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Utah Public Service Commission
Heber M. Wells Building
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RE: Docket No. 25-035-30, Rocky Mountain Power's 2025 Avoided Cost Input Changes Quarterly Compliance Filing
Comments of Western Resource Advocates

I. INTRODUCTION & BACKGROUND

Western Resource Advocates (WRA) appreciates the opportunity to review and provide comments on Rocky Mountain Power's (RMP, PacifiCorp, or the Company) 2025 Avoided Cost Input Changes Quarterly Compliance Filing (Schedule 38). WRA's comments on Schedule 38 are related to and an extension of WRA's July 18, 2025, comments on Schedule 37 avoided cost pricing in Docket No. 25-035-T03 because the Partial Displacement Differential Revenue Requirement (PDDRR) method used for both is fundamentally the same. WRA's Schedule 37 comments included a high-level background on avoided cost pricing in Utah along with the primary recommendation that the Commission not update avoided cost prices pursuant to the 2025 Integrated Resource Plan (IRP) until parties had a full opportunity to provide recommendations on it.[1]

On September 3, 2025, RMP filed reply comments in Docket No. 25-035-T03. On September 25, 2025, WRA submitted comments and recommendations regarding PacifiCorp's IRP in Docket No. 25-035-22, with a recommendation that the 2025 IRP not be used to set avoided cost prices. In these comments, consistent with our IRP recommendations, we recommend that the 2025 IRP not be used to establish avoided cost prices. Additionally, we make the following two recommendations:

- Until the Company establishes appropriate and reasonably accurate avoided cost input assumptions, the Commission should use the 2023 IRP Update as the basis of avoided costs.
- The Commission should change its current practice and allow renewable qualifying facilities (QFs) to retain RECs when deferring IRP proxy resources of the same type.

[1] *Comments of Western Resource Advocates*, Docket No. 25-035-T03 (filed July 18, 2025), available at: https://pscdocs.utah.gov/electric/25docs/25035T03/340695WRACmnts7-18-2025.pdf [hereinafter WRA Sch. 37 Comments].

II. COMMENTS & RECOMMENDATIONS

A. <u>The 2025 IRP should not be used to set avoided costs; until the Company establishes appropriate and reasonably accurate avoided cost input assumptions, the Commission should use the 2023 IRP Update as the basis of avoided costs.</u>

The Preferred Portfolio is not a least cost, least risk system plan and cannot be relied upon to establish just and reasonable avoided costs. As discussed in detail in WRA's comments on the 2025 IRP, the 2025 IRP represents a fundamental departure from single system, least cost, least risk planning.[2] As such, the 2025 IRP is inconsistent with foundational ratemaking policy in Utah—that costs allocated to Utah (and therefore in rates charged to Utah customers) should be based on single system planning and operations ("Rolled-In" costs).[3] Therefore, avoided costs, which affect rates paid by Utah customers and have potentially imminent tariff impacts, should not be based on the 2025 IRP.

The 2025 IRP Preferred Portfolio was created assuming geographically segregated resources and jurisdiction-specific cost allocation. This process was not well documented in the IRP and WRA's understanding, as outlined in the following excerpt from WRA's IRP comments in Docket No. 25-035-22, stems primarily from PacifiCorp's responses to discovery questions submitted in that docket:

> In developing the bifurcated plan PacifiCorp undertook a multi-step process. For each of the three jurisdictions [Washington; Oregon; and Utah, Idaho, Wyoming, and California (UIWC)], PacifiCorp first developed unique portfolios for five price-policy scenarios and ten alternative futures using the combined capabilities of the optimization models within Plexos. These initial forty-five "Full Jurisdictional Portfolios" were developed using a similar, but refined, approach to the modeling of the 2023 IRP that produced a single-system plan. Each resulted from modeling the PacifiCorp system assuming the compliance requirements of the jurisdiction considered. For all three jurisdictions*, these optimized Full*

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[2] *Initial Comments of Western Resource Advocates,* Docket No. 25-035-22 (filed September 25, 2025) at 14-26 [hereinafter WRA IRP Comments].

[3] *Id.* at 19-22. In 2016, the Commission described "Rolled-In" this way:

> This Commission has unwaveringly sought over the years to implement a method that treats the utility system as a whole and apportions costs and revenues among PacifiCorp's jurisdictions using a cost-of-service analysis. In other words, the customers in each jurisdiction should bear the proportion of the total utility system costs those customers cause the utility system to incur. The Commission has historically referred to this as the 'Rolled-In Method' and deemed it the most suitable means for fairly apportioning costs among the jurisdictions.

In the Matter of the Application of Rocky Mountain Power for Approval of the 2017 Protocol, Docket No. 15-035-86, Order (issued June 23, 2016) at 3; *see also id.* at 9 ("this Commission has never wavered in its conviction that a Rolled-In Method represents the most equitable manner for allocating PacifiCorp's costs").

> *Jurisdictional Portfolios include proxy resources located on both the west-side and east-side of the PacifiCorp system*.
>
> In the next step, PacifiCorp combined the resource selections from the three jurisdictions into fifteen "Integrated Portfolios." *In integrating the Full Jurisdictional Portfolios, PacifiCorp limited the location of proxy resources, resulting in a bifurcated plan.* Proxy resources located on the west-side of the PacifiCorp system were included only if they had been selected in either Washington's or Oregon's Full Jurisdictional simulations, and proxy resources located on the east-side were included only if they had been selected in UIWC's Full Jurisdictional simulations. So, east-side resources identified as optimally serving the system under Oregon or Washington compliance constraints (i.e. environmental regulations plus resource adequacy) were excluded; similarly, west-side resources identified as optimally serving the system under the UIWC constraint (i.e. resource adequacy only) were excluded from the Integrated Portfolios.
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> PacifiCorp next evaluated whether these initial Integrated Portfolios had sufficient energy and capacity compliance requirements. *This step required assigning shares of existing resources as well as shares of proxy resources to the three jurisdictions*. Existing resource shares were allocated using the "system generation" (SG) cost allocation factor for the year under consideration (with certain restrictions). Existing coal-fired resource shares were removed from Washington's allocation at the end of 2025 and from Oregon's at the end of 2029 and were apparently reallocated to the UIWC jurisdiction. *New east-side proxy resources were fully allocated to the UIWC jurisdiction, and new west-side proxy resources were allocated 75% to Oregon and 25% to Washington.*
>
> PacifiCorp then remedied the resulting compliance shortfalls by adjusting shares, adding resources, and identifying transmission needed to support the selected resource additions. Remedying shortfalls appears to have required considerable ad hoc decision-making as well as increased cost, since cost-effective renewable resources selected on the east-side to serve Washington's and Oregon's compliance needs were necessarily relocated to less favorable sites. Finally, from these fifteen Integrated Portfolios, PacifiCorp selected a Preferred Portfolio.[4]

While fixed resource or "situs" assignment is not new to PacifiCorp's planning, bifurcating planning based on the geographic location of resources is a fundamental departure from system planning and operations and Rolled-In cost allocation. Rates predicated on such bifurcated planning are inconsistent with decades of Commission precedent:

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[4] WRA IRP Comments, *supra* note 2, 14-17 (emphasis added, internal citations omitted). The text including internal citations is available here: https://pscdocs.utah.gov/electric/25docs/2503522/341981WRACmnts9-25-2025.pdf. The exhibits referenced are available on the Commission's docket page, here: https://psc.utah.gov/2025/03/31/docket-no-25-035-22/.

> First and foremost, we have not deviated from our numerous prior declarations that a Rolled-In method is the appropriate cost allocation mechanism. PacifiCorp has been operating as a single, integrated whole on a least cost basis for many years. …*While the geographical location of a resource may be pertinent for logistical and dispatch purposes, it is not relevant for cost allocation*. All of the resources belong to PacifiCorp, and all of PacifiCorp's customers, regardless of where they reside, should now enjoy any benefits and share any risks associated with any particular resource, no matter where it's located.[5]

The Commission should not allow avoided costs based on bifurcated planning to take effect without thorough consideration of the planning, operations, and ratemaking implications of geographically bifurcated planning. Therefore, the Commission should not use the 2025 IRP as the basis of avoided costs.

While this threshold issue disqualifies the 2025 IRP as the basis of avoided costs, other critiques from Parties' IRP comments further undermine the Preferred Portfolio and are worth mentioning briefly:

- PacifiCorp selected its Preferred Portfolio based on novel "end effects" modeling and disregarded its own cost and risk analysis that suggested other portfolios, namely the "Integrated Base HH" and "Integrated Hunter Retire MN," were less costly and risky.[6] These portfolios add more renewable energy resources in the nearer term, suggesting that avoided costs should be based on portfolios with higher quantities of deferrable resources sooner.
- PacifiCorp included a 500 MW, zero-cost nuclear resource in its base (i.e. most likely) resource portfolios.[7] Absent this free resource, the resource portfolio would contain significantly more renewable energy and storage resources, further changing the timing of deferrable proxy resources for avoided costs purposes.
- PacifiCorp's supply-side resource cost assumptions were incorrect.[8] Incorrect pricing assumptions lead to incorrect avoided costs.

Until the Company presents an integrated system plan consistent with Commission planning requirements, the Commission should continue to use the 2023 IRP Update as the basis of avoided costs. Avoided costs based on the 2023 IRP Update were not contested so they likely

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[5] *In the Matter of the Application of Rocky Mountain Power to Extend the 2017 Protocol through December 31, 2019*, Docket No. 17-035-06, Order (issued March 23, 2017) at 8 (emphasis added).

[6] *See, e.g.,* WRA IRP Comments, *supra* note 2 at 26-33 (discussing the sub-optimality of the Preferred Portfolio); *Sierra Club Opening Comments on PacifiCorp's 2025 Integrated Resource Plan*, Docket No. 25-035-22 (filed September 26, 2025) at 15-21 (discussing the suboptimality of the Preferred Portfolio); *Salt Lake City Corp.'s Reply Comments,* Docket No. 25-035-T03 (filed September 3, 2025) at 5-8 (discussing the sub-optimality of the Preferred Portfolio).

[7] *See, e.g., Initial Comments of the Utah Association of Energy Users,* Docket No. 25-035-22 (filed September 26, 2025) at 7-11 [hereinafter UAE IRP Comments] (discussing modeling of the Natrium nuclear power plant); *Comments from the Division of Public Utilities,* Docket No. 25-035-22 (filed September 26, 2025) at 16-18 (discussing cost assumptions for the Natrium nuclear power plant).

[8] *See, e.g.,* UAE IRP Comments, *supra* note 7, at 13-15 (discussing modeling errors affecting supply-side resource costs).

represent more reasonable estimates than costs based on the 2025 IRP. Using potentially out-of-date prices should provide an incentive for PacifiCorp to present for review a more updated and accurate estimate of avoided costs as soon as possible.

B. The Commission should allow Qualifying Facilities (QFs) to retain RECs when deferring IRP proxy resources.

WRA reiterates the recommendation made in our Schedule 37 comments that the Commission change its current practice of allowing the Company to retain RECs associated with purchases from renewable QFs for the years when the QF defers a renewable IRP proxy resource. Rather, to maintain consistency with the Company's own modeling assumptions and the "ratepayer indifference" standard, QFs should be allowed to retain RECs when avoided costs are based on IRP modeling.

In its Schedule 37 reply comments, the Company's primary argument against WRA's proposal is that it would be a change to current practice, baldly asserting that current practice maintains ratepayer indifference. WRA proposed the change to current practice because, for the reasons outlined in our Schedule 37 comments, current practice does not maintain ratepayer indifference.

Current practice, of bestowing RECs on the Company, is based on an assumption that IRP modeling includes a monetary REC value that offsets proxy resource costs: "[T]he value of RECs PacifiCorp assumes for either building or acquiring an IRP renewable resource *acts as an offset* to the IRP's renewable resource capital costs." [9] However, as explained in WRA's Schedule 37 comments:

> IRP modeling is agnostic to resource ownership and assumes no REC value (i.e. $0/MWh). Therefore, in the modeling that is the basis for avoided costs, there is no reasonable expectation either that a proxy resource will generate RECs for customers or that, if it does, customers will benefit financially from the proxy resource's non-energy attributes. Based on IRP modeling, customers cannot reasonably claim any entitlement to future benefits because the benefits, for purposes of avoided costs and ratepayer neutrality, are worth $0. To put it more plainly, ratepayers are *indifferent if they receive no RECs* associated with QF output because the RECs are worth nothing in the resource planning that selects proxy renewable resources. Rather, based on IRP modeling, which is the basis for avoided costs, ratepayers are unduly benefitted by entitlement to RECs to the unfair disadvantage of QFs (rather than being indifferent).
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> Because there is no REC value in IRP modeling, renewable resource costs have no offset, contrary to the 12-year- old Commission finding, and compete with other resources on their energy and capacity characteristics alone. Assuming a specific REC value in IRP modeling would change resource costs and potentially change resource selection. It is inconsistent to presume that RECs have no value in IRP modeling while also claiming, for avoided costs purposes, that RECs

[9] Docket Nos. 17-035-T07 and 17-035-37, *Order (Updates and Revisions to Avoided Cost Pricing Methodologies for QF Resources)* (issued January 23, 2018) at 7 (emphasis added).

> benefit customers. REC assumptions across IRP and avoided costs should be consistent to maintain ratepayer neutrality.
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> Because the objective of PURPA and Utah PURPA is to encourage QF development—while maintaining ratepayer indifference—WRA recommends that the Commission allow renewable QFs to retain RECs even when the QF defers a renewable proxy resource. Ratepayers are not harmed by this because ratepayers have no expectation of a REC benefit greater than zero based on the IRP modeling that establishes avoided costs.[10]

In its Schedule 37 reply comments, the Company states that current practice "remains consistent with the PURPA ratepayer indifference standard, notwithstanding the lack of assumed REC benefits as part of portfolio development," because the Company "*would seek* to maximize" REC benefits that they acknowledge are *uncertain*.[11] In other words, the Company is doubling down on the argument that RECs have no value in resource planning, but that even uncertain, hypothetical value must be included in avoided cost pricing. This "Heads, I win; tails, you lose" approach is not fair and does not maintain ratepayer indifference.

III. CONCLUSION

WRA appreciates the opportunity to submit these comments. In summary, WRA recommends the following:

- The 2025 IRP should not be used to establish avoided cost prices. Until the Company establishes appropriate and reasonably accurate avoided cost input assumptions, the Commission should use the 2023 IRP Update as the basis of avoided costs.
- The Commission should change its current practice and allow renewable qualifying facilities (QFs) to retain RECs when deferring IRP proxy resources.

Sincerely,

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[10] WRA Sch. 37 Comments, *supra* note 1, at 9-10 (internal citations omitted).
[11] *Rocky Mountain Power's Reply Comments*, Docket No. 25-035-T03 (filed September 3, 2025) at 10 (emphasis added).

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 3rd day of October 2025 on the following:

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