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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Abdinasir Abdulle, Utility Technical Consultant Supervisor
Bob Davis, Utility Technical Consultant
Justin Christensen, Utility Analyst

Date: October 17, 2023

Re: **Docket No. 23-035-28**, Rocky Mountain Power's Quarterly Compliance Filing – 2023.Q2 Avoided Costs Input Changes

Recommendation (No Action Required)

The Division of Public Utilities (Division) concludes that Rocky Mountain Power's (RMP) Quarterly Compliance filing, 2023.Q2 avoided costs input changes, complies with the Public Service Commission's (Commission) Orders in Docket Nos. 03-035-14 and 14-035-140, and requires no further action.

Issue

On September 27, 2023, RMP filed its Quarterly Compliance Filing – 2023.Q2. The report identifies changes that have occurred in the avoided cost calculation since RMP's 2023.Q1 Quarterly Compliance Filing dated June 2, 2023. On September 28, 2023, the Commission issued an action request asking the Division to review the application for compliance and to make recommendations. The Commission asked the Division to report back by October 17, 2023.

Division of Public Utilities

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Discussion and Background

Based on Commission Orders dated October 31, 2005, and February 2, 2006, in Docket No. 03-035-14, RMP is required to provide quarterly updates of its avoided cost indicative pricing and highlight any changes to the Proxy and Partial Displacement Differential Revenue Requirement (PDDRR) and Generation and Regulation Initiative Decision Tool (GRID) models used to calculate Schedule No. 38 avoided costs.¹ In Docket No. 14-035-140, the Commission approved the parties' stipulation that requires RMP to classify new and updated assumptions as either "Routine Updates" or "Non-Routine Updates." Additionally, the stipulation requires that "...parties will file a notice with the Commission within three weeks after RMP files its quarterly compliance filing, to identify which specific assumptions, if any, they intend to contest."²

In compliance with these Commission Orders, RMP filed its quarterly report for 2023.Q2 on September 27, 2023. The Division reviewed the accuracy and reasonableness of the calculations in RMP's filing. The Division concludes that RMP properly documented the input changes to the avoided cost calculations.

RMP updated several inputs and assumptions to its model since the 2023.Q1 update filing. This filing contains both routine and non-routine updates. The routine updates are minor changes to the basic model inputs to keep the GRID model current. RMP's routine updates in this filing include an update of the potential QFs to include 374 MW of nameplate capacity in the signed contract queue.³ The potential queue was 352 MW in the 2022.Q1 filing. The Official Forward Price Curve (OFPC) was updated to PacifiCorp's June 30, 2023, OFPC (2306 OFPC). Market Capacity assumptions as of March 2023 are assumed for 48-month average of all short-term firm (STF) sales. Additional heavy load hour (HLH), and light load hour (LLH) sales are limited to historical 48-month average less monthly executed STF

¹ Docket No. 03-035-14, *Application of PacifiCorp for Approval of an IRP-Based Avoided Cost Methodology for QF Projects Larger than One Megawatt*, <https://psc.utah.gov/2016/06/22/docket-no-03-035-14/>.

² Docket No. 14-035-140, *Order Approving Settlement Agreement on Schedule 38 Procedures*, June 9, 2015, Attachment: Settlement Agreement, ¶ 18-19, <https://pscdocs.utah.gov/electric/14docs/14035140/26679614035140oasaostep.pdf>.

³ Docket No. 23-035-28. The Division notes that RMP indicates a decrease from the Q1 filing of 352 MW when it is actually a slight increase. RMP's September 27, 2023, filing at page 1.

contracts as of December 31, 2021. The Division agrees that the updates are correctly designated as routine.

RMP reports in this filing both a routine and non-routine update due to the 2023 IRP filed May 31, 2023. RMP claims that due to the incorporation of resources and transmission in the 2023 IRP, the preferred portfolio requires the addition of a transmission bubble to represent the Boardman-to-Hemmingway (B2H) transmission project along with associated contractual arrangements and connections to the rest of PacifiCorp's transmission system to satisfy the GRID topology. The 2023 IRP identified proxy resource additions at several locations in Oregon that were previously modeled in GRID within a single "West Main" transmission area. The Division notes that RMP's updates in this filing were addressed and congruent with Docket No. 14-035-140. The Division agrees that updates as the result of an IRP filing are routine. However, the addition of a transmission bubble to the GRID topology is considered non-routine under Docket No. 14-035-140.⁴

The Division concludes that this creates a conundrum in this compliance filing as the 2023 IRP has not been approved by the Commission.⁵ With this implication noted, the Division does not believe this routine/non-routine update materially impacts the avoided cost updates in this filing.

The cumulative input changes made by RMP in this compliance filing **decreased avoided cost** pricing on a 15-year nominal levelized basis for thermal resources by \$18.28 per MWh, levelized wind resource price **decreased** by \$15.72 per MWh, and levelized solar tracking resource levelized price **decreased** by \$2.69 per MWh.⁶ The incremental impact of each change will depend on the order in which the changes are introduced into the model.

These are substantial changes from the updates reported in the first quarter of 2023. RMP asserts that the proxy resources used in the PDDRR avoided cost methodology are

⁴ Docket No. 23-035-28, *Rocky Mountain Power's Quarterly Compliance Filing – 2023.Q2 Avoided Cost Input Changes*, September 27, 2023, pages 2-3, <https://pscdocs.utah.gov/electric/23docs/2303528/330048RMP2023Q2AvdCstlnptChngs9-27-2023.pdf>.

⁵ Docket No. 23-035-10, *PacifiCorp's 2023 Integrated Resource Plan*, May 31, 2023, <https://pscdocs.utah.gov/electric/23docs/2303510/3281812023IRPFnlVlm15-31-2023.pdf>.

⁶ Docket No. 23-035-28, *Rocky Mountain Power, Avoided Cost Input Changes Quarterly Compliance Filing, Docket No. 23-035-28 – 2023.Q2, Attachment 1 - Appendix B.1 10-27-2023*.

consistent with its 2023 IRP filed with the Commission on September 30, 2023 [sic].⁷ The 2023 IRP includes purportedly cost effective solar with storage, wind, wind with storage, stand-alone storage, and thermal resources that is a departure from the preferred portfolio utilized for the last avoided cost update. Additionally, other model inputs from the 2023 IRP include an update to the GRID scenario study period from January 1, 2024, through December 31, 2038. Other updates relating to the 2023 IRP include fuel prices, Front Office Transactions (FOTs), revised discount and inflation rates, and 20-year load forecast dated June 21, 2023.

The Division has concerns that this compliance filing is based on the 2023 IRP, which is currently under review and has not been approved by the Commission, causing the large variance from last quarter's reporting. However, the Division has no reason to believe that RMP has changed its methodology in the determination of its avoided cost calculations. It has applied the assumptions based on the 2023 IRP congruently to past orders.

Therefore, based on its review and understanding, the Division concludes that the updates appear reasonable and are correctly incorporated into the avoided cost calculations.

Conclusion

The Division has reviewed RMP's 2023.Q2 filing and concludes that the avoided cost prices are calculated according to the Commission's approved methods and the updates to the avoided cost calculations for thermal, wind, and solar resources are reasonable. The Division recommends the Commission take no further action at this time.

cc: Jana Saba, RMP
Michele Beck, OCS

⁷ *Supra* note 4, The Division notes that September 30, 2023, is a Saturday and could not verify RMP's filing, at page 3.