



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HEBERT
Governor
GREG BELL
Lieutenant Governor

ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager
Abdinasir M. Abdulle, Technical Consultant
Charles Peterson, Technical Consultant

Date: August 19, 2013

Re: 13-035-63 (03-035-14), Quarterly Compliance Filing – 2013.Q2 Avoided Cost Input Changes

RECOMMENDATION (Acknowledgement)

The Division of Public Utilities (“Division”) has reviewed the Rocky Mountain Power’s (“Company”) Quarterly Compliance filing for the second quarter of 2013 filed on July 19, 2013. The Division recommends that the Commission acknowledge the Company’s second quarter filing as in compliance with the Commission’s Orders in Docket No. 03-035-14.

ISSUE

On July 19, 2013, the Company filed its Quarterly Compliance Filing – 2013.Q2. This filing reports changes since Company’s 2013.Q1 quarterly compliance dated April 16, 2013. On July 22, 2013, the Commission issued an Action Request to the Division requesting a review of the Company’s filing for compliance and to make recommendations. The Commission asked the Division to report back by August 19,

2013. This memorandum represents the Division's response to the Commission's Action Request.

DISCUSSION

Based upon Commission Orders in Docket No. 03-035-14 dated October 31, 2005 and February 2, 2006, the Company is required to provide quarterly updates of its avoided cost indicative pricing that highlights any changes made to the Proxy and GRID models that are used to calculate avoided costs including changes to the inputs and provide generic pricing that could be used as general guidance to prospective owners of qualifying facilities (QFs) regarding the prices that the Company would be currently offering for new contracts.

In compliance with these Commission Orders, the Company filed with the Commission its quarterly report for 2013.Q2 on July 19, 2013. The Division reviewed and checked the accuracy and reasonableness of the calculations in the Company's filing. The Division noted that the Company has made updates to some of the inputs to its model since its 2013-Q1. These updates include:

1. Using the Company's Official Forward Price Curve (March 2013);
2. Using Integrated Resource Plan (IRP) resources in place of the resources from the Needs Assessment that was used in the 2013.Q1 filing;
3. The addition of eight Utah Schedule 37 solar projects as "UT Sch. 37 Solar to the long term contracts;
4. Updating the regulatory margins; and
5. Other modeling updates.

Overall, the input changes made by the Company between this compliance filing and the 2013.Q1 filing increases avoided cost prices on a 20-year nominal levelized basis by approximately 19 cents per MWh. This overall impact is based on the Company's sequential introduction of the updates in the calculation. Hence, the incremental impact of each change from the prior step would change if the sequence is changed.

The Division believes that the Company properly documented the input changes to the avoided cost calculations and overall the updates appear reasonable.

Based upon its review, the Division believes that the updates to the inputs of the avoided cost calculation are generally reasonable and the avoided cost prices are calculated according to the Commission approved methodology. Therefore, the Division recommends that the Commission acknowledge the Company's Quarterly Compliance Filing.

CC: Dave Taylor, RMP
Michele Beck, OCS