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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

Casey J. Coleman, Utility Technical Consultant

**Date:** January 20, 2026

**Re:** **Docket No. 25-035-30**, Rocky Mountain Power's Quarterly Compliance Filing — 2025.Q3 Avoided Cost Input Changes

## Recommendation (No Action with Recommendation)

The Division of Public Utilities (Division) concludes that Rocky Mountain Power's (RMP or Company) 2025.Q3 Avoided Cost Quarterly Filing complies with the Public Service Commission's (Commission) Orders in Docket Nos. 03-035-14 and 14-035-140.

However, the Division recommends the Commission take no action on RMP's 2025.Q3 filing pending the outcome of RMP's 2025.Q1 proceedings.<sup>1</sup>

## Issue

On December 30, 2025, RMP filed its 2025.Q3 Quarterly Compliance Filing (Q3). The report identifies changes that have occurred in the avoided cost calculation since RMP's 2025.Q2 Quarterly Compliance Filing (Q2). On December 30, 2025, the Commission asked the Division to review RMP's filing for compliance and make recommendations by January 20, 2026.

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<sup>1</sup> *Comments from the Division of Public Utilities*, Docket No. 25-035-30.Q1, October 3, 2025, at 1, <https://pscdocs.utah.gov/electric/25docs/2503530/342082DPUCmnts10-3-2025.pdf>.



## Discussion and Background

Based on Commission Orders dated October 31, 2005, and February 2, 2006, RMP is required to provide quarterly updates for 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-now PLEXOS) model used to calculate Schedule No. 38 avoided costs.<sup>2</sup> In Docket No. 14-035-140, the Commission approved the parties' stipulation requiring 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."<sup>3</sup>

In compliance with these Commission Orders, RMP filed its quarterly report for 2025.Q1 on May 7, 2025. In that filing, RMP updated the inputs and assumptions to its model since the 2024.Q4 filing leading to significant decreases in the pricing for thermal, tracking solar, and wind resources.<sup>4</sup> Since that time, the parties have sent numerous data requests to RMP seeking clarification to explain the decrease in pricing. The Division filed comments recommending, as an alternative, the Commission not approve RMP's avoided cost pricing and continue with 2024.Q4 pricing until the 2025 Integrated Resource Plan (IRP) inputs could be vetted.<sup>5</sup>

The current Q3 filing contains updates based on the same IRP metrics. The Division reviewed the accuracy and reasonableness of the calculations in RMP's Q3 filing and

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<sup>2</sup> *Application of PacifiCorp for Approval of an IRP-Based Avoided Cost Methodology for QF Projects Larger than One Megawatt*, Docket No. 03-035-14, <https://psc.utah.gov/2016/06/22/docket-no-03-035-14/>.

<sup>3</sup> *Order Approving Settlement Agreement on Schedule 38 Procedures*, Docket No. 14-035-140, June 9, 2015, Attachment: Settlement Agreement, ¶ 18-19, <https://pscdocs.utah.gov/electric/14docs/14035140/26679614035140oasaostep.pdf>.

<sup>4</sup> *Rocky Mountain Power's Quarterly Compliance Filing – 2025.Q1 Avoided Cost Input Changes*, Docket No. 25-035-30, May 7, 2025, <https://pscdocs.utah.gov/electric/25docs/2503530/339680RMP2025Q1AvdCstInptChngs5-7-2025.pdf>.

<sup>5</sup> *Comments from the Division of Public Utilities*, Docket No. 25-035-30, October 3, 2025, <https://pscdocs.utah.gov/electric/25docs/2503530/342082DPUCmnts10-3-2025.pdf>.

concludes that RMP properly documented the input changes to the avoided cost calculations.

The routine updates are changes to the basic model inputs to keep the PLEXOS model current. RMP updated its Official Forward Price Curve (OFPC) to PacifiCorp's September 30, 2025, OFPC (2509 OFPC). The Division agrees that this update is correctly designated as routine.

Based on the quarterly compliance filings from September 30, 2025 (Q2) and December 30, 2025 (Q3), RMP has updated its avoided cost pricing for Qualifying Facilities (QFs) in Utah. These updates reflect changes in the Official Forward Price Curve (OFPC), corrected escalation rates, and the impact of the 2025 IRP.

### **Summary of Key Changes (Q2 vs. Q3)**

The primary causes of changes between the two quarters were updated market price forecasts and the ongoing integration of the Final 2025 IRP. In its filing dated December 30, 2025, RMP introduced the "No Displacement" scenario as a potential alternative for calculating solar and wind avoided costs. This scenario serves as a forecast for the upcoming 2025 IRP Update, scheduled for March 31, 2026.

- **Thermal QF Prices:** Showed a general **increase** across both filings. Q2 updates were driven by higher forward price curves and corrected escalation. Q3 prices continued to rise due to the September 2025 OFPC update.
- **Solar & Wind QF Prices:** These saw **declines** when transitioning to the "Final 2025 IRP" non-routine updates. This is because the new IRP identifies more cost-effective solar and wind resources that can be displaced, which lowers the cost the Company "avoids" by buying from a QF.
- **"No Displacement" Scenario:** Introduced in Q3, this scenario forecasts significantly higher avoided costs for solar and wind if those resources are no longer considered cost-effective to displace in the upcoming 2025 IRP Update (scheduled for March 2026).

### **Why "No Displacement" Was Introduced**

The primary reason for this new scenario is a significant shift in the cost-effectiveness of renewable energy.

- **Impact of Tax Credits (PTCs):** Changes in federal tax laws and tariffs have increased the cost of wind and solar resources.
- **Questionable Cost-Effectiveness:** If these resources no longer receive Production Tax Credits (PTCs), they may no longer be the "least-cost" option for customers.
- **Methodology Shift:** The standard methodology (PDDRR) is based on a QF **displacing** a planned Company resource. If the Company no longer plans to build those resources because they are no longer cost-effective, there is "no displacement".

### Avoided Cost Impact

In a "No Displacement" scenario, the QF is not credited for displacing the capital costs of a proxy plant. Instead, the avoided cost is based almost entirely on avoided fuel and market costs.

This creates a dramatic increase in the indicative pricing compared to the standard "Final 2025 IRP" update:

QF Resource (2027–2041)	Final 2025 IRP (Displacement)	Final 2025 IRP (No Displacement)	Difference
Solar QF	\$2.98 /MWh	<b>\$23.52 /MWh</b>	+\$20.54
Wind QF	\$4.73 /MWh	<b>\$29.34 /MWh</b>	+\$24.61

The "Displacement" values are low because they include "negative" costs, essentially penalizing the QF for the PTCs the Company would have received if it had built its own resource instead.

### Current Status and Implementation

- **Interim Approach:** Despite providing these "No Displacement" figures, the Company will continue to provide official avoided costs based on the **standard displacement of solar/wind resources** assumed in the 2025 IRP until the Commission directs otherwise.

- **Future Forecast:** The Company anticipates that the March 2026 IRP Update will likely confirm that solar and wind are no longer the primary deferrable resources for Utah, making the "No Displacement" figures a closer approximation of future pricing.
- **No Active QFs:** Currently, there are no Schedule 38 wind or solar QFs that have requested or received indicative prices, meaning new contracts will likely be based on the updated March 2026 assumptions.

### **Recent Commission Order in this Docket**

On January 12, 2026, the Commission published an order regarding RMP's 2025 quarterly compliance filings for avoided cost pricing under Docket No. 25-035-30. Following significant modeling changes in RMP's 2025 IRP that led to a substantial decrease in avoided cost prices, the Commission has decided to take no further action in this docket pending the conclusion of the 2025 IRP Docket. While RMP's Q1 2025 filing was previously processed as "routine," the Commission is now directing RMP to maintain its commitment not to implement the more recent changes proposed in the Q2 2025 filing. This cautious approach is intended to mitigate risks to ratepayers, as Schedule 38 contracts involve large capacities where inaccurate avoided cost rates could have significant financial consequences.

The order establishes a clear path forward synchronized with the 2025 IRP review process. Like the directives issued in the Schedule 37 Docket, RMP is required to file updated avoided cost input changes within 60 days of the Commission's order acknowledging the 2025 IRP. This ensures that while Schedule 38 developers can still access "general pricing information" from quarterly reports, the final methodology and inputs used for actual power purchase agreements will remain subject to the outcome of the broader IRP investigation. This stay prevents the potential complication of ongoing QF negotiations with pricing that may be subject to further regulatory revision.

### **Review of Exhibits filed by Rocky Mountain Power**

As shown in Exhibit 1 MWh Comparison, the cumulative routine compliance changes made by RMP from its 2025.Q2 to its 2025.Q3 filing **increased avoided cost** pricing for thermal resources by \$0.61 per MWh or 1.89%, **increased** tracking solar resource pricing by \$0.20 per MWh or 0.77%, and **decreased** wind resource pricing by \$0.07 per MWh or -0.39%.

RMP's Appendices D.1 through D.3 illustrate pricing comparisons of thermal, tracking solar, and wind resources between 2025.Q1 and 2025.Q2 using two different assumptions.<sup>6</sup> RMP compares pricing differences between 2025.Q1 (2025 IRP Utah Preferred Portfolio) and 2025.Q2 (Non-Routine 2025 IRP Preferred Portfolio) and 2025.Q2 (Routine Update (OFPC June 2025) – using 2025 IRP Utah Preferred Portfolio). Columns L, M, and N, in Appendix D, illustrate the differences between the 2025.Q2 (Non-Routine 2025 IRP Preferred Portfolio) and 2025.Q2 (Routine Update (OFPC June 2025) – using 2025 IRP Utah Preferred Portfolio) for thermal, tracking solar, and wind, while Columns O, P, and Q illustrate the difference between 2025.Q1 (2025 IRP Utah Preferred Portfolio) and 2025.Q2 (Non-Routine 2025 IRP Preferred Portfolio) and 2025.Q2 (Non-Routine 2025 IRP Preferred Portfolio). The Division understands the difference between Appendix B and D is the result of the escalation factor corrections. While the Division finds Appendix D helpful in understanding the different IRP assumptions, it still does not explain the pricing changes between 2024.Q4 and 2025.Q1, which the Division suspects is a result of IRP inputs.

Appendices C.1 through C.3 illustrate the Indicative QF Avoided cost for thermal, tracking solar, and wind, respectively, for years 2025-2039, 2026-2040, and 2027-2041.<sup>7</sup> RMP included Indicative Avoided Cost for thermal only in its 2024.Q4 and 2025.Q1 filings. Therefore, the Division has not made any comparisons for indicative pricing.

RMP should continue to include Appendix B.1 through B.3, C.1 through C.3, and D.1 through D.3 in future filings as they are helpful to better understand the year-over-year and quarter-to-quarter price changes.

The Division maintains its position that RMP has complied with the approved avoided cost modeling and methodology found in the Commission's Orders in Docket Nos. 03-035-14 and 14-035-140. As ordered by the Commission on January 12, 2026, the Division supports the Commission leaving the avoided cost pricing at the last approved levels while the parties gain a better understanding of the 2025 IRP inputs used to inform the PLEXOS

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<sup>6</sup> *Rocky Mountain Power's 2025 Avoided Cost Input Changes Quarterly Compliance Filing*, Docket No. 25-035-30, December 30, 2025, RMP Attach. 7 through 9, <https://psc.utah.gov/2025/05/07/docket-no-25-035-30/>.

<sup>7</sup> *Id.*, RMP Attach. 4 through 6.

model and direct RMP to refile its avoided cost quarterly updates once the process is complete. The Division reserves its right to change its position as the proceedings as this docket progresses.

## **Conclusion**

The Division has reviewed RMP's Q3 filing and concludes that RMP's avoided cost prices are calculated according to the Commission's approved methods. However, the Division recommends the Commission take no action on RMP's Q3 filing pending its findings in the 2025.Q1 proceedings under review.

cc: Jana Saba, RMP  
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