



201 South Main, Suite 2300  
Salt Lake City, Utah 84111

August 22, 2014

***VIA ELECTRONIC FILING  
AND OVERNIGHT DELIVERY***

Utah Public Service Commission  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City, UT 84111

Attn: Gary Widerburg  
Commission Secretary

Re: **Docket No. 03-035-14 – Quarterly Compliance Filing – 2014.Q2 Avoided Cost Input Changes**

Commission orders dated October 31, 2005, and February 2, 2006, in Docket No. 03-035-14 require the Company to keep a record of any changes, including data inputs, made to the Proxy and GRID models used in calculating avoided costs. The orders further require the Company to notify the Commission and Division of Public Utilities of updates made to the models used in the approved Proxy and Partial Displacement Differential Revenue Requirement (PDDRR) avoided cost methodologies.

This filing reports changes since the Company's 2014.Q1 Quarterly Compliance Filing dated April 8, 2014. Noteworthy changes include removal of an assumed carbon tax from the Company's official forward price curve and updating the GRID model topology to include a new load bubble named Clover between the existing Utah North and Utah South bubbles. Other changes are also described below.

In recent years, the Company has included in its OFPC for electricity an adder for an assumed tax on carbon dioxide emissions, currently assumed to be \$16 per ton beginning in 2022. To be consistent with Commission orders in Dockets No. 90-035-T14 and 12-035-100, the Company has calculated avoided costs using the official forward price curve, but adjusted it to remove the assumed carbon tax beginning in 2022. The impact of this change is a reduction to avoided costs of approximately \$1.77 per MWh on a 20 year levelized basis.

On April 29, 2014, PacifiCorp Transmission identified on its Open Access Same-time Information System (OASIS) that there was no remaining south-to-north transmission capacity across the Huntington/Sigurd cutplane in the area of central Utah. Such a transmission constraint is relevant to avoided costs because many of the recently-proposed qualifying facility (QF) projects in Utah are located south of the cutplane while most of the Company's Utah retail load is north of the cutplane. QFs located south of the cutplane must be integrated along with other network resources and may cause the Company to back down its existing thermal resources if transmission capacity is not sufficient. In order to reflect this potential impact on avoided costs, the Company added the Clover bubble to the GRID model topology to reflect the Company's transmission rights across the Huntington/Sigurd cutplane. The updated GRID topology will impact avoided costs for potential QFs located south of the cutplane based on the unique generation profile of each QF and the availability of transmission to move energy out of the Utah South bubble in GRID.

PacifiCorp (dba Rocky Mountain Power) hereby respectfully submits an original and five copies of this quarterly compliance filing. An electronic copy of this filing will be provided to [psc@utah.gov](mailto:psc@utah.gov). Additional detail is provided below:

1. **GRID Model Data Updates**

A number of data and modeling assumption updates have occurred in the GRID model since the last filing. **Appendix A** provides a summary of those updates.

2. **Proxy / Partial Displacement Differential Revenue Requirement  
Avoided Cost Methodology**

The Proxy used in the PDDRR avoided cost methodology is consistent with the Company's 2013 Integrated Resource Plan Update (IRP Update) filed with the Commission on March 31, 2014. During the period 2014 through 2029 the proxy will be third quarter heavy load hour only front office transactions. Starting January 2030 the proxy will be a 661 MW combined cycle combustion turbine (CCCT).

3. **Impact to Avoided Cost Prices (\$/MWh)**

Provided as **Appendix B** is a \$/MWh impact study of the above mentioned updates, together with a comparison to the last filing. The updates reflect a total decrease of approximately \$5.83/MWh on a 20-year nominal levelized basis. Avoided costs presented in **Appendix B** were calculated assuming a 100 MW 85% capacity factor QF resource.

4. **Major Changes from the Prior Study**

Provided as **Appendix C** is a \$/MWh step impact study of the major changes from the prior study. The most significant changes since the 2014.Q1 study was updating for the 2013 IRP Update, updating to the June 2014 official forward price curve, removing an assumed carbon tax from the official forward price curve, use of the May 2014 load forecast, and an increase in the size of the QF queue. Also provided in **Appendix C** is the incremental impact of each change from the prior step.

5. **Integration Costs**

Provided as **Appendix D** is the wind integration cost study. The Company calculated this value based on the reserve requirements developed in the 2012 Wind Integration Study and using the wind integration methodology approved in Docket No. 12-035-100. The study is updated to reflect the assumptions included in this 2014.Q2 Compliance Filing.

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

By E-Mail (preferred) : [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By Regular Mail : Data Request Response Center  
PacifiCorp  
825 NE Multnomah Street, Suite 2000  
Portland, OR 97232

Informal inquiries may be made to Dave Taylor at (801) 220-2923 or Brian Dickman at (503) 813-6484.

Very truly yours,

Jeffrey K. Larsen  
Vice President, Regulation

cc: Service List (Docket No. 03-035-14)