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State of Utah
Department of Commerce
Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Abdinasir M. Abdulle, Utility Analyst
Charles Peterson, Technical Consultant

Date: June 20, 2018

Re: 18-035-T02, Schedule 37 Avoided Cost Purchases from QFs

RECOMMENDATION (Approve Updated Tariff Pages)

The Division of Public Utilities (“Division”) has reviewed Rocky Mountain Power’s (“RMP” or “Company” or “Utility”) proposed update to Schedule 37 for qualifying facilities that was filed with the Public Service Commission (“Commission”) on May 31, 2018. The Division recommends that the Commission approve the Company’s filing as in compliance with the Commission Orders in Docket Nos. 08-035-78 and 12-035-T10.

ISSUE

On May 31, 2018, in compliance with previous Commission Orders, RMP filed its Advice Filing 18-02, in which it requested tariff changes to Schedule 37 – Avoided cost purchases from Small qualifying facilities. On June 5, 2018, the Commission issued a Notice of Filing and Comment Period in which it asked any interested party to submit comments on or before Wednesday, June 20, 2018 and reply comment on or before Tuesday, June 26, 2018. This memorandum represents

the Division's comments on the Company's Phase I filing. The Company is asking an effective date of July 1, 2018.

DISCUSSION

In its Order, dated February 12, 2009, in Docket No. 08-035-78, the Commission directed RMP to annually update the avoided cost pricing in Schedule 37 in order to establish the value or credit for net excess generation of large commercial customers under Schedule 135 Net Metering Service. In its Order, dated November 28, 2012, in Docket No. 12-035-T10, the Commission directed RMP to file future annual filings within 30 days of filing its Integrated Resource Plan ("IRP") or by April 30 of each year, whichever comes first.

In its Order on January 23, 2018 in Docket Nos. 17-035-T07 and 17-035-37, the Commission modified the methods for calculating avoided costs related to Schedule 37 customers to correspond more closely with the method used in Schedule 38. Specifically, the Commission affirmed the use of the Proxy/PDDRR methodology as used in Schedule 38 except that for Schedule 37, the Schedule 37 customers are assumed to be at the front of PacifiCorp's pricing queue. The Commission also affirmed the "like-for-like" deferral method whereby a wind QF would defer a planned wind resource, a solar QF would defer a planned solar resource, etc. The Commission also ruled that the Utility would keep ownership of renewable energy credits when the deferred asset was also a renewable and that the Company's Vision 2020 wind projects would be deferrable until either the Commission's decision on the outstanding docket (Docket No. 17-035-40) were final, or the Utility voluntarily determined not to proceed with those proposed projects.

On April 6, 2018, the Company requested the Commission to extend the filing date for 30 days and the Commission granted the request. In compliance with these Orders, the Company filed its updated avoided cost pricing for Schedule 37 on May 31, 2018. On the same day, the Commission issued Notice of Filing and Request for Expedited Comments asking interested parties to submit their comments on or before Monday, June 4, 2018 regarding the reasonableness of RMP's proposed effective date. On June 4, 2018, the Division filed its comments with the Commission proposing a comment date of June 20, 2018 and an effective date of June 27, 2018.

On June 4, 2018, RMP also filed its comments correcting its requested effective date as July 1, 2018.

The Company updated several inputs and assumptions to its model since the 2017.Q4 avoided cost update filing for Schedule 38 which flow through to Schedule 37. 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 include updating the discount rate and the wind and solar capacity contribution, integration costs and the Official Forward Price Curve (OFPC) to be consistent PacifiCorp's 2017 IRP Update. Furthermore, consistent with the IRP Update, the Company applied Production Tax Credit (PTC) benefits on a nominal basis rather than on a levelized basis, consistent with the 2017 IRP Update. This change in the treatment of PTCs is consistent with PacifiCorp's final position in Docket Nos. 17-035-39 and 17-035-40, which were recently litigated before the Commission. The Company had announced its intention to treat PTCs in nominal terms in its 2017 IRP Update in those dockets. These changes drive the changes in wind and solar prices between this filing and previous filing. The Division concludes that the updates appear reasonable and are correctly incorporated into the avoided cost calculations.

The Division reviewed this filing in light of the relevant Commission Orders. The Division concludes that the Utility made its filing in compliance with the Commission Orders. The Division also concludes the filing and the updates to the inputs are consistent with the PacifiCorp's 2017 IRP Update and the avoided cost calculations are made consistent with the approved method. Therefore, the Division recommends that the Commission approve the updates to Schedule 37 effective July 1, 2018.

CC: Jana Saba, RMP
Michele Beck, OCS