



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, Utility Analyst
Charles Peterson, Technical Consultant
Date: June 22, 2015
Re: Docket No. 15-035-56 – Rocky Mountain Power Quarterly Compliance Filing – 2015.Q1 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 – 2015.Q1 avoided cost input changes – as generally complying with the Commission Order in Docket No. 03-035-14.

ISSUE

On June 1, 2015, the Company filed its Quarterly Compliance Filing – 2015.Q1. This filing reports changes since the Company’s 2014.Q4 Quarterly Compliance filing dated February 13, 2015. On the same day, 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 July 1, 2015.

However, on June 2, 2015, the Commission issued a Notice of Filing and Comment Period in which it indicated that “any interested party may submit comments on PacifiCorp’s compliance

filing on or before **Monday, June 22, 2015**, and reply comments may be submitted on or before **Tuesday, July 7, 2015.**" This memorandum represents the Division's comments on the Company's filing.

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 2015.Q1 on June 1, 2015. 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 2014.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 March 2015.
- 2) Updating the Long-term contracts to be consistent with the Company's most recent Official Forward Price Curve.
- 3) Adding seven new contracts.
- 4) Updating resource additions, existing plant retirement, and transmission additions to reflect 2015 IRP.
- 5) Other modeling updates.

Overall, the input changes made by the Company between this compliance filing and the 2014.Q4 filing *decreases* avoided cost prices on a 20-year nominal levelized basis by approximately \$3.80 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.

In reviewing the Company's filing the Division noted that the Commission issued an Order in Docket 14-035-140. This Order made some changes to Schedule 38. For example, there is a new language that distinguishes routine and non-routine changes. These changes are expected to have some impact on the avoided cost calculations for the large QFs. Though the Company filed this compliance filing before the conclusion of Docket No. 14-035-140, the notes that the changes made since the 2014.Q4 update filing are of routine nature. However, the Division will track how the changes in Schedule 38 resulting from Docket No. 14-035-140 are implemented in the Company's next filing and notice its findings to the Commission.

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 filing as complying with the Commission Orders.

CC: Bob Lively, RMP
Michele Beck, OCS