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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

MARGARET W. BUSSE
Executive Director

CHRIS PARKER
Division Director

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: April 25, 2024

Re: **Docket No. 23-035-28**, Rocky Mountain Power's Quarterly Compliance Filing – 2023.Q4 Avoided Costs Input Changes

Recommendation (No Action Required)

The Division of Public Utilities (Division) concludes that Rocky Mountain Power's (RMP) 2023.Q4 Avoided Cost Quarterly Compliance Filing 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 March 26, 2024, RMP filed its 2023.Q4 Quarterly Compliance Filing. The report identifies changes that have occurred to the avoided cost calculation since RMP's 2023.Q3 Quarterly Compliance Filing dated December 27, 2023. On March 26, 2023, the Commission asked the Division to review RMP's filing for compliance and make recommendations. The Commission asked the Division to report back by April 25, 2024.

Division of Public Utilities

Heber M. Wells Building • 160 East 300 South • P.O. Box 146751 Salt Lake City, UT 84114-6741
www.dpu.utah.gov • telephone (801) 530-7622 • toll-free in Utah (877) 874-0904 • fax (801) 530-6512

Discussion and Background

Based on Commission Orders dated October 31, 2005, and February 2, 2006, 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.Q4 on March 26, 2024. The Division reviewed the accuracy and reasonableness of the calculations in RMP's filing and concludes that RMP properly documented the input changes to the avoided cost calculations.

RMP updated the inputs and assumptions to its model since the 2023.Q3 update filing. The current filing contains both routine and non-routine updates.

RMP proposes a non-routine update to replace the GRID model with the PLEXOS³ model used for production cost simulation modeling in avoided cost calculations. The Division's understanding of the differences between the GRID and PLEXOS models is mainly in the increased capabilities of the PLEXOS model compared to the GRID model. The new model purports to better align the avoided cost calculations used in other RMP programs like Integrated Resource Plan (IRP), Energy Balancing Account (EBA), resource Request For Proposals (RFPs), etc., that utilized the GRID model in the past. The Division notes that

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 See <https://www.energyexemplar.com/plexos>.

RMP claims the avoided costs are slightly higher using the PLEXOS model compared to the GRID model due to how the models work comparatively and their different capabilities. The impacts of the assumptions in the PLEXOS model vary through time and how they interact with the composition of the preferred portfolio, the qualifying facility (QF) generation profile, and displaced proxy resources specific to each resource type in conjunction with the differences RMP lists in its filing including *Gas Unit Commitment*, *Energy Storage Dispatch*, *Negative Dispatch Price*, and *Administrative Benefits*.⁴

The routine updates are minor changes to the basic model inputs to keep the GRID, now PLEXOS, 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.⁵ The potential queue was 504 MW in the 2023.Q3 filing. RMP updated its Official Forward Price Curve (OFPC) to PacifiCorp's December 29, 2023, OFPC (2312 OFPC). Market Capacity assumptions use the 48-month average of all short-term firm (STF) sales as of March 2023. Heavy load hour (HLH), and light load hour (LLH) sales are limited to the historical 48-month average less monthly executed STF contracts as of December 31, 2021. The Division agrees that these updates are correctly designated as routine.

Similar to the GRID model, IRP inputs and assumptions are used in the PLEXOS model. The Division notes that the 2023 IRP has not been approved by the Commission. However, the Division does not believe the change from the Grid model to the PLEXOS model materially impacts the routine or non-routine updates in this filing.

The cumulative input changes made by RMP in this compliance filing **increase avoided cost** pricing for thermal resources by \$3.68 per MWh, **increase** wind resource pricing by \$2.10 per MWh, and **decrease** tracking solar resource pricing by \$0.27 per MWh.⁶ The incremental impact of each change will depend on the order in which the changes are introduced into the model. These changes are not substantial from the updates reported in the 2023.Q3 update. However, as mentioned above, the Division notes that the quarterly

⁴ Docket No. 23-035-28, *2023.Q4 Avoided Cost Input Changes Quarterly Compliance Filing*, March 26, 2024, pages 3-5,

<https://pscdocs.utah.gov/electric/23docs/2303528/333030RMP2023Q4AvdCstInptChngs3-26-2024.pdf>.

⁵ Docket No. 23-035-28, *Supra note 4*, Appendix A, pg. 4.

⁶ *Id.*, Appendix D, *Avoided Cost Prices (\$/MWh)*, 15-Year Levelized Prices (Nominal) 2024-2038.

variance could not only be the result of changes in resource inputs but also from the changeover from the GRID model to the PLEXOS model. The GRID model may have been overestimating or underestimating avoided costs based on how the older GRID model performs the calculations. The Division has no recommendation for the variance between the models at this time.

The Division has some modest concern with RMP's use of assumptions from an unacknowledged IRP. However, the Division has no reason to believe that RMP has changed its methodology or replacement of the GRID model with the PLEXOS model for the determination of its avoided cost calculations. It has applied the assumptions based on the 2023 IRP congruently to past orders. Irrespective of acknowledgment or not of an IRP, the utility must use some data and assumptions and there is no evidence it has better ones than used in the most recent IRP.

Conclusion

The Division has reviewed RMP's 2023.Q4 filing and concludes that the avoided cost prices are calculated according to the Commission's approved methods. The Division recommends the Commission take no further action at this time.

cc: Jana Saba, RMP
Michele Beck, OCS