



State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Utah Public Service Commission
From: Utah Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Abdinasir M. Abdulle, Technical Consultant
Charles Peterson, Technical Consultant
Date: December, 4, 2013
Re: Docket No. 13-035-63 – Rocky Mountain Power Quarterly Compliance Filing – 2013.Q3 Avoided Cost Input Changes

RECOMMENDATIONS (Acknowledge)

The Division of Public Utilities (“Division”) recommends that the Commission acknowledge Rocky Mountain Power’s (“Company”) quarterly compliance filing – 2013.Q3 avoided cost input changes – as complying with the Commission Order in Docket No. 03-035-14.

ISSUE

On October 15, 2013, the Company filed its Quarterly Compliance Filing – 2013.Q3. This filing reports changes since the Company’s 2013.Q2 Quarterly Compliance filing dated July 19, 2013. On November 4, 2013 the Utah Public Utilities Service (“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 December 4, 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 to provide generic pricing that could be used as general guidance to prospective owners of qualifying facilities (QFs) regarding the prices that the Company could be currently offering for new contracts.

In compliance with these Commission Orders, the Company filed with the Commission its quarterly report for the 2013.Q3 on October 15, 2013. The Division reviewed and checked the accuracy and reasonableness of the calculations in the Company's filing. The Division believes that the Company properly documented the input changes to the avoided cost calculations; overall the updates appear reasonable.

The Division notes that the Company updated several inputs to its model since the 2013.Q2 update filing. These updates include:

- 1) Changing the GRID Scenario study period from January 1, 2014 through December 31, 2033 to January 1, 2015 through December 2034.
- 2) Changing the starting date of the Avoided Cost prices from January 2014 to January 2015.
- 3) Updating the Official Price Curve (Gas and Market Prices) from PacifiCorp's March 2013 Official Price Curve to that of September 2013.
- 4) Updating the inflation rate to the Company's most recent inflation rate study dated June 2013.
- 5) Including four Utah Wind QFs that have signed contracts.
- 6) Updating the potential environmental costs to be consistent with the September 2013 Official Forward Price Curve.
- 7) Updating short term firm transactions to reflect those contracts executed as of July 2013.
- 8) Designating Current Creek as a must run resource starting in 2028 when Dave Johnston is retired and removing Lake Side 1 and Lake Side 2 screens beginning 2022.
- 9) Other modeling updates.

Overall, the input changes made by the Company between this compliance filing and the 2013.Q2 filing decreases avoided cost prices on a 20-year nominal levelized basis by approximately \$3.68 per MWh. This overall impact is based on the Company's sequential introduction of the updates in the calculation. 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 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