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: May 8, 2013

Re: Docket No. 14-035-40 (03-035-14) – Rocky Mountain Power Quarterly Compliance Filing – 2014.Q1 Avoided Cost Input Changes

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RECOMMENDATIONS (Acknowledge)

The Division of Public Utilities ("Division") recommends that the Commission acknowledge Rocky Mountain Power's ("Company") quarterly compliance filing – 2014.Q1 avoided cost input changes – as complying with the Commission Order in Docket No. 03-035-14.

ISSUE

On April 8, 2014, the Company filed its Quarterly Compliance Filing – 2014.Q1. This filing reports changes since the Company's 2013.Q4 Quarterly Compliance filing dated December 26, 2013. On April 8, 2014, the Public Service Commission ("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 May 8, 2014. This memorandum represents the Division's response to the Commission's Action Request.

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DISCUSSION

Based upon Commission Orders dated October 31, 2005 and February 2, 2006, in Docket No. 03-035-14, the Company is required to provide quarterly updates of its avoided cost indicative pricing, highlighting any changes made to the Proxy and GRID models that are used to calculate Schedule 38 avoided costs.

In compliance with these Commission Orders, the Company filed with the Commission its quarterly report for the 2014.Q1 on April 8, 2014. 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. Based on our review, the Division concludes that the updates appear reasonable.

The Division notes that the Company updated several inputs to its model since the 2013.Q4 update filing. These updates include:

1) Updating the Official Forward Price Curve (Gas and Market Prices) and the inflation rate to the Company's most recent study dated December 2013.
2) Updating the Long-term contracts to be consistent with the Company's most recent Forward Price Curve.
3) Updating the potential environmental costs to be consistent with the Company's most recent Forward Price Curve.
4) Updating short term firm transactions to reflect those contracts executed as of January 2014.
5) The Company extended one contract and added a new 80 MW QF PPA
6) Other modeling updates.

Overall, the input changes made by the Company between this compliance filing and the 2013.Q4 filing ***decreases*** avoided cost prices on a 20-year nominal levelized basis by approximately $1.19 per MWh. This decrease represents the cumulative impact of all the changes made by the Company. The incremental impact of each change from the prior step will depend on the order in which the changes are introduced into the model.

However, in reviewing the Company's filing the Division noted that the table titled IRP Partial Displace on page 4 of Appendix A of the Company's filing contains errors in the capacity factors and start dates of several potential Qualifying Facilities (rows 18 through 22). In a telephone discussion with the Division, the Company indicated that this was a reporting issue and made corrections (see attached Appendix A). The Company also indicated, and the Division agrees, that this correction has no impact on the avoided calculations.

On April 21, 2014, Mr. Millasap of Renewable Energy Advisors, requested the Commission to ask the Company to review an apparent error that occurs in Cell I37 on Exhibit B, Table 1 of the Company's filing. The apparent error is that the formula used to calculate the adjustment from avoided costs calculated annually to avoided costs calculated monthly (adjustment) is correct only at an 85% capacity factor. All other capacity factors will yield an incorrect adjustment level. The Commission asked the Division to comment on this issue in its review of the Company's update.

In a discussion with the Division, the Company indicated that the formula to calculate the $44.53/MWh is a monthly levelized total price set forth on Table 1 was actually calculated on a spreadsheet that was not included with the filing. This backup spreadsheet was supplied to the Division and is given as an attachment with the Division's report. The Company's purpose in the way it did the calculations on Table 1 was to adjust the calculations that were done on Table 1, which are based upon annual numbers to reflect the monthly calculation that was done on the backup spreadsheet that the Company believes is the correct method. Table 1 is constructed such that no matter what capacity factor one inputs on Table 1, the adjustment exactly offsets the change so that the levelized total $/MWh is always $44.53, which is consistent with the GRID assumptions. The Company believes, and the Division accepts, that the $44.53/MWh is the correct value based upon the assumed 85 percent capacity factor.

Table 1 could be modified by removing the connection to the adjustment factor in cell G37 so that one could make calculations for different capacity factors, but they would only be approximately correct for capacity factors relatively close to 85 percent because the underlying GRID model run was based upon the assumed plant size of 100 MW with an 85 percent capacity factor (effectively an 85 MW plant in the GRID model). The Division does not understand why the Company elected to make this calculation in such a convoluted manner—it possibly thought that its presentation was simpler to understand unless someone tried to see how the numbers were actually calculated. In any case, the Division believes that the avoided cost calculations are correct under the assumptions made.

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. The Division disagrees with Mr. Millsap's characterization of an error in Table 1. The calculations are consistent with the underlying assumptions in the GRID model, in particular the 85% capacity factor. One can use different capacity factors in Table 1 by modifying the formulas. However, the resulting annual values will only be approximately correct. To obtain more accurate numbers at different capacity factors would require separate runs of the GRID model. Therefore, the Division recommends that the Commission acknowledge the Company's Quarterly Compliance Filing.

CC: Dave Taylor, RMP
Michele Beck, OCS