



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 Abdulle, Utility Analyst  
Charles Peterson, Technical Consultant

Date: October 26, 2016

Re: Docket No. 16-035-29 (03-035-14)- Rocky Mountain Power Quarterly Compliance filing – 2016.Q2. Avoided Cost Input Changes

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## RECOMMENDATIONS (No Action)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) take no further action on Rocky Mountain Power’s (“Company”) quarterly compliance filing – 2016.Q2 avoided cost input changes, The filing complies with the Commission Order in Docket No. 03-035-14.

## ISSUE

On September 26, 2016, the Company filed its Quarterly Compliance Filing – 2016.Q2. This filing reports changes since the Company’s 2016.Q1 Quarterly Compliance Filing dated June 29, 2016. On September 26, 2016, the Commission issued an Action Request to the Division requesting the Division to review the application for compliance and to make recommendations.

The Commission asked the Division to report back by October 26, 2016. On October 18, the Commission issued a Supplemental Action Request to the Division in which it asked the Division to explain the rationale and the necessity of changing the GRID study period to January 2018 through December 2032 now, in the second quarter (Q2) rather than in the third quarter (Q3). This memorandum represents the Division's response to the Commission's Action and Supplemental Action Requests.

## **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. The parties to the proceeding in Docket No. 14-035-140, stipulated and the Commission approved that the Company classify new and updated assumptions as either "Routine Updates" or "Non-Routine Updates". In addition it has been stipulated that "...parties will file a notice with the Commission within three weeks after the Company files its quarterly compliance filing, to identify which specific assumptions, if any they intend to contest".

In compliance with these Commission Orders, the Company filed with the Commission its quarterly report for the 2016.Q2 on September 26, 2016. 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.

The Division notes that the Company updated several inputs and assumptions to its model since the 2016.Q1 update filing. These updates are all categorized as routine updates. The routine updates serve to update the basic model inputs to keep the GRID model current. The specific routine updates that the Company made are listed in the cover letter of the Company's filing. The Division concludes that the updates are correctly designated as routine. Based on our review, the Division concludes that the updates appear reasonable and are correctly incorporated into the avoided cost calculations.

Regarding the Commission's Supplemental Action Request, the Division discussed with the Company about the rational and necessity of changing the year of the GRID period in this second quarter (Q2) rather than the third quarter (Q3) as was usually done. In this discussion, the Company indicated that "...Most of the Company's recent QF pricing requests have included start dates in 2018 and 2019, and the revised study period provides more relevant information to QFs considering these start dates".

Since there is no specific year required for the GRID study period, and the Schedule 38 avoided costs are just intended to give an indicative price to potential developers, the Division believes the appropriate year is the one that yields the best information for the project start dates under consideration. Hence, the Division believes the GRID study period used by the Company for 2016.Q2 is reasonable.

An e-mail from the Company that summarized the Division's discussion with the Company is reproduced here for your reference.

As we discussed on the phone the avoided cost compliance filing is indicative and intended to provide useful pricing information to developers and other parties without requiring a formal submission of a pricing request. As such, the study period for the pricing is largely arbitrary, as each formal QF request receives pricing specific to its proposed contract term. The Company is open to adjusting the reported study period in the compliance filing to enhance the usefulness to interested parties.

Most of the Company's recent QF pricing requests have included start dates in 2018 and 2019, and the revised study period provides more relevant information to QFs considering these start dates. Such start dates are allowed under the Schedule 38 procedures which specify that a QF's scheduled commercial operation date must not be greater than thirty (30) months after the execution date of the power purchase agreement.

## **CONCLUSION**

Overall, the input changes made by the Company between this compliance filing and the 2016.Q1 filing *decreases avoided cost* pricing on a 15-year nominal levelized basis by approximately \$1.59/MWh. This decrease represent 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.

Based upon its review, the Division believes that the updates to the inputs of the avoided cost calculations are reasonable and the avoided cost prices are calculated according to the Commission approved methods. The Division also agrees that the updates are properly classified as routine. Therefore, the Division recommends that the Commission take no further action on the Company's filing as complying with the Commission Orders.

CC: Bob Lively, RMP  
Michele Beck, OCS