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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: September 10, 2026

Re: **Docket No. 26-035-31**, Rocky Mountain Power's Quarterly Compliance Filing — 2026.Q2 Avoided Cost Input Changes

Recommendation (No Action Required)

The Division of Public Utilities (Division) concludes that Rocky Mountain Power's (RMP or Company) 2026.Q2 Avoided Cost Quarterly Filing complies with the Public Service Commission's (Commission) Orders in Docket Nos. 03-035-14 and 14-035-140.

Issue

On August 24, 2026, RMP filed its 2026.Q2 Quarterly Compliance Filing (Q2). The report identifies changes that have occurred in the avoided cost calculation since RMP's 2026.Q1 Quarterly Compliance Filing (Q1). On August 25, 2026, the Commission asked the Division to review RMP's filing for compliance and make recommendations by September 14, 2026.

Discussion and Background

Based on the Commission's order in Docket No. 03-035-14, RMP must keep a record of changes and data inputs made to the Proxy and Partial Displacement Differential Revenue Requirement (PDDRR) models used to calculate avoided costs and notify the Commission of these updates. Furthermore, the Commission's order in Docket No. 14-035-140 requires RMP to classify new updates as either "Routine" or "Non-Routine".



In recent quarters, RMP's non-routine updates (specifically adopting the "Final 2025 IRP" and a "No Displacement" scenario for solar and wind) led to significant, highly contested changes in avoided cost pricing. In response, the Commission published an order¹ on January 12, 2026, directing RMP to take no further action on implementing these newer, non-routine changes pending the conclusion of the 2025 IRP Docket. The Commission ordered RMP to maintain standard indicative pricing based on the initial Utah 2025 IRP to mitigate risks to ratepayers during the ongoing investigation. On August 24, 2026, RMP filed its proposed tariff revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities in Docket No. 26-035-T06.

On March 31, 2026, RMP filed its update to PacifiCorp's 2025 IRP. This quarterly avoided cost filing incorporates the preferred portfolio and assumptions from that filing. The summaries below show the avoided cost changes with the updated IRP information.

Analysis of 2026.Q2 Routine and Non-Routine Updates

The 2026.Q2 filing reflects a combination of market-based data refreshes and a methodological proposal for non-firm pricing.

The routine updates focus on aligning the PLEXOS model with current market data and existing resource obligations.

Update Type	Description
Signed Contracts Correction	Inclusion of 2024 battery storage contracts inadvertently omitted from previous filings.
Forward Price Curve	Update to the 2606 Official Forward Price Curve (OFPC) dated June 30, 2026 .

Non-Routine Update Analysis: WEIM Pricing for Non-Firm QFs

RMP proposes a shift for non-firm Qualifying Facility (QF) pricing, moving from annual forecasts to actual results from the Western Energy Imbalance Market (WEIM). Specifically, RMP suggests using the Fifteen-Minute Market (FMM) results at the QF's delivery point. To

¹ *Order to Submit Updated Information After PSC Issues Order on IRP* Docket No. 25-035-30 Rocky Mountain Power's 2025 Avoided Cost Input Changes Quarterly Compliance Filing at 4 (January 12, 2026).

mitigate administrative and calculation complexity, the Company proposes using a simple hourly average of these 15-minute intervals, which aligns with current billing practices. Crucially, RMP proposes that published integration costs from Schedule 37 be subtracted from these WEIM results for wind and solar QFs for both Schedules 37 and 38. This change is isolated to non-firm pricing and does not impact the PDDRR methodology for firm contracts.

Avoided Cost Calculations and Price Impacts

Monitoring quarter-over-quarter price shifts is essential to ensure market stability and to verify that modeling updates accurately reflect the utility's avoided costs. The following table compares the 15-year nominal levelized prices (\$/MWh) between the current and previous filings.

Resource Type	2026.Q2 Price	2026.Q1 Price	Percentage Difference
Thermal (100% CF)	\$54.69	\$54.81	-0.2%
Tracking Solar (32.25% CF)	\$36.02	\$33.85	+6.4%
Wind (29.5% CF)	\$42.91	\$41.96	+2.3%

Thermal pricing decreased slightly (-0.2%), while Tracking Solar (+6.4%) and Wind (+2.3%) show an increase. These shifts are primarily driven by the June 2026 OFPC market refresh and the corrections to the contract queue. The modeling maintains the financial parameters established in the 2025 IRP Update: a 6.33% discount rate and a 2.22% inflation rate.²

Trend Analysis: 2025.Q3 through 2026.Q2

An analysis of recent compliance filings reveals a fundamental shift in the competitive landscape for QFs in Utah.

- **Methodology Shift:** In 2025.Q3, the methodology relied on a "Displacement" scenario where QFs were assumed to displace planned renewable resources.

² PacifiCorp-2025 IRP Update at 49, March 31, 2026.

Starting in 2026.Q1 and the 2025 IRP Update, the logic shifted to "FOT Displacement."

- **Resource Displacement Logic:** The 2025 IRP Update preferred portfolio contains no cost-effective wind or solar resources available for displacement in the near term. Consequently, QFs are now modeled as displacing Front Office Transactions (FOTs) in the summer and winter through 2035. Starting in 2036, QFs displace a Utah South natural gas Combined Cycle Combustion Turbine (CCCT).
- **Entity Impact (RECs):** Because QFs now displace FOTs and thermal resources rather than renewable proxy plants, the ownership of RECs stays with the QF under the established 17-035-37 methodology. This represents a 100% retention of RECs for QF developers over their contract term.

Compliance Observation and Analysis

The Division has verified RMP's adherence to technical reporting directives:

- **Directives Review:** RMP included the required Appendices (B.1-B.3, C.1-C.3, and D.1-D.3). Appendix D is particularly useful for understanding the different IRP assumptions, although the Division notes that historical pricing gaps between 2024.Q4 and 2025.Q1 remain a point of interest regarding past IRP inputs.
- **Reporting Accuracy:** The Company demonstrated transparency by self-correcting the "inadvertently omitted" 2024 signed battery storage contracts. While these resources predate the 2025 IRP Update and do not impact the current QF queue, their inclusion is vital for ensuring the PLEXOS database accurately reflects the Company's total resource obligations.

Conclusion

The Division finds that Rocky Mountain Power has met the filing requirements for the 2026.Q2 Quarterly Compliance Filing. The avoided cost prices have been calculated in accordance with the Commission-approved PDDRR methodology and reflect the current IRP Update preferred portfolio and market price curves. The Division recommends the Commission take no action.

cc: Jana Saba, RMP
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Michele Beck, OCS