ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

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May 15, 2025

VIA ELECTRONIC FILING

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: Docket No. 25-035-T03, Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities

In accordance with the Notice of Filing and Comment Period issued by the Public Service Commission of Utah ("Commission") on April 29, 2025, PacifiCorp d/b/a Rocky Mountain Power ("Rocky Mountain Power" or "RMP") responds to comments submitted by the Division of Public Utilities ("DPU"), Salt Lake City Corporation Department of Sustainability ("SLC Corp"), Western Resource Advocates ("WRA") and Sierra Club regarding Rocky Mountain Power's proposed updates to Electric Service Schedule No. 37 ("Schedule 37").

The DPU reviewed RMP's filing and reported that it did not identify significant issues with the proposed revisions and calculations, concluding the filing complies with Commission orders and the approved avoided cost methodology, and should be approved by the Commission. SLC Corp filed comments objecting to the lower avoided cost prices, and requested additional process to potentially consider a different avoided cost methodology. WRA and Sierra Club filed comments expressing similar concerns, recommending the Commission suspend the tariff to allow for additional time for further evaluation of the changes.

As discussed below, Rocky Mountain Power represents that its Schedule 37 tariff revisions are consistent with PURPA and Commission guidance, and provides a preliminary response to party comments that explains some of the primary decreases to avoided cost prices in the current filing. While RMP does not necessarily agree with the statements made by the parties, RMP supports their request to suspend the tariff and allow for any additional review or process that the Commission determines is appropriate.

I. Response Comments

RMP submitted its annual tariff revisions to Schedule 37 in compliance with the Commission's January 23, 2018 Order in Docket No. 17-035-T07 and 17-035-37. RMP's avoided cost rates for Schedule 37 comply with the order in that it: (a) reflects the Proxy/PDDRR methodology applicable under Schedule 38; and (b) only includes signed qualifying facility ("QF") contracts in the QF queue.

Specifically, RMP identifies avoided cost updates that impact the Proxy/PDDRR methodology under Schedule 38 on a quarterly basis, and these updates are included in Rocky Mountain Power's annual Schedule 37 update. The currently effective Schedule 37 prices were filed in May 2024, and since that time four quarterly avoided cost input updates have occurred (three in Docket No. 24-035-35, and one in Docket No. 25-035-30). In each quarterly update, RMP identified whether updates were routine or non-routine, in accordance with the Commission order dated June 9, 2015, in Docket 14-035-140.

Each of these four quarterly updates since the filing of the current Schedule 37 pricing were routine, and are mostly comprised of expected changes from: (a) updated forward price curves; (b) the current queue of signed and potential QF contracts; and (c) the incorporation of assumptions from Rocky Mountain Power's Utah 2025 Integrated Resource Plan ("IRP") preferred portfolio.

However, Rocky Mountain Power filed a non-routine update to its *prior* Schedule 37 in March of last year.[1] In that update, RMP transitioned the calculation of avoided costs from its internally developed Generation and Regulation Initiative Decision Tool ("GRID") model, to Energy Exemplar's PLEXOS model, which Rocky Mountain Power also uses to produce its IRP. But, because last year's Schedule 37 filing incorporated inputs from an IRP Update rather than a full IRP, a more limited set of changes were required. Because PLEXOS is used for both, assumptions underlying the IRP can be incorporated directly, and without modification, in the Proxy/PDDRR methodology as part of annual Schedule 37 updates. This means that Rocky Mountain Power's current avoided cost update is the first time that a complete update of IRP assumptions from the PLEXOS model is being used to calculate proposed Schedule 37 rates.

To facilitate the Commission's review of this filing, a description of the major drivers that contribute to the decrease in Rocky Mountain Power's avoided costs in the current Schedule 37 filing is provided below, including updated assumptions from the 2025 IRP, and updated market prices.

A. 2025 IRP Assumptions

Rocky Mountain Power represents there were at least five primary assumptions from the 2025 IRP that impact RMP's current Schedule 37 proposed rates:

- ***The adoption of proxy resources costs based on the National Renewable Energy Laboratory's (NREL) Annual Technology Baseline (ATB).*** The current Schedule 37 pricing reflects assumptions from PacifiCorp's 2023 IRP Update, which continued to use proxy resource costs from the 2023 IRP. When proxy resource costs were developed for the 2023 IRP in the summer of 2022, PacifiCorp was concerned that supply chain issues and inflation would result in higher costs in the near term. As a result, resource costs in the 2023 IRP were held constant through 2028 based on recent offers from competitive resource procurement efforts that PacifiCorp had received before trending back toward long-term resource cost

[1] *In re Rocky Mountain Power's 2023.QF Avoided Cost Input Changes,* Docket No. 25-035-28, Quarterly Compliance Filing (Mar. 26, 2024).

projections in 2029-2032.[2] These resource cost assumptions were higher than cost assumptions from then-current NREL ATB costs, which only included historical renewable resource cost information through 2020. As a result, the NREL ATB costs did not incorporate any of the cost impacts caused by, among other things, the COVID-19 pandemic, federal and state supply chain policies, or rates of inflation that had not been experienced for several decades.

However in the 2025 IRP, Rocky Mountain Power used most recent NREL ATB information for both costs and cost de-escalation. As a result, resource costs are well below those assumed in the 2023 IRP.[3] In addition to cost updates, the 2025 IRP uses wind and solar generation profiles that are based on historical weather conditions on the same historical day underlying the load forecast. This captures the relationship between load, wind, and solar that happened in recent history.

- ***Reduced load forecast as a result of the removal of new large load customers.*** Under the Commission's approved methodology, avoided costs are based on the last megawatt-hours of resources used to balance customer load in each hour. When load is lower, expensive resources are called upon less often, and the addition of a QF results in lower avoided costs. In the Utah 2025 IRP, the peak load forecast was 0.6 percent lower than the 2023 IRP, in part as a result of the removal of a portion of the new large load customer demand. Note that the load forecast was reduced even further in the development the final preferred portfolio, presented in Chapter 9 of the 2025 IRP, with a forecasted coincident system peak that is 5.3 percent lower than the 2023 IRP. This additional reduction in load would tend to reduce avoided costs further, though the accompanying resource portfolio changes could offset much of the impact.

- ***Removal of medium greenhouse gas costs as a driver for portfolio selection.*** In the 2023 IRP Update, the resource selections allocated to Utah in the preferred portfolio were optimized based on system dispatch that included a medium greenhouse gas cost to reflect potential future federal policy requirements. This incents the model to select non-emitting resources, as the savings from avoiding thermal generation includes more than just the forecasted fuel and variable operations and maintenance costs. While the avoided cost calculation uses PacifiCorp's Official Forward Price Curve ("OFPC") which reflects existing requirements, rather than potential requirements, so it does not have greenhouse gas costs. In the 2025 IRP, the likely potential federal requirements for existing thermal resources would entail operational changes (fuel switching, carbon capture and sequestration, or retirement) but not a greenhouse gas cost or dispatch requirement. While the 2025 IRP identified the operational changes for each coal-fired resources if greenhouse gas requirements become necessary, the 2025 IRP preferred portfolio did not include those changes.

[2] *In re PacifiCorp's 2023 IRP,* Figures 7.3 and 7.4 (available at: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2023-irp/2023_IRP_Volume_I_Final_5-31-23.pdf).
[3] *In re PacifiCorp's 2025 IRP,* Figures 7.1 and 7.2 (available at: https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2025-irp/2025_IRP_Vol_1_Utah.pdf).

- ***Removal of end-of-life retirement dates for existing thermal resources.*** New to the 2025 IRP, units that do not have an enforceable environmental compliance requirement had the option to continue coal-fired operation through the end of the study horizon. As a result, nearly all of these resources were selected to continue to operate through 2045 in the 2025 IRP preferred portfolio. These resources provide relatively low cost energy and avoid the need for relatively expensive replacement capacity resources. In particular, natural gas conversion of Dave Johnston units 1 and 2 in 2029 offsets roughly half of the 395 MW of new natural gas fired generation included in the 2023 IRP Update preferred portfolio in 2029.

- ***State-specific compliance resource additions.*** The Utah 2025 IRP preferred portfolio includes resources for Oregon and Washington compliance on the east side of PacifiCorp's system, including small-scale wind in Wyoming starting in 2029 and solar in Utah in 2036. These resources are not eligible for deferral, but do result in increased energy supply on the east, which would tend to reduce avoided costs. The final 2025 IRP preferred portfolio restricted Oregon and Washington compliance selections to the west side of the system due to concerns about deliverability.

B. Updated Market Prices

Rocky Mountain Power represents there were at least two types of updates to market prices:

- ***OFPC updates.*** The current Schedule 37 pricing reflects PacifiCorp's March 2024 OFPC, while the proposed update reflects the March 2025 OFPC. The OFPC has resulted in lower avoided costs in each of the intervening quarterly compliance filings in Docket No. 24-035-35, and a slight increase in the most recent quarterly compliance filing in Docket No. 25-035-30. For example, the levelized OFPC impact on thermal QF pricing for a 2026-2040 contract term was as follows:
    - 2024.Q2 Filing[4]: June 2024 OFPC, -$0.15/MWh
    - 2024.Q3 Filing[5]: September 2024 OFPC, -$1.61/MWh
    - 2024.Q4 Filing[6]: December 2024 OFPC, -$0.85/MWh
    - 2025.Q1 Filing[7]: March 2025 OFPC, +$0.35/MWh

- ***Other market-related input changes.***
    - The market prices in the 2025 IRP are an average of the monthly values from the forward price curve, but include daily scaling based on the same historical day underlying the load forecast that was also used for wind and solar generation profiles, relative to the historical monthly average. The resulting market prices tend to be higher when load is high, and lower when renewable energy supplies are high. Because

[4] *In re Rocky Mountain Power's 2024.Q2 Filing* (available here https://pscdocs.utah.gov/electric/25docs/2503530/339680RMP2025Q1AvdCstInptChngs5-7-2025.pdf).
[5] *In re Rocky Mountain Power's 2024.Q3 Filing* (available here: https://pscdocs.utah.gov/electric/24docs/2403535/337267RMP2024Q3AvdCstInptChngs12-23-2024.pdf).
[6] *In re Rocky Mountain Power's 2024.Q4 Filing* (available here: https://pscdocs.utah.gov/electric/24docs/2403535/338849RMP2024Q4AvdCstInptChngs3-18-2025.pdf).
[7] *In re Rocky Mountain Power's 2025.Q1 Filing* (available here: https://pscdocs.utah.gov/electric/25docs/2503530/339680RMP2025Q1AvdCstInptChngs5-7-2025.pdf).

- markets are impacted by supply and demand across the west, the results are volatile and not strictly tied to PacifiCorp's load and renewable energy supply. This change may result in lower avoided costs to the extent QF output is positively correlated with other resources in PacifiCorp's portfolio and negatively correlated with market prices.

- Limits on market volumes are also applied in different ways. The 2023 IRP included a Front Office Transaction limit of 500 megawatts in all hours during the summer starting in 2028. The 2025 IRP incorporates the Western Resource Adequacy Program (WRAP), and market transactions that are not based on a specified source do not provide qualifying capacity for WRAP compliance. At the same time, PacifiCorp recognizes that increasing coordination of spot market transactions through EIM, EDAM, and WRAP is likely to provide significant economic benefits. To balance the limitations of market transactions for capacity and reliability requirements, and the benefits of market transactions for regional dispatch, the 2025 IRP does not allow market purchases in certain key periods, but otherwise allows market purchases up to transmission limits. During the summer WRAP season (June through September), market purchases are not allowed from 4:00 p.m. to 12:00 a.m. on PacifiCorp's top five load days in each month. Similarly, in the winter WRAP season (November through March), market purchases are not allowed from 4:00 a.m. to 8:00 a.m. as well as 4:00 p.m. to 12:00 a.m., again on PacifiCorp's top five load days in each month. Relative to the 2023 IRP, this results in greater access to lower cost market options in most summer hours, which can reduce avoided costs.

Together, these updated cost assumptions contribute to the optimized selection of the resources in the Utah 2025 IRP preferred portfolio, which is a major component of the Proxy/PDDRR methodology, and as a result led to the decrease in Rocky Mountain Power's avoided costs in the current Schedule 37 filing.

While PacifiCorp beliefs these IRP assumptions and market price updates are reasonable and consistent with prior Commission decisions, PacifiCorp recognizes that the description of these inputs in either the IRP or quarterly updates may not address party concerns about how they impact avoided costs. As a result, PacifiCorp is not opposed to additional review of the proposed Schedule 37 avoided cost pricing to address any concerns that parties have.

II. Conclusion

In light of the significant changes reflected in the update to the 2025 IRP, Rocky Mountain Power is not opposed to suspension of the tariff for additional review of the proposed Schedule 37 avoided cost pricing.

Sincerely,

Jana Saba

Jana Saba
Director, Regulatory Affairs

CERTIFICATE OF SERVICE

Docket No. 25-035-T03

I hereby certify that on May 15, 2025, a true and correct copy of the foregoing was served by electronic mail to the following:

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