

UTAH PUBLIC SERVICE COMMISSION
Heber M. Wells Building
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

To: Utah Public Service Commission

From: Utah Clean Energy
Kate Bowman, Renewable Energy Program Manager

Date: May 28, 2020

Re: **Docket No. 19-035-18: RMP's 2019 Avoided Cost Input Changes Quarterly Compliance Filing 2019 Q3 Avoided Cost Input Changes**

INTRODUCTION

On January 10, 2020, Rocky Mountain Power (“RMP”) filed its 2019 3rd Quarter Utah Qualifying Facility (“QF”) Schedule 38 Compliance Filing pursuant to the Utah Public Service Commission (“Commission”) order in Docket 03-035-14. In the filing, RMP identifies several routine updates to the Proxy and Partial Differential Revenue Requirement (“Proxy/PDDRR”) method approved by the Commission to determine avoided cost prices for Utah QFs. These routine updates included 1) a switchover to reflect the assumptions used in RMP’s most recent integrated resource plan (“IRP”) – the 2019 IRP and the assumptions reflected therein, 2) use of the September 30, 2019 Official Forward Price Curve, 3) updates to reflect the latest signed contracts and the potential QF queue list, and 4) reflection of the most recent change to the wind resource production tax credit (“PTC”) law signed into law on December 20, 2019.

In addition, RMP proposed a non-routine update for determining avoided cost pricing for wind QFs. Under RMP’s proposal, avoided cost pricing for Utah wind QFs would not be determined based on displacement of the next wind resource identified in the 2019 IRP least-cost, least-risk portfolio, the 2024 Wyoming wind resources plus the Gateway South transmission. Instead, RMP proposes to determine the avoided cost pricing for Utah wind QFs using the assumed 2023 Customer Preference wind resource

included in the 2019 IRP to reflect additional renewable resources that certain customers may procure to meet their specific renewable targets. In support of its proposed changes, RMP filed supplemental testimony on April 9, 2020. In this testimony, RMP also provided its proposed Schedule 37 small QF published prices.

Utah Clean Energy (“UCE”) filed a challenge to RMP’s 3rd Quarter Utah QF Schedule 38 Compliance Filing, specifically questioning the reasonableness of RMP’s proposed non-routine update to Utah wind QF pricing and RMP’s proposal to displace Wyoming solar-plus-storage with a Utah solar-only QF project. UCE’s comments have been prepared with the support of Neal Townsend with Energy Strategies and address these two issues in greater detail below. UCE notes that silence on other issues raised in RMP’s compliance filing and not addressed in our comments does not indicate our agreement or support for those issues. We reserve the right to challenge any routine or non-routine updates in future compliance filings.

PURPA BACKGROUND

The Public Utility Regulatory Policies Act of 1978 (“PURPA”) was enacted to encourage the development of QFs, which are cogeneration facilities meeting certain efficiency criteria and small renewable power production facilities. In enacting PURPA, Congress intended to reduce the United States’ dependence on fossil fuels and increase the nation’s energy security and independence. Congress also recognized that public utilities were reluctant to purchase power from, and to sell power to, these nontraditional facilities. To overcome this reluctance, PURPA requires utilities to purchase QF power under the so-called “must purchase” or “must take” obligation. PURPA requires public utilities, who enjoyed state-sponsored monopoly of the generation market, to purchase power from cogeneration and small power producers, (i.e., QFs), at prices that could not exceed the utilities’ avoided cost. Congress limited the purchase price to the utility’s avoided costs to achieve a balance between the interests of ratepayers and QFs and to ensure that utilities do not discriminate against QFs by buying QF energy at a lower cost than would otherwise be incurred. In sum, the use of the utility’s avoided costs is intended to encourage QF development while protecting ratepayers by limiting the QF payments to the same costs

that ratepayers would otherwise pay for the utility's other supply options. Each state is tasked with determining the avoided cost consistent with the parameters established in PURPA and the Federal Energy Regulatory Commission's ("FERC") rules.

Over time, several regions within the United States developed strong wholesale market structures, including non-discriminatory access to the transmission systems and robust independent power production sectors. During this time, competition at the wholesale level, and in some instances the retail level, developed as well. Given the changing structure in these regions, Congress passed the Energy Policy Act of 2005 ("EPAAct") which included a new Section 210(m) for PURPA. Under this section, a utility may petition the FERC for relief from the "must purchase" obligation if the FERC concludes that QFs within that utility's service area have adequate access to sufficiently competitive wholesale markets, such as a Regional Transmission Organization (RTO), for long term sales of capacity and energy. To date, RMP has not sought such relief nor does it belong to an RTO. Therefore, RMP is still subject to PURPA's "must purchase" requirement at its avoided cost.

CHALLENGED ISSUES

1. NON-ROUTINE UPDATE: WIND QF AVOIDED COST PRICE

RMP has proposed a non-routine update to determine the avoided costs for Utah wind QFs. Under the currently approved Proxy/PDDRR method, avoided costs for Utah wind QFs are based on the next deferrable cost-effective wind resource(s) identified in the 2019 IRP under the "like-for-like" deferral approved by the Commission in Docket 17-035-37. The "like-for-like" deferral prescribes that a QF's avoided cost will be based on the deferral of a resource in the IRP preferred portfolio that uses a similar generation technology as the QF. According to the 2019 IRP, the next cost-effective deferrable wind resource consists of 1,920 MW of Wyoming wind expected to come online in 2024. Consistent with the Commission's order in Docket 17-035-37, the Proxy/PDDRR method for Utah wind includes the impact of the Gateway South transmission project in the avoided cost price since the same circumstances that led the Commission to include transmission in that order are still relevant with the new 2024 Wyoming wind in the 2019 IRP. That is, the deferrable wind resource planned in the IRP is dependent on

the construction of new transmission facilities. However, rather than use the approved method, RMP's proposed non-routine update calls for avoided cost prices for Utah wind QFs to be based on a Utah-based wind resource identified in the 2019 IRP as a so-called "customer preference" resource. This customer preference resource, a 69 MW wind plant, serves as a proxy for a renewable generation resource that may be acquired by certain Utah customers that have a desire to serve all or most of their load by renewable resources. Further, RMP proposes to use the costs and characteristics of this customer preference proxy resource to determine avoided cost pricing for all Utah wind QFs even if the displaced capacity of the QFs surpasses the 69 MW of the customer preference proxy resource.

UCE opposes RMP's proposed non-routine change. First, and most importantly, the costs of the 2024 Wyoming wind and transmission resources, which RMP asserts do not accurately represent its avoided costs, are based on RMP's own cost projections and reflect the costs that RMP will incur if and when RMP pursues the 2024 Wyoming wind resources. Further, as noted by RMP, these costs are included in both the preferred portfolio and the sensitivity portfolio that examined the impact of removing the customer preference resource requirement. In addition, while RMP will receive the nominal revenue requirement imposed by these new Wyoming wind and transmission resources, QF prices are based on real levelized prices that cover only the first 15 years of the project's anticipated life. The use of real levelization pricing ensures that the QF prices are discounted relative to the nominal costs for which RMP would seek recovery. Thus, while RMP characterizes the avoided costs that result when Utah wind QFs are credited for deferring Wyoming wind and transmission as too high to be used for avoided cost pricing for QFs, these costs nonetheless represent the costs that RMP will seek to recover from ratepayers in future rate cases, and as such, represent the avoided cost for wind QFs.

RMP also argues against including the transmission costs associated with the 2024 Wyoming wind resources, on a similar basis as the arguments RMP presented in Docket 17-035-37 which the Commission did not accept. While the Commission ordered that the avoided costs for QF wind resources at issue in Docket 17-035-37 should include both Wyoming wind and related transmission, the Commission recognized that the new transmission could also provide other potential benefits. Therefore,

the Commission ordered that lost transmission benefits should be considered in the determination of avoided costs for wind QFs. That same logic should apply to the deferral of the Gateway South transmission line that is associated with the 2024 Wyoming wind resources. For these reasons, UCE believes the Commission should not depart from using the cost-effective wind resources identified in the 2019 IRP in determining QF pricing.

UCE recognizes that the Commission has recently issued an order in its 2019 IRP docket (Docket No. 19-035-02) that did not acknowledge the 2019 Action Plan and specifically found deficiencies in RMP's evaluation of the Gateway South transmission line. The extent to which that order would affect RMP's plan to build the Gateway South transmission line is unknown at this time. UCE recommends that Utah wind avoided cost prices be determined using the 2024 Wyoming wind with the inclusion of the Gateway South transmission line until such time as RMP announces an alternative plan (and related costs) to satisfy its transmission requirement. It's possible that the Commission may believe that there is too much regulatory uncertainty surrounding RMP's plan to pursue the 2024 Wyoming wind resources and the Gateway South transmission line. If RMP ultimately does not choose to build the Wyoming wind and transmission resource, and it were removed from the 2019 IRP, it is likely that the modeling would identify alternative wind resources before the next planned wind resource in 2032. However, the size and location of that resource is unknown. In that situation, RMP's proposal to use the customer preference Utah wind resource for avoided cost pricing could serve as the next best alternative to satisfy the Commission's like-for-like deferral requirement of the next cost-effective resource from the IRP.

2. SOLAR QF AVOIDED COST PRICE

In its 2019 3rd Quarter QF Compliance Report, RMP indicates that the next deferrable solar resources for use in the Proxy/PDDRR is the 2024 Jim Bridger solar-plus-storage plant in Wyoming. Like many utilities, RMP is planning to pair a solar generating resource with a battery storage facility to achieve greater flexibility regarding the time of day when the energy produced by the solar plant can be used to serve load. RMP proposes to use this emerging technology pairing to satisfy the like-for-like resource requirement approved by the Commission in Docket No. 17-035-37, including for solar

resources (both tracking and fixed) that do not include a battery storage facility. Appendix B.2 provides the avoided cost pricing that results when this Wyoming solar-plus-storage plant is displaced by a Utah tracking solar QF plant without storage. Under RMP's new approach for determining capacity contribution, there is a distinct difference in the capacity contribution of solar plus storage and solar without storage. This capacity contribution difference has a significant impact on the resulting avoided cost pricing for tracking solar (and presumably for fixed solar) without storage.

Given the Commission's determination that QFs displace a like-for-like resource if it is present in an IRP preferred portfolio, UCE recommends that published QF prices (and the quarterly compliance reports) include pricing for a solar QF with storage. Inclusion of published pricing for this emerging technology pairing would serve to send a price signal to QF developers that solar paired with storage is a much more valuable generation resource. Further, inclusion of this technology pairing in the compliance report would serve to demonstrate how the avoided cost prices for a comparable like-for-like QF resource compares to RMP's planned solar plant additions.

In the technical conference on May 8, 2020 in this docket, RMP indicated that it did not support publishing such an avoided cost price because of dispatching issues related to a QF with battery storage. UCE challenges this assertion. It is fundamentally unreasonable for RMP to use solar with storage as the proxy resource for solar QFs pursuant to the approved like-for-like method, while simultaneously denying the availability of the true avoided cost pricing associated with that resource to a QF that actually matches it. UCE does not believe that dispatching issues justify exclusion of a solar plus storage avoided cost price, nor do we believe that solar plus storage resources are precluded under PURPA. While it is true that QF output is considered "must take" by law, that is because QFs generally only get paid by making sales; if utilities could use their discretion to refuse the QF's power they could drive them into bankruptcy through predatory market practices. As FERC puts it, "[s]ection 292.304(d) and the requirement that a QF can sell and a utility must purchase pursuant to a legally enforceable obligation were specifically adopted to prevent utilities from circumventing the requirement of PURPA that utilities purchase energy and capacity from

QFs."¹ The statutory “must take” requirement protects the QF and the public interest against a utility’s attempts to avoid complying with PURPA. It does not specify that solar plus storage resources do not qualify as QFs because they can be dispatched. The development of cost-effective storage technology will allow QFs to provide renewable energy during hours when it is more valuable to the utility and the QF. Given RMP’s comments in the 2019 IRP related to the need to adopt flexible resources moving forward, this pairing of resources is well suited to help foster a reliable and flexible grid.² This technological development should be encouraged through avoided cost pricing, not stifled as RMP proposes. The battery storage component of the plant does not generate energy per se but is used to store the solar generation for usage in a later time period. If the QF is paid for the energy generated by the solar component of the QF plant, then dispatch of the battery component is simply an issue to be addressed during contract negotiations.

RECOMMENDATIONS

In conclusion, UCE recommends that the Commission reject RMP’s non-routine avoided cost methodology update and find that avoided cost for Utah wind QFs should continue to be determined based on deferral of the next like IRP resource, in this case the 2024 Wyoming wind resources and the Gateway South transmission. UCE also recommends that RMP’s published QF pricing include prices for a solar QF paired with storage. We appreciate the opportunity to provide these comments.

Thank you,

/s/ Kate Bowman
Renewable Energy Program Manager
Utah Clean Energy

CC: Cheryl Murray cmurray@utah.gov
Michele Beck mbeck@utah.gov
Madison Galt mgalt@utah.gov

¹ Cedar Creek Wind, LLC, 137 FERC ¶ 61006 (Oct. 4, 2011).

² Rocky Mountain Power’s 2019 IRP, page 35, *found at* https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2019_IRP_Volume_I.pdf (“To better integrate [wind and solar] resources into the larger grid requires more flexible generation, transmission, new storage technologies, and market design changes”).

Patricia Schmid	pschmid@agutah.gov
Justin Jetter	jjetter@agutah.gov
Robert Moore	rmoore@agutah.gov
Victor Copeland	vcopeland@agutah.gov
Jana Saba	jana.saba@pacificorp.com
Jacob McDermott	jacob.mcdermott@pacificorp.com
Megan J. DePaulis	megan.depaulis@slcgov.com
Christopher Thomas	Christopher.thomas@slcgov.com