



GARY HERBERT
Governor
SPENCER J. COX
Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Artie Powel, Manager
Energy Section
Abdinasir Abdulle, Utility Analyst
Charles Peterson, Technical Consultant

Date: July 12, 2017

Re: Docket No. 17-035-37 (03-035-14) – Rocky Mountain Power’s Quarterly Compliance Filing – 2017.Q1. Avoided Cost Input Changes

RECOMMENDATION (Set a Scheduling Conference)

The Division of Public Utilities (“Division”) recommends that the Public Service Commission (“Commission”) Commission hold a scheduling conference to address the issue of the updating the assumption of REC ownership.

ISSUE

On June 21, 2017, the Company filed its Quarterly Compliance Filing – 2017.Q1. This filing reports changes since the Company’s 2016.Q4 Quarterly Compliance Filing dated March 31, 2017. On June 21, 2017, the Commission issued an Action Request to the Division requesting the Division to review the application for compliance and to make recommendation. On June 26, 2017, the Commission issued an Amended Action Request changing the due date of the Action Request from July 21 to July 12, 2017. Furthermore, the stipulation in Docket No. 14-035-140

required 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." The three weeks ends on July 12, 2017. Hence, this memorandum represents the Division's response to the Commission's Action Request and its notice that it intends to contest in order to gain additional information the Company's proposed update to the REC ownership.

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 2017.Q1 on June 21, 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 Company updated several inputs and assumptions to its model since the 2016.Q4 update filing. These updates include both routine updates and non-routine updates. The routine updates serve to update the basic model inputs to keep the GRID model current. The routine updates that the Company made are listed in the cover letter of the Company's filing. The Division concludes that these updates are correctly designated as routine.

There are two non-routine updates that the Company made. First, since the IRP assumes that RECs associated with new renewable resources will be retained by the Company, the Company updated the REC ownership assumption such that the Company will retain the RECs associated with the QF output during that period in the QF contract when the QF receives a capacity

payment based on deferring a renewable resource. The QF keeps the RECs for the rest of the contract period.

The Division believes that, to maintain consumer indifference, it is reasonable for the Company to keep the RECs associated with the production of the QF when it defers or avoids a renewable resource. Keeping these RECs will compensate for the RECs lost through the deferral or avoidance of the renewable resource. However, the Division does not understand how the RECs are valued in the IRP. Therefore, the Division recommends that the Commission hold a scheduling conference to set a process to address the issue of the REC ownership as required by the Stipulation in Docket No.14-035-140 (Settlement Term 23.b).

A party filing a challenge will ask the Commission to hold a scheduling conference to set a reasonable schedule to address any challenges or other relevant issues.

Second, The Company is proposing to increase avoided costs past the period covered by the preferred portfolio by the final year's value at the IRP forecast inflation rate. The Division believes that this proposed update is reasonable since the GRID model is not capable of producing accurate avoided costs beyond the end preferred portfolio period.

Therefore, based on our review, we conclude that the updates, except REC ownership, appear reasonable and are correctly incorporated into the avoided cost calculations.

CONCLUSION

Based upon its review, the Division believes that the updates of the avoided cost calculations are generally reasonable. However, the Division has concern about the issue of the REC ownership and recommends that the Commission hold a scheduling conference to address the issue.

CC: Bob Lively, RMP
Michele Beck, OCS