Comments

To:	Public Service Commission of Utah
From:	Salt Lake City Corporation Christopher Thomas, Sr. Energy and Climate Program Manager
Date:	May 7, 2025
Re:	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. While Schedule 37 pricing applies to power purchased from Qualifying Facilities located in the state of Utah with a design capacity of up to 1 MW for a Cogeneration Facility or up to 3 MW for a Small Power Production Facility, its pricing can be indicative of avoided cost pricing for larger projects, as well.

Discussion

Unprecedented drop in avoided cost prices

On April 23, 2025, the Company filed an annual update to its Schedule 37 avoided cost prices with dramatic and perhaps unprecedented decreases:

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*

In its filing, the Company neither explains the precipitous reduction nor clarifies which components of the avoided cost pricing methodology are primarily responsible. It would be helpful to know which components of the methodology are the biggest drivers of the change in pricing – changes in avoided energy, changes in avoided capital, or changes in resource timing.

The avoided price reduction could hinder new electric energy development in the state

If this precipitous drop in pricing is reflective of a sharp decline in the system value of new energy produced, new electric energy development in the state of Utah would be severely hindered. The Company's owners have pledged they will not invest additional capital in the utility, which suggests new resource generation projects in the state may primarily be Qualifying Facilities (QFs) and customer choice projects.

Indeed, particularly for Utah solar, customer choice Power Purchase Agreements (PPAs) and QFs constitute the overwhelming majority of the nearly 1,900 Megawatts currently supplying the Company's system. A dramatic cut to the avoided cost price could severely hinder these important contributors to new generation.

Time to change the avoided cost price methodology to reflect present conditions?

The present methodology modifies the avoided cost price of a power plant built today by assuming that the utility would have built a similar power plant in the future—as determined in the preferred portfolio of the Integrated Resource Plan (IRP)--at then-current prices.

However, two present conditions challenge these assumptions.

First, as this Commission has observed, "RMP's owner is apparently unwilling to provide any further equity investment in PacifiCorp, which would be the most effective way to raise the equity portion of its capital structure."[1] Given this unwillingness to provide further equity investment, it is highly unlikely that the Company will construct and own new power plants, and new generation will consist only of QFs, customer choice PPAs, or debt-financed PPAs.

As the Company becomes more leveraged, the cost of the Company's debt will likely increase. This situation means that, rather than assuming a fixed weighted average cost of capital (WACC) into the future, instead the WACC should be assumed to increase as the Company's borrowing costs increase. In fact, the Company's borrowing cost may already be increasing. The same week the Utah Public Service Commission issued an order approving a 7.06% rate of return (of which the debt component was assumed to be 5.21%)[2], PacifiCorp sought permission from the Oregon Public Utilities Commission to issue $850 million worth of new debt at an interest rate of 7.375%.[3]

The current avoided cost methodology does not adequately reflect this situation, as it assumes company ownership of future power plants using a mix of debt and equity and a weighted average cost of capital that stays constant over time.

Second, the imposition of global tariffs by the United States Federal Government beginning in April of this year on key power plant inputs like steel, aluminum, and rumored future tariffs on copper make it impossible to reasonably forecast the future capital cost of constructing power plants. Therefore, the avoided cost methodology should not simply borrow the IRP's capital cost assumptions, which do not incorporate these tariffs.

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[1] See Utah Public Service Commission Order dated April 25, 2025 in docket 24-035-04 on page 3.
[2] Ibid on page 2.
[3] See Pacific Power application dated April 17, 2025 in docket UI 519 on page 8.

Requests

Because of the massive and unprecedented drop in Schedule 37 avoided cost prices proposed by the Company and the impact this reduced pricing could have on electrical energy development in Utah, SLC Corp makes the following requests:

- That the Commission open an investigation into the dramatic avoided cost price reductions filed by the Company in docket 25-035-T03 and request that the components of this reduction be explained.
- That the Commission consider imposing a different avoided cost methodology to reflect the lack of equity investment in the Company by its owners and the unprecedented uncertainty in future power plant capital costs.

At a time of unprecedented electrical demand growth, artificially low avoided cost prices could jeopardize the State of Utah's growth opportunities for the foreseeable future.

DATED May 7, 2025

Respectfully submitted,

/s/ Christopher Thomas

Christopher Thomas

Sr. Energy and Climate Program Manager

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 7th day of May 2025, on the following:

ROCKY MOUNTAIN POWER	
Max Backlund	max.backlund@pacificorp.com
Utah dockets	utahdockets@pacificorp.com
Data Request Response Center	datareq@pacificorp.com
ASSISTANT UTAH ATTORNEYS GENERAL	
Patricia Schmid	pschmid@agutah.gov
Patrick Grecu	pgrecu@agutah.gov
Robert Moore	rmoore@agutah.gov
DIVISION OF PUBLIC UTILITIES	
Madison Galt	mgalt@utah.gov
DPU Data Request	dpudatarequest@utah.gov
OFFICE OF CONSUMER SERVICES	
Alyson Anderson	akanderson@utah.gov
Bela Vastag	bvastag@agutah.gov
Alex Ware	aware@utah.gov

/s/ Christopher Thomas