



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 Powel, Manager
Abdinasir Abdulle, Utility Analyst
Charles Peterson, Technical Consultant

Date: January 12, 2017

Re: Docket No. 16-035-29 (03-035-14) – Rocky Mountain Power’s Quarterly Compliance Filing – 2016.Q3. Avoided Cost Input Changes

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.Q3 avoided cost input changes. The filing complies with the Commission Order in Docket No. 03-035-14.

ISSUE

On December 30, 2016, the Company filed its Quarterly Compliance Filing – 2016.Q3. This filing reports changes since the Company’s 2016.Q2 Quarterly Compliance Filing dated October 26, 2016. On January 9, 2017, the Commission issued an Action Request to the Division

requesting the Division to review the application for compliance and to make recommendation. The Commission asked the Division to report back by February 8, 2017. This memorandum represents the Division's response to the Commission's Action Request.

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.Q3 on December 30, 2017. 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.Q2 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. Therefore, based on our review, we conclude that the updates appear reasonable and are correctly incorporated into the avoided cost calculations.

CONCLUSION

Overall, the input changes made by the Company between this compliance filing and the 2016.Q2 filing **decreases avoided cost** pricing on a 15-year nominal levelized basis by

approximately \$3.53/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.

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