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DEPARTMENT OF SUSTAINABILITY

Comments

To: Public Service Commission of Utah
From: Salt Lake City Corporation
Christopher Thomas, Sustainability Project Coordinator
Date: September 3, 2025
Re: Reply Comments in 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 to launch a new clean energy option for electricity customers within the communities; as such, SLC Corp's interests are substantially affected by Rocky Mountain Power's ("Company") proposed update to its Schedule 37 avoided cost prices. SLC Corp appreciates the opportunity to provide these comments on the update to Schedule 37 avoided cost prices.

On April 23, 2025, Company proposed to dramatically reduce avoided cost prices for various energy sources under its Schedule 37 tariff. The proposed changes are reflected below:

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."[1]

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."[2]

On May 21, 2025 the Utah Public Service Commission (Commission) issued an order suspending updates to Tariff Schedule No. 37 and on June 9, the Commission 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.

Reply Comments

SLC Corp submits the following reply comments in response to the initial comments filed on July 18, 2025 by Western Resource Advocates (WRA), the Division of Public Utilities (DPU), and SLC Corp.

SLC Corp agrees with the four recommendations made by WRA in its initial comments.

WRA made four recommendations in its Initial Comments, as follows:

[1] May 7, 2025 SLC Corp Comments at 4.

[2] May 8, 2025 WRA Comments at 4.

- the Commission should "not update Schedule 37 prices until parties and the Commission have a full opportunity to review the 2025 IRP";[3]
- the Commission should "consider a procedural change to allow more time for review of IRP assumptions upon which avoided costs are based";[4]
- If the Commission decides to update avoided cost pricing prior to a full review of the 2025 IRP, that "avoided costs should be based on the most current modeling assumptions (in this instance, the final IRP assumptions) and the 'UIWC Full Jurisdictional Portfolio' rather than the Preferred Portfolio (UIWC share)";[5] and
- the Commission "should allow Qualifying Facilities (QFs) to retain RECs when deferring IRP proxy resources of the same type"[6] – unless and until the IRP incorporates REC values for supply-side resources

In its initial comments filed July 18, 2025, SLC Corp asked that the Company recalculate avoided costs using better inputs; namely, that:

- the UIWC Full Jurisdictional Portfolio from the Final IRP (as opposed to the outdated "Utah IRP") be used, with proxy solar and proxy wind proxy resources assumed to be deferred in 2029;
- wind and solar cost assumptions be based on the NREL 2024 ATB overnight capital cost values with no de-escalation assumed for the first five years, consistent with prior IRPs;
- if the Company elects to re-run its portfolio optimization for the purpose of selecting a portfolio to use as an input for its Utah avoided costs, then the best performing portfolio without the Natrium resource should be selected; and
- the passage of recent Federal budget and tax legislation be considered, specifically pertaining to tax credits.

[3] July 18, 2025 WRA Comments at 6.
[4] *Id*.
[5] *Id*. at 7.
[6] *Id*. at 9.

SLC Corp modifies the recommendations offered in its initial comments and agrees with each of WRA's four recommendations.

Rather than updating the avoided cost prices now, SLC Corp now concurs with WRA that the 2025 IRP be fully evaluated before avoided cost prices are updated. Until then, SLC Corp recommends that the current avoided cost prices and assumptions based on the 2023 IRP Update continue to be used for both Schedule 37 and Schedule 38. Schedule 37 prices should not automatically be updated upon the filing of each new IRP but, rather, should be updated only after stakeholders and the Commission have had a full opportunity to review and, if necessary, make revisions to, the assumptions upon which avoided cost prices are based. SLC Corp expects that several parties will raise substantive challenges to the 2025 IRP, including to the preferred portfolio and the action plan. As with other parties, SLC Corp is in the process of reviewing the 2025 IRP in advance of the deadline to file comments consistent with the scheduling order in Docket No. 25-035-22. Certain of SLC Corp's current concerns about the 2025 IRP are set forth later in these reply comments. Schedule 37 prices should not be revised until the those concerns and those raised by others that may affect avoided costs are addressed by the Commission. As such, SLC Corp agrees that the Commission should "not update Schedule 37 prices until parties and the Commission have a full opportunity to review the 2025 IRP"[7] and, on a going-forward basis, the Commission should "consider a procedural change to allow more time for review of IRP assumptions upon which avoided costs are based."[8]

SLC Corp's decision to modify the recommendation set forth in its initial comments and agrees with WRA's recommendation on these issues in part because the Company recently disclosed another significant change to its IRP methodology, which is the methodology associated with the calculation of "end effects" outside of the IRP's planning horizon.

[7] *Id*. at 6.
[8] *Id*.

The Company's 2025 IRP preferred portfolio selection is based on "end effects" outside the twenty-year planning horizon with a flawed methodology

The Commission's IRP guidelines require that the Company's IRPs include "[a] 20-year planning horizon."[9] In response to a requirement imposed by Washington State, the 2025 IRP is based on a 21-year planning horizon rather than the traditional 20-year horizon.[10]

In the 2025 IRP, the Company selected as the preferred portfolio the **Integrated Base MN portfolio**, which is the portfolio expected to perform the best under the MN (medium gas, no CO_2) price policy scenario. Surprisingly, the Integrated Base MN portfolio ranks only fourth in the ST model run in this MN scenario and second when adjusted for risk.[11] The **Integrated Base HH portfolio** performs better both in the MN model run and when adjusted for risk than the portfolio selected by the Company. In fact, the Integrated Base portfolio costs $106 million less on a risk adjusted basis than the Company's chosen portfolio under MN (medium gas, no CO_2) price policy assumptions.[12] The Integrated Base HH portfolio also performs better than the Company's chosen portfolio in the scenario that assumes LN (low gas, no CO_2) price policy assumptions (by $236 million)[13] and in the scenario with HH (high gas, high CO_2) price policy assumptions (by *$3 Billion*)[14] over the 21-year planning horizon. During the 21-year planning

[9] *In the Matter of Analysis of an Integrated Resource Plan for PacifiCorp*, Docket No. 90-2035-01, Report and Order on Standards and Guidelines issued June 18, 1992 ("Utah IRP Guidelines") at 35 (Standard 4(d) ("PacifiCorp's future integrated resource plans will include: (d) A 20-year planning horizon.")). A copy of the Utah IRP Guidelines is attached hereto as Exhibit 1.
[10] *See* 2025 IRP at 181 n.1.
[11] *See id*. at 260, Table 9.34.
[12] *See id.* at 260, Table 9.34 (showing that using Medium Gas/Zero CO2 price policy assumptions, the Risk Adjusted Stochastic PVRR for the Integrated Base HH portfolio is $27,512m, whereas the Risk Adjusted Stochastic PVRR for the Integrated Base MN portfolio is $27,618m).
[13] *Id*. at 260, Table 9.35 (showing that, using Low Gas/Zero CO2 price policy assumptions, the PVRR for the **Integrated Base HH** portfolio is $24,990m, whereas the PVRR for the Integrated Base MN portfolio is $25,226).
[14] *See id.* at 260, Table 9.35 (showing that using Low Gas/Zero CO2 price policy assumptions, the PVRR for the Integrated Base HH portfolio is $31,498m, whereas the Risk Adjusted Stochastic PVRR for the Integrated Base MN portfolio is $34,498m).

period in the ST model run, the Integrated Base MN portfolio selected by the Company ranked 4th in the MN price policy-scenario, 5th in the LN price-policy scenario, and 8th in the HH price-policy scenario.[15] By contrast, the Integrated Base HH portfolio ranked 2nd in the MN scenario, 3rd in the LN scenario, and 1st in the HH scenario in those same model runs. That is, the Integrated Base HH portfolio considerably outperforms the Company's chosen portfolio in every price policy scenario over the 21-year planning horizon.

The only scenario in which the Company's chosen Integrated Base MN portfolio performs better than the Integrated Base HH portfolio is when the Company considers "end effects" in the MN price policy scenario. In that "end effects" scenario, the Integrated Base MN portfolio outperforms the Integrated Base HH portfolio by $51 million. The Company's selection of the Integrated Base MN portfolio despite its somewhat mediocre performance during the planning period is based entirely on its performance when "end effects" are considered. As such, the "end effects" modeling deserves more than a little scrutiny. As an initial matter, the Company apparently conducted its "end effects" modeling *only* in the MN scenario, and not in either the HH or LN scenarios. In addition, the "end effects" scenario does not actually consider what happens *after* the conclusion of the planning period. Instead, it assumes that the final year of the planning period—the 21st year in the 2025 IRP's planning period—is repeated for five additional years under the medium gas/Zero CO2 assumptions.[16]

It may well be appropriate to consider the revenue requirement effects that occur after the planning horizon when selecting between portfolios that otherwise perform comparably. SLC Corp is concerned, however, with the weight given to the "end effects" considered in the 2025

[15] *See id*. at 260-261, Tables 9.34-9.36.
[16] *See* Docket No. 25-035-22, RMP response to WRA DR 3.1. A copy of RMP's response to WRA's third set of data request in the 2025 IRP docket is attached hereto as Exhibit 2.

IRP, as the Company seems to place greater importance on the "end effects" than the results in the 21-year planning horizon.

SLC is also concerned about the methodology utilized in the Company's "end effects" modeling. As noted above, the Company's "end effects" modeling simply assumes that the revenue requirement for the final year of the 21-year planning period is repeated for five additional years. This methodology does not measure the effects *after* the planning horizon and places undue weight on a single year's results. Any given portfolio considered in the 2025 IRP could require large investments (or yield large revenue requirement benefits) in the years immediately after the planning period. The "end effects" modeling does not account for those potential outcomes. Given the limitations of the "end effects" modeling methodology, the Commission should heavily scrutinize the Company's emphasis on its results.

The Company's decision to select the Integrated Base MN portfolio based on the "end effects" modeling results appears to violate the Commission's IRP guidelines in two ways:

- the calculations that determined the Company's preferred portfolio selection did not adhere to a "20-year planning horizon," as required,[17] and
- by only calculating "end effects" for one price policy scenario (medium gas/Zero CO2) and not the others (low gas/Zero CO2 and high gas/High CO2), the portfolios are not evaluated on a "consistent and comparable basis," as required.[18]

Given that stakeholders continue to discover novel decisions and assumptions employed by PacifiCorp in its 2025 IRP that have a material bearing on the preferred portfolio used for the calculation of avoided costs, SLC Corp now recommends that both Schedule 37 and Schedule 38

[17] Utah IRP Guidelines at 35 (Standard 4(d)).

[18] *Id*. at 33 (Standard 1 ("Definition: Integrated resource planning is a utility planning process which evaluates all known resources on a consistent and comparable basis, in order to meet current and future customer electric energy services needs at the lowest total cost to the utility and its customers, and in a manner consistent with the long-run public interest.")).

costs not be updated until the 2025 IRP is fully evaluated and that current prices and assumptions that are based on the 2023 IRP Update continue to be used until then.

The DPU's initial comments do not address any of the substantive issues raised by WRA or SLC Corp

In its initial comments filed on July 18, 2025, the DPU "recommends the Commission approve RMP's tariff revisions with an effective date of June 15, 2025."

However, these comments do not address any of the concerns raised by SLC Corp and WRA – namely, whether the preferred portfolio chosen by Company as an input for the avoided cost calculation is appropriate. The Company's chosen portfolio seems to suffer from at least three faults that should make it unsuitable for use in avoided cost calculations:

- it assumes that the 500 MW Natrium nuclear resource comes online in 2030, when the Company says in its final IRP that this resource will not come online until 2032,
- it uses the UIWC jurisdictional shares portfolio, which allocates solar and wind additions that would be cost effective for Utah customers away to Oregon and Washington to satisfy those states' policy goals, and
- it appears to have been chosen entirely based on "end effects" that occur outside of the Commission's required 20-year planning horizon.

SLC Corp hopes that these concerns, among others, are fully vetted by stakeholders in the 2025 IRP docket prior to updating the Schedule 37 and 38 avoided cost prices.

Requests

Because of the unprecedented changes to Company's 2025 IRP, SLC Corp requests that the Commission make a procedural change that delays updates to the Schedule 37 and 38 avoided cost prices until after full evaluation of the Company's 2025 IRP and leave in place the current Schedule 37 and 38 avoided cost prices and inputs until then.

SLC Corp further requests that, after the Commission issues its order in Docket No. 25-035-22 regarding the 2025 IRP, then—in this docket and the separate docket to address Schedule 38—the Commission issue specific findings related to the choice of portfolio and cost assumptions used as inputs in the avoided cost methodology, including:

- whether the portfolio used as an input for avoided cost price calculations should be based on the IRP planning period, as required in the Commission's guidelines;
- whether the portfolio used as an input for avoided cost price calculations should include resources that have been modeled as "zero cost" resources, which appears to be prohibited by the Commission's requirement that resources be evaluated on a "comparable and consistent basis";
- whether the cost for resources included in the portfolio should be "deliverable," in other words, set at a level that the Company could reasonably expect to acquire such resources, and whether these costs should be assumed to de-escalate in the first five years;
- if the Company bases its cost assumptions on a third-party resource like the NREL ATB, whether the publication of new cost assumptions should be automatically incorporated as routine updates in avoided cost updates;
- whether the portfolio used as an input for avoided cost price calculations should reflect cost-effective resource selections for Utah customers, free from the influence of other states' energy policies and requirements for RECs;
- whether the IRP models Renewable Energy Certificates (RECs) as having financial value, and if not, ordering that RECs should be owned by QFs to maintain customer indifference; and

- whether IRP assumptions match current Federal policy with regard to energy-related tax credits and, if not, whether the avoided cost calculation should assume that a future deferrable proxy resource should model energy tax credits as lost customer revenue, based on when the proxy resource is deferred.

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 September 3, 2025

Respectfully submitted,

/s/ Christopher Thomas
Christopher Thomas
Sustainability Project Coordinator

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 3rd day of September 2025, on the following:

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