ERIN MENDENHALL
Mayor

DEBBIE LYONS
Director

DEPARTMENT OF SUSTAINABILITY

Comments

To: Public Service Commission of Utah
From: Salt Lake City Corporation
Christopher Thomas, Sr. Energy and Climate Program Manager
Date: May 27, 2025
Re: Docket No. 25-035-30: Avoided Cost Input Changes Quarterly Compliance Filing

Background

Salt Lake City Corporation (SLC Corp) is the local governing body for Utah's capital city. SLC Corp has established renewable energy and carbon emission reduction targets and is a member of the Utah Renewable Communities, a coalition of 19 communities working in partnership with Rocky Mountain Power (Company) to launch a new clean energy option for electricity customers within the communities. SLC Corp is also a party to a renewable energy service contract with Company pursuant to which a Schedule 34 clean energy resource (the Elektron Solar Project) has reached commercial operation, and SLC Corp may seek future Schedule 34 resources. As such, SLC Corp's interests are substantially affected by Company's update to its Schedule 38 avoided cost prices. SLC Corp appreciates the opportunity to provide these comments on the update to Schedule 38 avoided cost prices and challenge as non-routine some of Company's methodology. Schedule 38 pricing applies to power purchased from Qualifying Facilities located in the state of Utah with a design capacity larger than 3 Megawatts (MW).

Discussion

Unprecedented drop in avoided cost prices

On May 7, 2025, Company filed a quarterly update to its Schedule 38 avoided cost prices with dramatic and perhaps unprecedented decreases:

Technology	Current ($/MWh)*	Proposed ($/MWh)*	Difference (%)
Thermal	53.81	30.77	-43%
Wind	29.02	17.27	-41%
Solar Tracking	38.42	23.41	-39%

* Dollar values shown are from RMP Workpapers, 25-035-30 Appendix B.1 *15-Year Levelized Prices (Nominal) @6.69% Discount Rate from 2026-2040*

DEPARTMENT OF SUSTAINABILITY
OFFICE OF THE DIRECTOR
451 SOUTH STATE ROOM 404
SALT LAKE CITY, UTAH 84111

WWW.SLCGOV.COM
WWW.SLCGREEN.COM
TEL 801-535-6470

These large reductions for Schedule 38 avoided cost prices mirror correspondingly large proposed reductions filed by Company for Schedule 37 avoided cost prices in docket 25-035-T03. On May 21, 2025, the Utah Public Service Commission (Commission) issued an order suspending[1] those proposed revisions to Schedule 37 avoided cost prices.

Should a new thermal QF partially displace 500 MWs of 2030 nuclear?

In its May 7, 2025 filing, Company states, "PacifiCorp's 2025 IRP Utah preferred portfolio does not have any thermal proxy resources available to be deferred by a Utah thermal QF." However, the preferred portfolio in Table 12.10[2] of Volume I, Chapter 12 of PacifiCorp's Utah 2025 IRP does include a thermal resource -- a 500 MW nuclear resource in 2030. Nuclear power is a thermal resource that generates electricity through the production of heat from nuclear fission reactions. The decision to not model a 100 MW Utah Qualifying Facility (QF) as if it partially displaces a 500 MW nuclear power resource could artificially depress the avoided cost price of the modeled Utah QF resource. Indeed, Table 1[3] shows that for a thermal resource, the capacity value in every year is listed as $0:

Year	Capacity Price $/kW-yr	Energy Only Price $/MWh (2)	99.7% Capacity Factor $/MWh
2025	$0.00	$29.25	$29.25
2026	$0.00	$29.60	$29.60
2027	$0.00	$28.31	$28.31
2028	$0.00	$33.82	$33.82
2029	$0.00	$38.90	$38.90
2030	$0.00	$36.03	$36.03
2031	$0.00	$36.90	$36.90
2032	$0.00	$32.86	$32.86
2033	$0.00	$31.30	$31.30
2034	$0.00	$31.23	$31.23
2035	$0.00	$32.19	$32.19
2036	$0.00	$18.62	$18.62
2037	$0.00	$21.99	$21.99
2038	$0.00	$24.68	$24.68
2039	$0.00	$26.44	$26.44
2040	$0.00	$28.14	$28.14
2041	$0.00	$32.32	$32.32
2042	$0.00	$39.90	$39.90
2043	$0.00	$41.46	$41.46
2044	$0.00	$42.38	$42.38
2045	$0.00	$43.30	$43.30

[1] See Utah Public Service Commission Order dated May 21, 2025 in docket 25-035-T03 on page 7.
[2] See PacifiCorp Utah 2025 Integrated Resource Plan (IRP) on page 361.
[3] See Rocky Mountain Power Compliance Filing in docket 25-035-30 on PDF page 33.

To the extent that Company does not consider the 500 MW nuclear resource in 2030 to be deferrable, that should be explained.

If Company does not plan to own new generation, should the avoided cost methodology reflect negative energy prices related to production tax credits?

The present methodology results in negative "energy only" pricing for an 80 MW Utah solar tracking QF from 2032 to 2041[4]:

Year	Capacity Price $/kW-yr	Energy Only Price $/MWh[(2)]	30.2% Capacity Factor $/MWh
2025	$0.00	$22.35	$22.35
2026	$0.00	$18.81	$18.81
2027	$0.00	$20.28	$20.28
2028	$0.00	$25.26	$25.26
2029	$0.00	$29.52	$29.52
2030	$0.00	$26.09	$26.09
2031	$0.00	$24.91	$24.91
2032	$110.82	($16.62)	$26.80
2033	$113.24	($18.70)	$25.92
2034	$115.71	($19.59)	$26.18
2035	$118.23	($22.62)	$24.43
2036	$120.80	($23.10)	$25.24
2037	$123.44	($26.68)	$22.91
2038	$126.13	($33.07)	$17.90
2039	$128.88	($35.57)	$16.76
2040	$131.69	($38.32)	$15.36
2041	$134.56	($37.81)	$17.37
2042	$137.49	$9.87	$66.49
2043	$140.49	$8.78	$66.94
2044	$143.55	$7.55	$67.34
2045	$146.68	$7.72	$68.81

These negative energy values imply that if the Company constructed and owned a proxy solar project in 2032, it would receive production tax credits starting in 2032 for a period of ten years. However, as this Commission has observed, "RMP's owner is apparently unwilling to provide any further equity investment in PacifiCorp, which would be the most effective way to raise the equity portion of its capital structure."[5] Given this unwillingness to provide further equity for the construction of new generation, it is unreasonable to apply a methodology that assumes Company and its ratepayers would have benefited from such future production tax credits captured by an owned resource. By performing the avoided cost calculation this way, the avoided cost price for new solar is artificially depressed. As the Company does not appear to own a single solar resource among the 97 projects representing 3,615 MW

[4] Ibid on PDF page 18.
[5] See Utah Public Service Commission Order dated April 25, 2025 in docket 24-035-04 on page 3.

of nameplate shown in the 2025 IRP[6], using an avoided cost methodology that assumes future company ownership of a solar project is not appropriate.

The avoided cost price for new wind also appears to be artificially depressed by assuming negative "energy only" pricing for a new 80 MW Utah wind QF from 2028 to 2037[7]:

Year	Capacity Price $/kW-yr	Energy Only Price $/MWh (2)	30.3% Capacity Factor $/MWh
2025	$0.00	$21.15	$21.15
2026	$0.00	$21.55	$21.55
2027	$0.00	$22.43	$22.43
2028	$89.19	($21.85)	$11.77
2029	$91.13	($14.08)	$20.28
2030	$93.12	($9.43)	$25.62
2031	$95.15	($30.86)	$4.94
2032	$97.23	($36.57)	$0.02
2033	$99.34	($37.68)	($0.23)
2034	$101.51	($38.64)	($0.38)
2035	$103.72	($38.51)	$0.60
2036	$105.98	($30.76)	$9.19
2037	$108.30	($28.64)	$12.12
2038	$110.66	$7.61	$49.32
2039	$113.07	$9.46	$52.08
2040	$115.53	$10.51	$54.05
2041	$118.05	$13.07	$57.51
2042	$120.63	$19.23	$64.62
2043	$123.25	$19.41	$65.80
2044	$125.94	$20.38	$67.85
2045	$128.69	$20.82	$69.33

If Company does not plan to own new generation, should the avoided cost methodology provide that Company own Renewable Energy Certificates (RECs)?

The present methodology provides that "when a QF defers or avoids a renewable resource, the Company retains the renewable energy credits (RECs) on behalf of ratepayers."[8]

Such an assumption only makes sense if Company would have otherwise owned the deferred or avoided resource. If, instead of owning such a resource, Company acquired the energy and capacity value of a

[6] See PacifiCorp Utah 2025 Integrated Resource Plan on page 118.
[7] See Rocky Mountain Power Compliance Filing in docket 25-035-30 on PDF page 24.
[8] Ibid on page 2.

preferred portfolio resource through a PPA, then bundled RECs could either be conveyed from the third-party owner to Company through the PPA transaction, or the third-party owner could decide to retain the RECs, unbundling them from the electricity, and selling them to other parties.

Which discount rate has been applied and is it appropriate?

Company's narrative states that its methodology applies a discount rate of 6.38%[9]:

Discount Rate

- **6.38** percent discount rate - **Utah 2025 IRP**
- Discount rate is consistent with the Commission's order in Docket 11-035-T06.

But the workpapers (Appendices B-1, B-2, and B-3) all indicate that a discount rate of 6.69% has been applied, as shown in row 27 of each Excel workbook[10]:

27			15-Year Levelized Prices (Nominal) @ 6.69% Discount Rate (1) (3)								
28	2025-2039	$/MWh	$30.71	$23.59	$16.21	$51.76	$35.56	$28.03	($21.05)	($11.97)	($11.82)
29									-40.7%	-33.7%	-42.2%
30	2026-2040	$/MWh	$30.77	$23.41	$17.27	$53.81	$38.42	$29.02	($23.04)	($15.01)	($11.75)
31									-42.8%	-39.1%	-40.5%

This discrepancy makes it unclear whether the appropriate discount rate has been applied.

Additionally, it's not clear that the capital structure assumptions being used by Company to calculate a 6.38% or 6.69% discount rate is appropriate if the Company will be using 100% debt financing for power purchases. Indeed, on April 17, the Oregon Public Utilities Commission was notified that PacifiCorp issued $850 million worth of new debt at an interest rate of **7.375%**[11] – substantially higher than either of the discount rates mentioned in Company's present filing.

If debt financing of future PPAs is at a rate much higher than assumed in the Schedule 38 avoided cost methodology, then the avoided cost prices calculated could be artificially depressed.

Are assumed power plant capital costs reasonable?

The imposition of global tariffs by the United States Government beginning in April of this year on key power plant inputs like steel, aluminum, and rumored future tariffs on copper make it impossible to reasonably forecast the future capital cost of constructing power plants. Therefore, the avoided cost

[9] Ibid on page 2.
[10] See Appendix B.1 in docket 25-035-30.
[11] See Pacific Power application dated April 17, 2025 in docket UI 519 on page 8.

methodology should not simply borrow the IRP's capital cost assumptions, which do not incorporate these tariffs.

Schedule 38 and 37 both rely on Proxy/PDDRR methodology

Both Schedule 38 and 37 avoided cost calculations use a Proxy/PVDRR methodology and the Utah Public Service Commission has already suspended Company's proposed Schedule 37 avoided cost prices "pending additional review of RMP's assumptions and calculations."[12]

The avoided price reduction could pause new electric energy development in the state

This precipitous drop in Schedule 38 avoided cost pricing could effectively pause all new electric energy development in the state of Utah, for the simple reason that Company's owners have pledged no additional investment in the utility, and the proposed avoided cost prices are so low that customer choice projects will be severely challenged.

Indeed, particularly for Utah solar, customer choice Power Purchase Agreements (PPAs) and QFs constitute the overwhelming majority of the nearly 1,900 MWs currently supplying the Company's system. A dramatic cut to the avoided cost price could severely hinder these important contributors to new generation.

Requests

Because of the massive and unprecedented drop in Schedule 38 avoided cost prices submitted by Company and the impact this reduced pricing could have on electrical energy development in Utah, SLC Corp makes the following requests:

- That the Commission suspend Company's proposed revisions to Schedule 38 avoided cost indicative pricing and open an investigation to allow additional review of Company's assumptions and calculations.
- That the Commission consider imposing a different avoided cost methodology to reflect the lack of equity investment in Company by its owners for new generation and the unprecedented uncertainty in power plant capital costs.

At a time of unprecedented electrical demand growth, artificially low avoided cost prices could effectively cap the State of Utah's growth opportunities considering Company's lack of investment in new energy generation.

[12] See Utah Public Service Commission Order dated May 21, 2025 in docket 25-035-T03, page 7

DATED May 27, 2025

Respectfully submitted,

/s/ Christopher Thomas

Christopher Thomas

Sr. Energy and Climate Program Manager

CERTIFICATE OF SERVICE
Docket No. 25-035-30

I hereby certify that a true and correct copy of the foregoing was served by email this 27th day of May 2025, on the following:

ROCKY MOUNTAIN POWER

Max Backlund	max.backlund@pacificorp.com
Utah dockets	utahdockets@pacificorp.com
Data Request Response Center	datareq@pacificorp.com

ASSISTANT UTAH ATTORNEYS GENERAL

Patricia Schmid	pschmid@agutah.gov
Patrick Grecu	pgrecu@agutah.gov
Robert Moore	rmoore@agutah.gov

DIVISION OF PUBLIC UTILITIES

Madison Galt	mgalt@utah.gov
DPU Data Request	dpudatarequest@utah.gov

OFFICE OF CONSUMER SERVICES

Alyson Anderson	akanderson@utah.gov
Bela Vastag	bvastag@agutah.gov
Alex Ware	aware@utah.gov

/s/ Christopher Thomas