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DEPARTMENT OF SUSTAINABILITY

Comments

To: Public Service Commission of Utah
From: Salt Lake City Corporation
Christopher Thomas, Sr. Energy and Climate Program Manager
Date: July 18, 2025
Re: Docket No. 25-035-T03: Avoided Cost Update

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. In addition, SLC Corp is a Schedule 34 customer and, pursuant to Schedule 34, is compensated at the Company's then-current Schedule 37 avoided costs for output from its clean energy resources that exceed SLC Corp's usage on an annual basis. As a result of the foregoing, SLC Corp's interests are substantially affected by the Company's proposed update to its Schedule 37 avoided cost prices in this docket. SLC Corp appreciates the opportunity to provide these comments on the update to Schedule 37 avoided cost prices.

On April 23, 2025, the Company proposed dramatically reducing avoided cost prices for various energy sources under its Schedule 37 tariff:

Technology	**Current ($/MWh)***	**Proposed ($/MWh)***	**Difference (%)**
Base load	55.03	31.10	-43%
Wind	27.55	19.54	-29%
Solar Fixed	47.52	18.87	-60%
Solar Tracking	41.78	24.06	-42%

***Dollar values shown are from RMP Workpapers, 25-035-T03 RMP Appendix 1 - AC Study Summary 04-30-25, Table 4 Comparison, *15 Year (2027 to 2041) Levelized Prices (Nominal) @ 6.38% Discount Rate*

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On May 7, 2025, SLC Corp filed comments requesting "[t]hat the Commission open an investigation into the dramatic avoided cost price reductions filed by Company … and … that the components of this reduction be explained."

On May 8, 2025, Western Resource Advocates (WRA) submitted comments requesting that the "Commission suspend the effect of the proposed Schedule 37 tariff to provide WRA and any other interested stakeholders the opportunity to evaluate the analysis underlying the significantly changed pricing."

On May 21, 2025 the Commission issued an order suspending updates to Schedule 37 and on June 9, issued a scheduling order creating further process in this docket.

On June 19, Rocky Mountain Power held a virtual technical conference where it partially answered questions submitted by SLC Corp, WRA, Sierra Club, and Utah Clean Energy.

Discussion

1. *The Company's use of "Utah IRP" portfolio results that are outdated is non-routine and should be rejected*

New for the 2025 Integrated Resource Plan ("IRP"), the Company developed a version of the IRP specifically for Utah regulators set forth in Chapters 11-13 of the 2025 IRP filing (herein referred to as the "Utah IRP"), which responds to direction set forth in a procedural order from the Commission regarding the submission of a draft IRP and subsequent updates thereto.[1] This Utah IRP was largely based on the draft IRP that PacifiCorp filed on December 31, 2024—a filing required by new procedural rules imposed by the Washington Utilities Commission—and is different from the full IRP version submitted in March of 2025 that was intended to address all

[1] *See* 2025 IRP (Vol. I) at p. 319.

system planning requirements without the limitations imposed by this Commission's procedural order (herein referred to as the "Final IRP").

The Company's avoided cost calculations in this docket are based on a portfolio produced in the Utah IRP, specifically the one represented in Table 12.4 on page 343 of the 2025 IRP Filing.[2] One major difference between the Utah IRP and the Final IRP is that the Utah IRP preferred portfolio shows acquisition of the Natrium resource in 2030,[3] whereas the Final IRP preferred portfolio states that the Natrium resource cannot be selected until 2032.[4] The Company has made clear that the Final IRP is based on more updated information.[5] Because the Utah IRP contains outdated information—like the assumption that the Natrium resource can achieve commercial operation in 2030—use of the Utah IRP preferred portfolio results should be rejected for the purpose of calculating avoided costs.

2. *"Final IRP" portfolio results show that solar is cost-effective for Utah customers in 2028 and wind is cost-effective for Utah customers in 2029*

The Final IRP contains only one portfolio that shows the cost-effective resource acquisition strategy for the Company's Utah customers that is free from the influence of Oregon and Washington policies, and that one is the UIWC Full Jurisdictional Portfolio depicted in Table 9.7 of the 2025 IRP filing[6] and reproduced below (with the earliest solar and wind resource additions highlighted):

[2] *See* Apr. 23, 2025 Tariff filing, Appendix 1, Table 1.
[3] *See* 2025 IRP (Vol. I), Table 12.10 (p. 360).
[4] *See* 2025 IRP (Vol. I), Table 9.10 (p. 243).
[5] *See* 2025 IRP (Vol. 1), p. 319 ("If the Public Service Commission of Utah wishes to consider updated data and analysis, Chapters 1, 9 and 10 represent the most recent available results corresponding to these three Utah-specific Chapters 11 through 13.").
[6] *See* 2025 IRP (Vol. I), Table 9.7 (p. 225).

Table 9.7 – Utah, Idaho, Wyoming, California (UIWC) Full Jurisdictional Portfolio

Summary Portfolio Capacity by Resource Type and Year, Installed MW													
	Installed Capacity, MW												
Resource	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Expansion Options													
Gas - CCCT	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas - Peaking	-	-	-	-	-	-	-	-	-	-	-	-	-
Nuclear	-	-	-	-	-	-	-	500	-	-	-	-	-
Renewable Peaking	-	-	-	-	-	-	-	-	-	-	-	-	-
DSM - Energy Efficiency	92	89	164	170	182	196	270	236	247	251	261	286	312
DSM - Demand Response	18	2	-	2	7	112	99	-	-	-	5	39	115
Renewable - Wind	-	-	-	-	306	684	344	-	-	-	-	-	-
Renewable - Small Scale Wind	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewable - Utility Solar	-	-	-	153	12	79	668	-	31	123	133	3	-
Renewable - Small Scale Solar	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewable - Geothermal	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewable - Battery, < 8 hour	-	-	-	193	71	224	-	-	-	-	85	171	4
Renewable - Battery, 8-23 hour	-	-	-	-	-	-	-	-	-	-	-	-	-
Renewable - Battery, 24+ hour	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Renewable	-	-	-	-	-	-	-	-	-	-	-	-	-
Storage - Other	-	-	-	-	-	-	-	-	-	-	-	-	-

About the full jurisdictional portfolios, the Company writes: "Each jurisdiction's resource selections begin with a view of the entire system as optimized under that jurisdiction's particular constraints. These idealized views of the system allow each jurisdiction's preferred resource selections to be identified. These portfolios are referred to as the 'full jurisdictional portfolios' and show the selections prior to integration."[7] Therefore, from the perspective of Utah's jurisdictional constraints, 153 MW of solar are selected as cost-effective in 2028 and 306 MW of wind are selected as cost-effective in 2029.

3. *The Company's use of "jurisdictional share portfolios" is non-routine and should be rejected*

New for the 2025 IRP, the Company assigns shares of integrated system-wide preferred portfolio resources to individual jurisdictions to meet jurisdictional requirements. In other words, the Company uses the jurisdictional share process to "assign" resources that would be cost-effective for Utah customers to Oregon and Washington to satisfy those states' RPS requirements.

[7] 2025 IRP (Vol. I), page 222.

For example, although the UIWC full jurisdictional portfolio selects 153 MW of solar as being cost-effective for Utah customers in 2028, the Company's jurisdictional assignments fully allocate these 153 solar MW to Oregon and Washington, as illustrated in the following excerpt from Table 9.11 from the Final IRP:[8]

Resource	2025	2026	2027	2028
Renewable - Utility Solar	-	-	-	**222**
OR	-	-	-	167
WA	-	-	-	56
UIWC	-	-	-	-

To put it another way, every full jurisdictional portfolio showed cost-effective solar additions in 2028 (153 MW for Utah, Idaho, Wyoming, and California, 201 MW for Washington, and 122 MW for Oregon), but apparently because Oregon and Washington have created Renewable Portfolio Standards (RPS) requirements and have imposed on utilities the obligation to demonstrate compliance with those standards, the "integrated" Final IRP preferred portfolio allocates to Oregon and Washington certain resources that would otherwise be allocated to all jurisdictions, including Utah.

This "jurisdictional share" portfolio approach prejudices the Company's Utah customers because it deprives Utah customers of the opportunity to acquire cost-effective resources. This is because, also new in the 2025 IRP, the Company has decided that instead of hosting a system-wide all-source Request for Proposals (RFP) as it has previously done, it will "initiate with individual jurisdictions the process to issue as appropriate by individual jurisdiction need, one or more independent Request for Proposals (RFP) to procure resources aligned with the

[8] 2025 IRP (Vol. I), Table 9.11 (p. 244).

2025 IRP preferred portfolio that can achieve commercial operations by the end of December 2029."[9]

As evidence of this new jurisdictional approach, the Company filed on August 16, 2025 an application with the Oregon Public Service Commission to host an RFP "to procure resources for its Oregon customers that are aligned with the 2025 IRP preferred portfolio and that can achieve commercial operations by the end of December 2029."[10]

However, the Company has not initiated a resource solicitation with the Utah Public Service Commission for new resources that will serve the Company's Utah customers. If Oregon and Washington decline to add new solar resources in 2028 or new wind resources in 2029, the Company will not have acquired least-cost (adjusted for risk) resources for its Utah customers.

4. *Solar and wind proxy resources should be deferred in 2029*

Given that the Company has not yet filed a resource solicitation request with this Commission, the soonest the Company could reasonably acquire new solar and wind resources is 2029.

Using the Company's 2022 All-Source Request for Proposals as an example, the Company noticed this Commission in August of 2021 and did not receive approval to release the solicitation to market until April of 2022 – an eight-month process. Then, once the Company released the RFP to market, it planned to execute contracts in November of 2023 – another 19 months.

[9] 2025 IRP (Vol. I), p. 15
[10] PacifiCorp 2025 OR Situs RFP from Oregon Application, on numbered page 6 of the RFP

So even if the Company were to give notice to the Commission on August 1, 2025 about its intent to solicit resources for Utah customers, it is unlikely that it could sign contracts for such resources until October 2027. Allowing for two years for construction of a resource, such a resource would reach commercial operation toward the end of 2029.

So although the Final IRP UIWC full jurisdictional portfolio shows cost effective solar acquisition in 2028, for the purpose of determining avoided cost pricing, the Company should model a deferred solar resource in 2029 since that is the soonest the Company could reasonably acquire such a resource.

5. *The Company's avoided cost calculations for solar and wind resources should be updated to account for recent legislation*

Because of recently enacted Federal budget and tax legislation, and based on current IRS guidance, wind and solar power plants that begin construction after July 4, 2026 must achieve commercial operation by the end of 2027 to receive Production Tax Credits (PTCs). Again, based on current IRS guidance, wind and solar power plants that begin construction by July 4, 2026 are eligible to receive PTCs if they reach commercial operation before the end of 2029. The Company's avoided cost calculations for wind and solar resources should account for these changes in tax law, which may significantly impact the assumed costs of a displaced resource that reaches commercial operation after 2027.

6. *The Company's estimated fixed capital costs for solar and wind are unreasonably low*

In its May 15, 2024 update to fixed solar avoided cost pricing, the Company assumes an estimated capital cost of $2,061 per kW for a solar project that reaches commercial operation in 2027. But in its April 23, 2025 filing, the Company's estimated fixed solar costs are significantly lower at $1,188 per kW for a project reaching commercial operation in 2027:

24-035-T04 Fixed Solar

Year	Estimated Capital Cost $/kW (a)	Fixed Capital Cost at Real Levelized Rate $/kW-yr (b)	Fixed O&M $/kW-yr (c)
PV .PX.COR.S.TC8.PV.2027 - 29% Capacity Facto			
2022			
2023			
2024			
2025			
2026			
2027	$2,061	$148.58	$ 23.68

25-035-T03 Fixed Solar

Year	Estimated Capital Cost $/kW (a)	Fixed Capital Cost at Real Levelized Rate $/kW-yr (b)
PV .PX.WMV. .PTC.Utility Scale - 24% Capac		
2024	$1,290	
2025	$1,290	
2026	$1,224	
2027	$1,188	
2028	$1,150	
2029	$1,110	
2030	$1,068	
2031	$1,023	
2032	$1,029	$70.57

Assumed capital cost in same year (2027) goes from $2,061 per kW to $1,188 per kW (42% reduction)

In other words, between May of 2024 and April of 2025, PacifiCorp's estimate of how much it would cost to build a solar farm reaching commercial operation in 2027 *declined by 42%.*

Is such a decline reasonable? During this time period, there were no Federal or Utah State policies that could reasonably result in such dramatically lower solar construction costs. In fact, during this time, there were significant Federal and State developments that would reasonably lead one to expect higher construction prices.

On February 3, 2025, the United States imposed tariffs on Canada, China, and Mexico. On February 11, steel and aluminum tariffs were adjusted and US Customs was directed to increase enforcement. On March 3, 2025 Section 232 tariffs on steel impots and aluminum imports were adjusted. On March 11, 2025 the US Commerce Department launched an investigation

into imports of copper. (Tariff dates reference: Trump 2.0 tariff tracker | Trade Compliance Resource Hub)

In its 2025 General Session, the Utah Legislature adopted House Bill 378, which imposed a new tax on wind and solar generation facilities . It also adopted House Bill 264, which limited the eligibility for claiming the corporate or individual income tax credit for clean energy systems to those systems placed in service before January 1, 2028.

Collectively, these Federal and State policy developments do not support a dramatically lower construction cost for solar power plants; if anything, they suggest that construction costs for solar would at best stay flat and at worst increase.

These unreasonably low capital cost estimates appear to arise from the Company's reliance on the 2024 edition of the National Renewable Energy Laboratory's Annual Technology Baseline (2024 NREL ATB) for solar, wind, and battery costs. Even Company witness Dan MacNeil does not appear to believe these NREL-derived costs are reasonable. When presenting on the expected capital costs of wind and solar resources in an IRP public input meeting, regarding the very same cost expectations that support the Company's avoided cost adjustments proposed in this docket, Mr. MacNeil stated as follows: "And I guess, I will say, I don't know that we could deliver on these costs. What's shown on this slide [slide 71] is the expected case. I don't know that we could even deliver on this, you know these are very low, lower than we have seen for batteries and solar and wind in recent inquiries we've had. But this is what NREL says."[11]

Mr. MacNeil went on to explain that the Company's previous practice was to use recent offers as the basis for projecting solar, wind, and battery costs, and that the capital cost assumption

[11] See Dan MacNeil discussion of slide 78 from PacifiCorp's September 25, 2025 2025 Public Integrated Resource Plan (IRP) meeting: 2025 IRP Public Input Meeting 7 - September 25, Part 2 - YouTube beginning at 2:55:45.

would be held flat for five years: "We did in the 23 IRP, we included an expectation that the bids we had been receiving were similar to what the actual market price ought to be or the expected cost was for wind and solar and storage and so there was a, through 2028, a flat number that represented those recent bids we had received. That was a pretty good estimate in my opinion but I know there was a lot of concerns about that and so to forestall any sort of like, question that we picked the number, we are using the NREL numbers, you know, with some adjustments to account for, you know, the financing, and utility rate-making kind of aspects but those are just, you know, little adders, um, around the outside. It's a very different number than we've had in the past as you can see on this figure."[12]

The Company understood its application of 2024 NREL ATB capital cost assumptions in the 2025 IRP resulted in anomalously low estimates and acknowledged that it could not "deliver" on these "very low" costs. State and Federal policy developments during this timeframe argued against assuming near-term cost declines.

7. <u>The Company's use of NREL ATB cost estimates should use 2024 costs as a starting point and assume no cost declines for five years</u>

In response to a data request seeking clarification about the capital costs that support the avoided cost calculations in this docket, the Company asserts that "The calculations started with the ATB Overnight Capital Cost (OCC) estimate and added confidential factors specific to the Company for allowance for funds used during construction (AFUDC), capital surcharge, and property taxes in place of the ATB CFF. Location specific GCC, a locational modifier, and escalation for a 2032 commercial operation date (COD) were added in PLEXOS."[13]

[12] Ibid at 2:56:19.
[13] *See* SLC Corp Ex. 1 (RMP Responses to Data Requests).

However, the "escalation" assumed by PacifiCorp between 2025 and 2032 results in a 20% reduced estimated capital cost over that timeframe. As discussed earlier, the Company previously used estimated costs that remained flat for the first five years. Since the Company has chosen to use NREL ATB overnight capital costs as its starting point for solar and wind costs in the IRP, it should start with the 2024 overnight capital cost values for solar and wind in the ATB and hold these constant through 2029.

The overnight capital cost for solar resources in 2024 is reported as $1,379 per kW for Utility PV Classes 1 – 10 in the moderate case and the overnight capital cost for wind resources of classes 2 – 6 is $1,481 per kW[14]. These should be held constant through 2029 for calculating solar and wind avoided cost prices.

8. *Natrium was modeled as a zero-cost resource in both the Utah IRP and the Final IRP and should have been excluded from the avoided cost calculation*

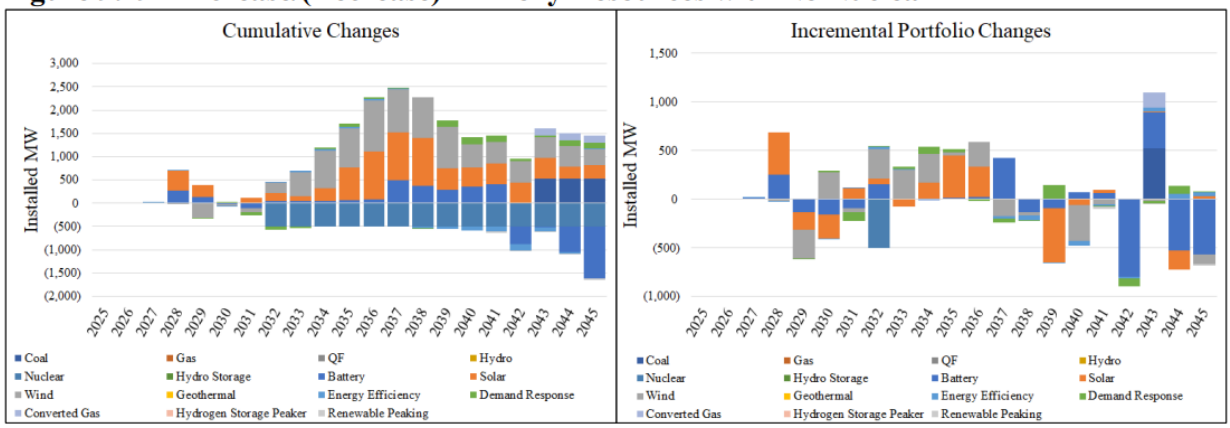
If the Company re-runs its 2025 IRP with different and more reasonable resource costs for solar and wind, then it should produce a UIWC full jurisdictional portfolio without the Natrium resource in 2032.

Utah PSC guidelines for the IRP require that supply-side and demand-side options be evaluated "on a consistent and comparable basis."[15] However, the Company's modeling for the 2025 IRP assumes that Natrium is a no-cost resource[16]; therefore, it is not evaluated on a "consistent and comparable basis" with other supply-side and demand-side options.

[14] Please see the 2024 NREL ATB Excel Workbook, tab *Solar – Utility PV* cell O228 and tab *Land-Based Wind* cell O220.
[15] See Commission order in docket 90-2035-01 on page 37.
[16] Please see 2025 Utah IRP, page 264, which says "When the Natrium™ demonstration project is removed from the portfolio, the resulting portfolio has a $1.794 billion increase in costs compared to the preferred portfolio. **Given that no costs associated with the Natrium™ demonstration project are included in modeling**, the increase in costs reflects the loss of all energy and PTC benefits associated with the project.

Modeling a 500 MW high capacity factor resource as if it provides energy at no cost may have a distorting effect on portfolio selection such that Natrium's inclusion may result in smaller selections of other resources before and after 2032. This looks to be the case in the Company's Final IRP – No Nuclear variant:[17]

Figure 9.19 - Increase/(Decrease) in Proxy Resources with No Nuclear



9. *All Utah solar farms currently delivering electricity to Rocky Mountain Power's system are customer choice projects and QFs*

There are currently 1,872 MW of Utah solar currently serving the Rocky Mountain Power system. All 1,872 are either customer choice Power Purchase Agreements or QFs. Unfairly reducing the avoided cost price will effectively chill further solar development at a time when Rocky Mountain Power's investors are not investing in new generation and the state's economy desperately needs new sources of energy.

Recommendations

Because of the unprecedented changes to the Company's 2025 IRP, SLC Corp makes the following recommendations:

- The Company's avoided cost methodology should assume that solar and wind QFs displace preferred portfolio resources in 2029, consistent with the Final IRP UIWC Full

[17] 2025 IRP (Vol. I), p. 264.

Jurisdictional portfolio, modified to push the 153 MW of solar selection from 2028 to 2029 to reflect that the Company is unlikely to cost-competitively acquire solar and wind resources that can achieve commercial operation before 2029

- Consistent with its past practice and inflationary pressures, the Company should assume no cost declines for wind and solar between 2024 and 2029
- The Company should use as its starting point the NREL ATB's 2024 overnight capital costs:
    - Solar at $1,379 per kW
    - Wind at $1,481 per kW
- If the Company re-runs the IRP portfolio selection process to reflect these or other updated resource costs but continues to model Natrium as a no-cost resource, that the preferred portfolio selected using a "No Natrium" assumption be used for the purpose of calculating avoided cost prices

At a time of unprecedented electrical demand growth, artificially low avoided cost prices could jeopardize the State of Utah's economic growth opportunities for the foreseeable future.

DATED July 18, 2025

Respectfully submitted,

/s/ Christopher Thomas

Christopher Thomas

Sr. Energy and Climate Program Manager

CERTIFICATE OF SERVICE
Docket No. 25-035-T03

I hereby certify that a true and correct copy of the foregoing was served by email this 18th day of July 2025, on the following:

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SLC Corp Exhibit 1

RMP Response to
SLC Corp Data Request 2.4

SLC Data Request 2.4

Relationship between NREL's 2024 ATB solar capex numbers become inputs and the Company's proposed updates to Schedule 37 avoided costs. The Company's application in this docket says that the avoided cost price for tracking and fixed-tilt solar reflect the "avoided fixed costs of 2032 Willamette Valley, Oregon proxy solar resource." Please explain in a stepwise fashion with intermediate calculations how the Company processed NREL's 2024 ATB capex cost forecasts for commercial operation dates shown below in *Figure A* to result in the Estimated Capital Cost ($/kW) shown in Table 3 of Company's workpaper in *Figure B*, such that the avoided cost calculation uses a Willamette Valley, Oregon solar resource online in 2032 with an estimated capital cost of $1,029 per kW and a Fixed Capital Cost at Real Levelized Rate of $70.57 per kW-yr (highlighted).

Figure A

CostCase	DisplayName	2024	2025	2026	2027	2028	2029	2030	2031	2032
Moderate	Utility PV - Class 5	1551.27	1491.64	1432.01	1372.38	1312.74	1253.11	1193.48	1133.85	1074.22

Figure B

Year	Estimated Capital Cost	Fixed Capital Cost at Real Levelized Rate
	$/kW	$/kW-yr
	(a)	(b)
PV_.PX.WMV._.PTC.Utility_Scale - 24% Capacity		
2024	$1,290	
2025	$1,290	
2026	$1,224	
2027	$1,188	
2028	$1,150	
2029	$1,110	
2030	$1,068	
2031	$1,023	
2032	$1,029	$70.57

Response to SLC Data Request 2.4

Figure A, above, represents the National Renewable Energy Laboratory's (NREL) Annual Technology Baseline (ATB) capital expenditure (CAPEX) estimates which include the ATB Construction Finance Factor (CFF) and the ATB Grid Connection Costs (GCC) estimates, both of which are generic and not specific to PacifiCorp. The Company's calculations did not start with the ATB CAPEX estimate. The calculations started with the ATB Overnight Capital Cost (OCC) estimate and added confidential factors specific to the Company for allowance for funds used during construction (AFUDC), capital surcharge, and property taxes in place of the ATB CFF. Location specific GCC, a locational modifier, and escalation for a 2032 commercial operation date (COD) were added in PLEXOS.

The supply-side table assumes the first year a new project could be purchased, after an All-Source Request for Proposals (AS RFP), or similar purchasing process, would be 2026 and that the COD would be two years later in 2028. The first of year of the three year "Total Implementation Time" shown in the supply-side table is assumed to be development and contracting prior to the purchase. Thus, the calculations started with the ATB OCC 2028 COD cost of $1,155 per kilowatt ($/kW). The addition of the proprietary AFUDC, capital surcharge, and property tax brought this number to $1,217/kW. Note: this number does not include the ATB GCC.

Rather than using the ATB's generic GCC, the Company uses transmission cost estimates provided by PacifiCorp Transmission which generally reflect recent cluster study analysis, supplemented for additional resource additions and locations where needed.

The generic locational modifier for PacifiCorp of 1.02 is from the United States (U.S.) Energy Information Administration (EIA) report, prepared by Sargent & Lundy for the 2025 ATB: "Capital Cost and Performance Characteristics for Utility-Scale Electric Power Generating Technologies" page 178/183. State-specific locational modifiers are shown in the in Tables 7.6-7.8 for specific locations across PacifiCorp's system (generally by state), also from the U.S. EIA report.

The escalation uses the ATB's escalation, adjusted from COD year-to-year of purchase contract.