generic solar with storage resource in Schedule 38. Given the range of project parameters and dispatch conditions that impact avoided costs, the single price point would be of limited value to developers. Moreover, the Company has already provided that price point in its quarterly compliance filing. In Appendix A from the Company's April 9, 2020 filing, the real-levelized cost of the Jim Bridger solar with storage resource starts at $34.29/MWh in 2024, and escalates at inflation.[10] Based on the indicative pricing in the quarterly compliance filing, if a QF provides energy, capacity, and dispatch flexibility equivalent to the deferrable solar with storage resource located at Jim Bridger from the 2019 IRP preferred portfolio, the QF's avoided cost would be equal to that resource's cost. Additional details on the design and performance assumptions related to solar and storage resources were provided in the Renewable Resources Assessment provided as Appendix P in the 2019 IRP. Because developers already have access to the Company's current cost and performance information for solar and storage resources, adding a generic solar and storage QF avoided cost price to the Company's quarterly compliance filing is unnecessary.

[10] See Appendix A, Table 3. Page 23. Available online at: https://pscdocs.utah.gov/electric/19docs/1903518/313037RMPQ4AvdCostInputChanges4-9-2020.pdf (accessed 6/23/2020)

III. CONCLUSION

Rocky Mountain Power respectfully requests that the Commission issue an order approving the company's proposed updates.

DATED this 25th day of June, 2020.

Respectfully submitted,

ROCKY MOUNTAIN POWER

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing **Reply Comments** in Docket No. 19-035-18 was served upon the following by email on June 25, 2020.

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