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Department of Commerce

Division of Public Utilities

FRANCINE GIANI CHRIS PARKER
Executive Director *Director, Division of Public Utilities*

REPLY COMMENTS

To: Utah Public Service Commission

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

Date: June 7, 2019

Re: **Docket No. 19-035-18 (03-035-14)** – Rocky Mountain Power’s Quarterly Compliance Filing – 2019.Q1. Avoided Cost Input Changes

Approve the Change in the Capacity Factor of the Proxy Thermal Resource in Calculating Avoided Costs

On April 30, 2019, Rocky Mountain Power (“RMP”) filed its Quarterly Compliance Filing – 2019.Q1. On the same date the Commission issued an Action Request to the Division of Public Utilities (“Division”) requesting the Division to review the application for compliance and make recommendations. On May 15, 2019 the Division and Utah Clear Energy (“UCE”) filed comments. In its comments, the Division concluded that the filing complied with the Public Service Commission (“Commission”) Orders 03-035-14 and 14-035-140 and recommended the Commission to take no action.

However, in its comments, UCE questioned RMP’s update of the capacity factor of the proxy avoided cost thermal resource from 85 percent to 100 percent. On May 16, 2019, the Commission issued a Notice of Comments period in which it asked any interested party to

submit comments on this issue on or before Friday, May 31, 2019 and reply comments on or before Friday, June 7, 2019.

In compliance with this Notice of Comment Period, RMP filed its comment on the issue on May 31, 2019. In its comments RMP indicated that currently, the 100 MW baseload resource with 85 percent capacity factor is assumed to displace 100 MW of an Integrated Resource Plan (“IRP”) resource even though it provided only 85 MW of generation. This would result in a net reduction in peak capacity resources. Furthermore, it is contrary to the calculation of the capacity contribution for baseload resources that is currently in place, which is based on the expected output and loss of load probability.

To make the load factor consistent with the capacity contribution, RMP power updated the capacity factor of the proxy avoided cost thermal resource from 85 percent to 100 percent. This update will ensure that a 100 MW / 100 percent capacity factor baseload resource displaces 100 MW of an IRP resource. This is consistent with the current method to calculate the capacity contribution of baseload resources. Furthermore, this update is for the baseload resource only. It will not affect wind or solar resources.

To investigate the issue, the Division discussed the issue with RMP in teleconference in which UCE was also present. In this discussion, RMP explained why it made this particular update. The comments that RMP filed with the Commission on this issue are consistent with what was discussed in the teleconference. In addition, the Division rechecked the spreadsheets that accompanied RMP’s initial filing and determined that the change in the capacity factor was made only for the baseload resource.

Given RMP’s explanations and a review of the original avoided cost spreadsheets, the Division concludes the update is reasonable. Therefore, the Division recommends that the Commission approve the update in the capacity factor of the baseload resource from 85 percent to 100 percent. It is consistent with the current method of calculating the capacity contribution and makes the capacity factor consistent with the capacity contribution.

cc: Jana Saba, RMP
Michele Beck, OCS
Kate Bowman, UCE