



UTAH

**Governor
Spencer J. Cox**

**Lieutenant Governor
Deidre M. Henderson**

Division of
Public Utilities

Director,
Chris Parker

Redacted

Comments

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Brenda Salter, Assistant Director

Abdinasir Abdulle, Utility Technical Consultant Supervisor

Tamra Dayley, Utility Analyst

Date: October 5, 2026

Re: **Docket No. 26-035-37**, Rocky Mountain Power's Application to Amend Tesoro Refining & Marketing Company LLC Power Purchase Agreement.

Recommendation (Approval With Conditions)

The Division of Public Utilities ("Division") recommends the Public Service Commission of Utah ("Commission") approve the Power Purchase Agreement Second Amendment dated July 28, 2026 ("Agreement" or "PPA") between PacifiCorp ("Utility" or "Company") and Tesoro Refining and Marketing Company LLC. ("Tesoro"), conditioned on (1) correction of the October – May on-peak price stated in the Company's confidential Exhibit E to match the value derived in the Utility's supporting workpaper and (2) correction the HourCount calculations and corresponding effective months of the pricing. In addition, the Division recommends that the Utility continue to provide reports, at least quarterly, of hourly power purchased to allow the Division to continue to monitor this contract.

Issue

On August 24, 2026, PacifiCorp filed an application seeking approval for the second amendment to the Non-Firm Power Purchase Agreement with Tesoro approved in Docket No. 24-035-49 and amended in Docket No. 25-035-51 (Application"). The term of the Agreement requested by the Utility is January 1, 2027, through December 31, 2027, and replaces the current contract, which expires on December 31, 2026.

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The Commission issued an Action Request on August 24, 2026, that was superseded by the Scheduling Order issued September 4th. This memorandum serves as the Division's comments and recommendations regarding the amended PPA.

The Division identified two issues with Exhibit E as executed. As described under QF Pricing below, the October – May on-peak price in Exhibit E 1) does not match the price produced by the Utility's own price workpaper model, and 2) is inconsistent with two of the four shaping rules that workpaper states. Therefore, the Division cannot recommend approval of Exhibit E as executed and recommends the Commission direct the Utility to file a corrected Exhibit E before the Agreement takes effect on January 1, 2027.

For future PPA Filings, the Division requests that the Commission order the Utility to, provide the Division and Office of Consumer Services with the GRID, Plexos, or other modeling outputs and Excel spreadsheets supporting the price calculations, along with the spreadsheets showing avoided line loss calculations. All spreadsheets should be provided with formulas left intact.

The Utility provided modeling outputs and supporting spreadsheets with this filing, with formulas intact, consistent with the recommendation the Division made in Docket No. 25-035-51.

Background

Tesoro owns, operates, and maintains a natural gas cogeneration facility to generate electric power located at its Salt Lake City refinery. The nameplate capacity rating of the plant is 25 megawatts ("MW"). Power sales to PacifiCorp are done on a "net" basis. Tesoro is expected first to use the plant's output to supply its own power needs and sell any excess generation to PacifiCorp.

The Tesoro facility is operated as a qualifying facility ("QF") as defined by the federal Public Utility Regulatory Policies Act and Tesoro has previously provided its Federal Energy Regulatory Commission ("FERC") self-certification to PacifiCorp. All interconnection requirements have been met, and the Tesoro facility is fully integrated with the PacifiCorp system. Under the terms of the QF contract, Tesoro has the option, but not the obligation, to deliver the net output to PacifiCorp at the point of delivery. Tesoro is not permitted to sell any portion of the net output to parties other than PacifiCorp; however, it can offset its own retail load before selling any excess power.

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Discussion

General

A copy of the fully executed Second Amendment, dated July 28, 2026, of the Non-Firm Power Purchase Agreement between PacifiCorp and Tesoro is included with the application.

The Second Amendment extends the term through December 31, 2027, replaces Exhibit E pricing effective January 1, 2027, and updates the line loss factor to [REDACTED]. All other terms and conditions of the PPA are unchanged.

QF Pricing

The Division reviewed the PLEXOS outputs and the Schedule 9 price shaping workpapers and concluded the pricing for this Agreement reflects the correct facts of this facility, with one exception described below. The Company appears to have complied with Commission orders on the method used to determine pricing for a contract under Schedule 38.

The Company derived the Exhibit E prices in two steps. It first calculated total avoided cost dollars for calendar year 2027 from a PLEXOS study of the Utility's system run with and without the Tesoro resource, modeled at [REDACTED] and an [REDACTED] capacity factor. It then shaped those dollars into seasonal on-peak and off-peak prices using the rate spread in Utah Electric Service Schedule 9, applying a uniform per-megawatt-hour reduction so that total payments at the shaped prices equal total avoided cost dollars. The workpaper states four shaping rules and carries check cells confirming each one holds.

The Division replicated this calculation. Three of the four prices in Exhibit E match the workpaper output exactly. The October – May on-peak price does not. The value stated in Exhibit E is higher than the value the workpaper produces, and it fails two of the four shaping rules the workpaper itself states: the October – May on-peak to off-peak differential, and the June – September to October – May on-peak differential. The workpaper value satisfies both, and all four of the workpaper's check cells return zero. Applied to the generation volumes in the Company's own study, payments at the Exhibit E prices as executed would exceed the avoided cost calculated in that study by [REDACTED]. Payments at the workpaper prices reconcile to the avoided cost total.

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The Division treats this as a transcription error rather than a methodological disagreement, because the workpaper is internally consistent and the discrepancy is confined to a single value. The Division recommends the Utility file a corrected Exhibit E.

Separately, the hour counts used to derive the seasonal prices do not appear to correspond to the seasonal boundaries stated in Exhibit E. Exhibit E and Schedule 9 use June - September and October - May. The hour counts driving the derivation are 3,672 hours and 5,088 hours, which correspond to May - September and October - April. The HourCount column headers say, 'Jun - Sep' and 'Oct - May' but the values do not match those months (June - September is 2,928 hours). The Division requests confirmation that the months used in the derivation match the months on which the prices will be billed.

The shaping uses the Schedule 9 rate spread effective April 25, 2025. The Division requests confirmation that this is the appropriate vintage for calendar year 2027 deliveries.

Avoided Line Losses

[REDACTED]
[REDACTED]. The Utility supplied detailed calculations determining the avoided line loss percentage with its filing of the Agreement. The calculations were based on the method the Commission has accepted in prior years. The avoided line loss percentage is added to the dollar per megawatt-hour pricing set forth on confidential Exhibit E to arrive at the final price.

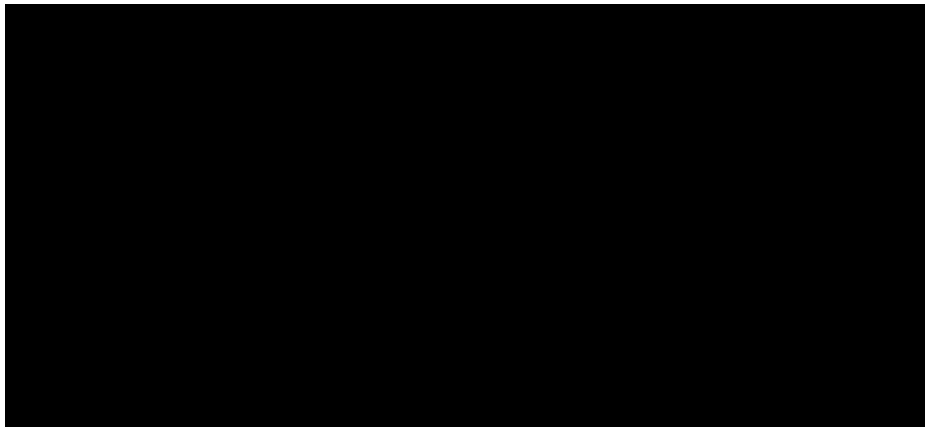
The Second Amendment sets the line loss factor [REDACTED], compared [REDACTED] in the First Amendment. The Utility calculated [REDACTED] percent adjustment as the share of avoided generation located outside Utah, [REDACTED] percent, multiplied by the [REDACTED] percent transmission system loss factor in Schedule 10 of the Utility's FERC Open Access Transmission Tariff ("OATT"). The Division confirmed this arithmetic. Each 0.10 percentage point on the FERC rate moves the line loss factor by about 0.0006.

¹ [REDACTED]

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Other Comments

The proposed Agreement will remain in place through December 31, 2027. The general terms and conditions of the Agreement appear to be generic in nature and consistent with the previous contract. The primary differences appear to be the pricing terms, including the adjustment factor for avoided line losses. The graph below illustrates the adjustment factor over the past five years.



The non-price-related conditions within the Agreement remain consistent with previous contracts and appear to be reasonable. The rates, terms, and conditions in this Agreement are in accordance with the rates, terms, and conditions approved by the Commission in Docket No. 03-035-14 and Docket No. 12-035-100 for purchases from QFs.

PacifiCorp represents that the costs of QF PPAs are situs assigned to the state having jurisdiction over the agreement, and that this treatment is consistent with the Company's previously applicable Commission-approved cost-allocation framework.² The Application states the 2020 Protocol was extended through the end of 2025 in Docket No. 23-035-20. The Division requests the Utility identify the allocation protocol that governs situs assignment for the calendar year 2027 delivery period. The

² 2020 PacificCorp Inter-Jurisdictional Allocation Protocol, p 30, section 4.4.2 "New QF PPAs. QF PPAs fully executed or as to which a legally enforceable obligation exists after December 31, 2019, ('New QF PPAs') will be situs assigned and allocated for ratemaking proceedings pertaining to periods beginning on or after January 1, 2020, to the State of Origin." Docket 25-035-47, Application of RMP for Approval of the 2026 inter-Jurisdictional Cost Allocations Protocol, September 11, 2026, Fourth Order Granting Motion to Extend the Procedural Schedule to November 10, 2026, thus the 2026 Protocol is yet to be approved.

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Division accepts this representation based on its review of the Utility's price calculations for this Agreement and prior analyses of the Utility's avoided cost reports.

Conclusion

The terms of the Tesoro PPA comply with the Commission's guidelines and orders in Docket Nos. 03-035-14 and 12-035-100. The remaining contractual terms and, the method for calculating avoided energy costs, have been previously found by the Commission to be just and reasonable and in the public interest. The Division recommends that the Commission approve the Non-Firm Power Purchase Agreement between PacifiCorp and Tesoro as just, reasonable, and in the public interest, subject to correction of the October – May on-peak price in Exhibit E. With that correction, the pricing is supported by the Utility's avoided cost study. Without it, it is not.

cc: Michele Beck, Office of Consumer Services
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