

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities	<u>DOCKET NO. 25-035-T03</u> <u>ORDER DECLINING TO APPROVE SCHEDULE 37 TARIFF REVISIONS</u>
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ISSUED: November 28, 2025

1. Procedural History

On April 23, 2025, Rocky Mountain Power (RMP) filed proposed tariff revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities ("Schedule 37") Tariff Sheet Nos. 37.4, 37.5, 37.6, and 37.7 ("Schedule 37 Tariff Revisions").

The Public Service Commission (PSC) issued a Notice of Filing and Comment Period on April 29, 2025. Subsequently, the following parties timely filed comments: Salt Lake City Corporation ("SLC Corp"), the Division of Public Utilities (DPU), Sierra Club, and Western Resource Advocates (WRA). RMP later filed reply comments.

On May 21, 2025, the PSC issued its Order Suspending Tariff Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities ("Order to Suspend"). There, the PSC observed: "DPU and RMP represent the calculations underlying the Schedule 37 Tariff Revisions follow the PSC's approved method," but "RMP nevertheless is not opposed to suspending" the changes pending additional review because "other stakeholders may not understand the underlying variables and their impact on avoided cost pricing."¹ Consequently, "[g]iven the earnest concerns of SLC Corp, WRA,

¹ Order to Suspend at 6.

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and Sierra Club" regarding RMP's modeling and the attendant substantial impact on avoided cost pricing, the PSC's Order to Suspend suspended the proposed Schedule 37 Tariff Revisions to preclude their going into effect pending additional review.

On June 3, 2025, the PSC held a scheduling conference during which the stakeholders in attendance stipulated to a schedule for additional process. The PSC issued a Scheduling Order and Notice of Virtual Technical Conference on June 9, 2025, setting a virtual technical conference for June 18, 2025, and allowing stakeholders an additional opportunity to file comments subsequent to the technical conference. On July 18, 2025, SLC Corp, DPU, and WRA timely filed comments. On September 3, 2025, SLC Corp, RMP, DPU, and the Renewable Energy Coalition ("the Coalition") timely filed reply comments.

2. Party Comments and Recommendations

The PSC's Order to Suspend discusses participating stakeholders' positions as articulated in their filings prior to that date. Here, the PSC addresses only comments filed after the Order to Suspend issued.

a. The Coalition

The Coalition first articulated a position in this docket in comments it filed on September 3, 2025. The Coalition argues RMP "proposes to cut its avoided cost rates by approximately 29-60 [percent]" and such a dramatic "change appears on its face to

be unreasonable" absent "adequate justification."² Further, the Coalition asserts, the "causes of this dramatic decrease are embedded in [RMP's] highly complex 2025 [Integrated Resource Plan (IRP)], which incorporates significant, as-yet-unvetted changes to its modeling approach."³ "Because of the significant changes to [RMP's] IRP," the Coalition argues the PSC "cannot reasonably rely on it as support for the [proposed Schedule 37 Tariff Revisions] unless and until the [PSC] and its Staff have had the opportunity to fully determine that the IRP itself is reasonable."⁴

b. WRA

WRA recommends the PSC decline to update Schedule 37 prices until stakeholders and the PSC have a full opportunity to review the 2025 IRP. WRA discusses several assumptions that appear to have affected avoided cost rates but stresses that one modeling change especially "warrants additional review because it is a fundamental change in resource planning."⁵ Here, WRA refers to RMP's adoption of "jurisdiction-specific capacity expansion modeling" ("Jurisdiction Modeling"), meaning "[r]ather than planning for a single, integrated system as it has in the past, in the 2025 IRP, [RMP] modeled jurisdiction-specific capacity expansion plans to develop an ultimately integrated Preferred Portfolio that is compliant with divergent state policies."⁶ WRA explains, with respect to avoided costs, "the most significant

² Coalition Comments filed Sept. 3, 2025, at 5.

³ *Id.* at 5-6.

⁴ *Id.* at 6.

⁵ WRA Comments filed July 18, 2025, at 4.

⁶ *Id.*

implication of [Jurisdiction Modeling] is the timing of the resource deficiency period ... which impacts the timing of capacity payments."⁷ Under RMP's new approach, "different jurisdictions can become resource deficient in different years, rather than the system becoming resource deficient for a particular resource all at once."⁸ WRA argues this change is "foundational, significant, and warrants scrutiny and thorough review."⁹

WRA asks the PSC to decline to update Schedule 37 prices until stakeholders and the PSC have an opportunity to fully review the 2025 IRP.

c. SLC Corp

SLC Corp initially argued RMP should recalculate avoided cost prices using inputs SLC Corp alleged to be more appropriate. However, in its comments filed September 3, 2025, SLC Corp retracted this position, arguing "[r]ather than updating the avoided cost prices now ... the 2025 IRP [should] be fully evaluated before ... prices are updated."¹⁰

SLC Corp explains its position has changed, in part, because RMP "recently disclosed another significant change to its IRP methodology[.]" referring to RMP's "calculation of 'end effects' outside of the IRP's planning horizon."¹¹ SLC Corp concedes "[i]t may well be appropriate to consider the revenue requirement effects

⁷ *Id.* at 5.

⁸ *Id.*

⁹ *Id.* at 4.

¹⁰ SLC Corp Reply Comments filed Sept. 3, 2025, at 4.

¹¹ *Id.*

that occur after the planning horizon when selecting between portfolios that otherwise perform comparably" but argues RMP here "seems to place greater importance on the 'end effects' than the results in the 21-year planning horizon."¹² SLC Corp also expresses concern about the methodology RMP used to calculate end effects, which SLC Corp contends places undue weight on a single year's results.

d. DPU

DPU continues to recognize that changes in IRP inputs resulted in the year-over-year variance to Schedule 37 pricing. However, DPU maintains that "[if] the IRP inputs are suspect, then those inputs should be addressed in the IRP docket," not in the annual review of Schedule 37 prices.¹³ DPU "concludes that RMP's filing complies with the [PSC's] [o]rders and approved avoided cost modeling and methodology despite the inputs used to determine pricing."¹⁴ DPU continues to recommend the PSC approve RMP's proposed Schedule 37 Tariff Revisions.

However, the DPU also recommends "[a]lternatively, the [PSC] might leave the Schedule No. 37 pricing at the last approved levels while the parties gain a better understanding of the 2025 IRP inputs [RMP] used" and direct RMP to refile proposed Schedule 37 updates after the PSC's review of the 2025 IRP is complete.¹⁵

¹² *Id.* at 6-7.

¹³ DPU Reply Comments filed Sept. 3, 2025, at 4.

¹⁴ *Id.*

¹⁵ *Id.*

e. RMP

RMP stresses that it “remains committed to working with [DPU], [OCS], [SLC Corp], [WRA], and other interested parties to maintain accurate and up-to-date cost pricing within Schedule 37.”¹⁶ RMP argues its “inclusion of assumptions from the most recently filed IRP” constitutes a “[r]outine [u]pdate,” which the PSC’s approved procedure for annually updating avoided costs permits without prior notification or agreement.¹⁷ RMP argues cost drivers SLC Corp references are primarily based on events that occurred after data inputs were locked down for the 2025 IRP and such changes would, in fact, have constituted “[n]on-[r]outine [u]pdates.”¹⁸

RMP agrees “recent events have resulted in uncertainty in resource costs and development risks” but argues insufficient information exists to conclude that it has underestimated the cost of proxy resources used in its modeling of avoided costs.¹⁹ However, RMP represents that it “does not necessarily oppose” adjusting the modeled capital costs, as SLC Corp initially recommended, for the purpose of establishing Schedule 37 pricing at this time given the limited magnitude of the impact on prices and “magnitude of potential contracts under Schedule 37.”²⁰

¹⁶ RMP Reply Comments filed Sept. 3, 2025, at 10.

¹⁷ *Id.* at 2-3.

¹⁸ *Id.* at 3.

¹⁹ *Id.* at 5.

²⁰ *Id.*

Additionally, RMP states it “is not opposed to [later] updating [pricing] to reflect the final 2025 IRP preferred portfolio.”²¹ For example, RMP states it “intends to present a non-routine update for consideration by parties that reflects the incorporation of the final 2025 IRP preferred portfolio as part of its next Schedule 38 quarterly avoided cost inputs compliance filing, which will occur by the end of September.”²² In the interim, however, RMP asks the PSC approve its proposed Scheduled 37 Tariff Revisions.

3. Discussion, Findings, and Conclusions

Pursuant to order of the PSC, RMP must annually submit updated avoided cost pricing.²³ In 2015, the PSC approved a settlement stipulation (“2015 Settlement”) that established a process by which RMP must identify and explain new or updated assumptions used in modeling avoided costs in quarterly compliance filings it files for Schedule 38.²⁴ Finally, in 2018, the PSC ordered RMP to calculate avoided cost rates for Schedule 37 using the general method the PSC had approved for Schedule 38 with certain identified modifications.²⁵

²¹ *Id.* at 8.

²² *Id.*

²³ See *In the Matter of the Consideration of Changes to RMP’s Schedule No. 135 – Net Metering Service*, Docket No. 08-035-78, Report and Order Directing Tariff Modifications issued Feb. 12, 2009, at 24.

²⁴ See *In the Matter of the Review of Electric Service Schedule No. 38, Qualifying Facilities Procedures, and Other Related Procedural Issues*, Docket No. 14-035-140, Order Approving Settlement Agreement on Schedule 38 Procedures issued June 9, 2015 (“2015 Order”).

²⁵ *RMP’s Proposed Tariff Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities*, Docket No. 17-035-T07, Order issued Jan. 23, 2018.

As RMP notes, routine updates are distinguishable from non-routine updates under the established process and the 2015 Settlement. RMP may incorporate routine updates into avoided cost pricing without prior notification or agreement from the parties whereas it may only incorporate non-routine updates after identifying the update in a quarterly compliance filing and interested parties have had an opportunity to contest the change.²⁶ The 2015 Settlement states “Routine Updates are intended to refresh basic model inputs ... and typically involve changes in operating data that are expected and measurable.”²⁷ The 2015 Settlement does not define non-routine updates but offers several examples of what qualifies (e.g. changes in calculation methodologies) and provides “[a]ny party may request [PSC] guidance on whether a particular update should be considered Routine or Non-Routine.”²⁸

Here, the parties have not meaningfully engaged with this distinction and the extent to which it pertains to the changes proposed here, though RMP does assert the changes are routine.

Calculating avoided costs is a highly technical and difficult task. For years, the existing process and methodology for calculating and updating avoided costs have generally facilitated frictionless, regular updates. The PSC will not consider changes to the underlying methodologies nor changes to the established process in the context

²⁶ 2015 Order at Attachment A: Settlement Agreement ¶ 19.

²⁷ *Id.* at ¶ 21.

²⁸ *Id.* at ¶ 22.

of an objection to a compliance filing. If any party believes the existing process or methodologies are deficient, the proper mechanism to seek a change is to file a request for agency action. The PSC declines to modify the process or methodologies in the context of RMP's regular and expected compliance filings.

Nonetheless, having reviewed the parties' filings and heard the information presented at the technical conference, the PSC appreciates that the instant updates present a unique circumstance. First, RMP's proposed avoided cost prices constitute a substantial reduction in current rates. Second, RMP has made significant changes in its modeling that have raised understandable concerns among stakeholders given the substantial decrease in avoided cost prices. In 2024, RMP replaced its longstanding modeling tool, GRID, with its PLEXOS model, and now RMP has implemented Jurisdictional Modeling for the first time in the development of its 2025 IRP, which is a meaningful departure from its prior practice. The PSC does not suggest this change is not proper; it may well be that the change improves RMP's IRP modeling. However, neither the PSC nor stakeholders have had a reasonable opportunity to evaluate the issue.

We are also mindful of SLC Corp's concerns about disincentivizing new generation. Of course, this factor is not directly material to the calculation of avoided cost prices. However, given recent federal legislative decisions that have suddenly and adversely impacted prospective renewable resources, the public interest

demands some caution before approving dramatically lower avoided cost prices that largely depend on new and unvetted modeling techniques.

Further, no evidence suggests that ratepayers are likely to be harmed should existing avoided cost prices remain in effect until the PSC has reviewed the 2025 IRP. Existing prices appear rather modest relative to both historical and current market rates, and RMP does not appear to anticipate entering a material number of contracts under Schedule 37 in the short term.²⁹

For these reasons, the PSC finds leaving current Schedule 37 rates in place, pending its review of the 2025 IRP, to be just, reasonable, and in the public interest.

4. Order

The PSC declines to approve RMP's proposed Schedule 37 Tariff Revisions. The PSC directs RMP to refile proposed updates to Schedule 37 avoided cost pricing within 60 days after the PSC has issued its order concerning whether to acknowledge RMP's 2025 IRP in *PacifiCorp's 2025 Integrated Resource Plan*, Docket No. 25-035-22.

²⁹ RMP Reply Comments filed Sept. 3, 2025, at 5 (noting "potential contracts under Schedule 37" are of "limited magnitude"). See also RMP's 2025 *Avoided Cost Input Changes Quarterly Compliance Filing*, Docket No. 25-035-30, RMP's Reply Comments filed Nov. 7, 2025, at 2 ("At this time, [RMP] does not have any potential QFs in Utah that have received indicative pricing based on the 2025 IRP and would be impacted by changes in the avoided cost pricing methodology.").

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DATED at Salt Lake City, Utah, November 28, 2025.

/s/ Jerry D. Fenn, Chair

/s/ David R. Clark, Commissioner

/s/ John S. Harvey, Ph.D., Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#342875

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on November 28, 2025, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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