

SPENCER J. COX
Governor

DEIDRE M. HENDERSON
Lieutenant Governor



MARGARET W. BUSSE
Commissioner

CHRIS PARKER
Division Director

Comments

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 11, 2026

Re: **Docket No. 26-035-T06**, Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities.

Recommendation (Approval)

Following its review of the information regarding Rocky Mountain Power's (Company) proposed tariff revisions to Electric Service Schedule No. 37, the Division of Public Utilities (Division or DPU) recommends that the Public Service Commission of Utah (Commission) approve the Company's request, including the proposed rate change.

Issue

On April 30, 2026, RMP submitted an updated Schedule 37 tariff as required by the Commission.¹ Because the Commission had not yet approved RMP's 2025 Integrated Resource Plan (IRP), the DPU filed comments on May 18, 2026, requesting that the Commission suspend the filing.² The Commission issued an order on May 29, 2026, declining to approve the Schedule 37 revisions and requiring RMP to file proposed updates to avoided cost pricing within 60 days of the Commission's order concerning the 2025 IRP.³

¹ Docket No. 26-035-T06 Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities April 30, 2026.

² *Id.* DPU Reply Comments, May 18, 2026.

³ *Id.* Order Declining to Approve Schedule 37 Tariff Revisions, May 29, 2026.

Division of Public Utilities

Heber M. Wells Building • 160 East 300 South • P.O. Box 146751 Salt Lake City, UT 84114-6741
www.dpu.utah.gov • telephone (801) 530-7622 • toll-free in Utah (877) 874-0904 • fax (801) 530-6512



The Commission acknowledged RMP's 2025 IRP—including the Preferred Portfolio and the Action Plan—on June 25, 2026.⁴ Following this acknowledgment, RMP submitted its updated Schedule 37 tariff to the Commission on August 24, 2026, requesting approval.⁵ On September 1, 2026, the Commission issued a notice of filing, setting the deadline for comments on or before Friday, September 11, 2026, and reply comments on or before Friday, September 18, 2026.⁶

Background

The strategic alignment of Schedule 37 avoided cost rates with the most recent Integrated Resource Plan (IRP) is a fundamental regulatory requirement to ensure that rates paid to Qualifying Facilities (QF) accurately reflect the costs the utility would otherwise incur. This planning environment has undergone a paradigm shift following the enactment of the One Big Beautiful Bill Act (OBBBA), signed on July 4, 2025. The OBBBA significantly altered the economic landscape for resource selection by repealing major portions of the Inflation Reduction Act (IRA), effectively phasing out the 30 percent cost-basis tax credits that previously prioritized renewable solar and wind generation.

Following the passage of the One Big Beautiful Bill Act (OBBBA) on July 4, 2025, PacifiCorp prepared the 2025 IRP Update to reflect new federal tax credit realities alongside routine updates to load forecasts, forward market price curves, and WRAP regional reliability standards. Transitioning to the 2025 IRP Update—as directed in the Commission's June 25, 2026, Order⁷—ensures that Schedule 37 avoided cost rates remain grounded in the utility's most current preferred portfolio and market assumptions. As federal subsidies for variable energy resources were removed, the economic competitiveness of dispatchable resources shifted, fundamentally changing the "avoidable" resource mix. This necessitates a granular look at the data changes within the Preferred Portfolio to ensure the tariff remains just and reasonable.

⁴ Docket No. 25-035-22 PacifiCorp's 2025 Integrated Resource Plan, June 25, 2026.

⁵ Docket No. 26-035-T06 Schedule 37 Avoided Cost Purchases, August 24, 2026.

⁶ Docket No. 26-035-T06, Notice of Filing and Comment Period, September 1, 2026.

⁷ Docket No. 25-035-22, PacifiCorp's 2025 Integrated Resource Plan at 42, June 25, 2026.

Discussion

The Division verified the data from the 2025 IRP Update by confirming the calculation methodologies, ensuring alignment with the preferred portfolio, and checking the planning reserve margins. These validated inputs serve as the foundation for the estimated costs and energy values used in the tariff.

IRP Version and Docket Compliance

The Division confirms that the filing is in alignment with the 2025 IRP Update. The Company has complied with the Commission's June 25, 2026, order,⁸ which required RMP to update its avoided cost pricing to reflect the acknowledged Preferred Portfolio and Action Plan.

Verification of Resource Additions and Portfolio Data

The DPU evaluated the Preferred Portfolio shifts in the 2025 IRP Update, which were driven by a combination of federal tax policy changes under the OBBBA, updated load growth forecasts, and WRAP regional reliability requirements. Together with updated forward market price curves, these factors shifted the economic balance toward dispatchable thermal capacity and front-office transactions, which now serve as the primary deferrable proxy resources in the Schedule 37 tariff modeling.

Resource Category	25 IRP (Original)	25 IRP Update	Change (MW)
Gas - CCCT	0 MW	1,370 MW	+1,370 MW
Gas - Peaking	0 MW	853 MW	+853 MW
Advanced Nuclear (Kemmerer Unit 1)	500 MW	500 MW	0 MW
Iron-Air Battery Storage (24+ hr)	3,073 MW	523 MW	-2,550 MW

Technical Impact

The federal phase-out of production tax credits for wind and solar altered the economic competitiveness of gas and coal. By reducing subsidies for variable energy resources, the

⁸ *Id.*

OBBBA increased the economic viability of dispatchable natural gas capacity. Consequently, the avoidable resource mix in the tariff now includes significant natural gas resources, which carry distinct cost profiles compared to the storage-heavy portfolio in the original 2025 IRP.

Assessment of Planning Reserve Margins (PRM)

The Division analyzed the Company's transition to the Western Resource Adequacy Program (WRAP) methodology. This shift ensures that the capacity value assigned to QFs aligns with regional reliability standards. The DPU verified project-specific qualifying capacity contributions, noting that the WRAP-based capacity contributions for wind and solar taper from an average of 23% in 2027 to 19.5% by 2045.

This tapering—representing an average across geographic areas—is driven by resource saturation and weather-dependent output limits. As more variable resources are added to the regional grid, their incremental ability to meet peak demand during extreme weather events diminishes. This verification is critical as it directly impacts the capacity value component of the Schedule 37 tariff.

Cross-Reference of Deferrable Resource Assumptions

The Division evaluated the logic of using "Proxy Resources" as the basis for avoided costs and has confirmed that proxy generic cost assumptions reflect the October 2025 vintage high-load forecast,⁹ account for significant demand increases from large-metered loads.

Significantly, the modeling reflects the removal of the Ozone Transport Rule. The stay of EPA's disapproval of Utah's ozone plan and the approval of Wyoming's plan¹⁰ allow for increased summer generation from the Company's existing gas and coal units. This puts downward pressure on avoided energy prices during those periods because the utility

⁹ PacifiCorp 2025 IRP Update at 7, March 31, 2026.

¹⁰ *Id.* at 97.

is no longer restricted from utilizing its own lower-cost thermal units to meet load, thereby reducing the cost of the energy "avoided" by QF generation.¹¹

Verification of Wind and Solar Integration Costs

The Division examined the integration and balancing factors for variable energy resources. We referenced the Alternative Path analysis in Chapter 9¹² to verify that integration costs reflect the increased sub-hourly balancing needs of the expanded renewable footprint.

With the Company's transition into the Extended Day-Ahead Market (EDAM) framework underway following its May 2026 launch, integration costs must accurately reflect ongoing fifteen-minute interchange scheduling and the sub-hourly flexibility required to manage variable output. These operational factors have been appropriately incorporated into the proposed rates.

Examination of PLEXOS Case Models

The DPU reviewed the modeling methodology used to derive the rates, confirming a robust two-tiered approach:

- **PLEXOS Long-Term (LT):** Used for capacity expansion and resource selection to identify the optimal "avoidable" portfolio through 2045.
- **PLEXOS Short-Term (ST):** Used with hourly granularity to model energy requirements and market purchase behaviors (as illustrated in Figures 1.8 and 1.9).¹³

The use of the ST model for energy pricing ensures that the tariff reflects realistic, hourly market interactions.

Conclusion

The Division's technical review finds that the proposed Schedule 37 rates are just, reasonable, and based on the 2025 IRP. The filing accurately incorporates the fundamental

¹¹ PacifiCorp's 2025 IRP Vol. II, Appendix F, at 138.

¹² PacifiCorp's 2025 IRP Update at 131-5, March 31, 2026.

¹³ *Id.* at 10.

shifts in the planning environment necessitated by the OBBBA and the regional reliability requirements of the WRAP. Because the Company has utilized the best available information regarding resource costs, load growth, and regulatory changes, the Division reiterates its recommendation for the Commission to approve the Company's request and the associated tariff revisions.

cc: Jana Saba, RMP
Max Backlund, RMP
Michele Beck, OCS