BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Acknowledgment of PacifiCorp's 2008 Integrated Resource Plan	Docket No. 09-2035-01

COMMENTS OF UTAH CLEAN ENERGY

Utah Clean Energy (UCE) appreciates the opportunity to submit brief comments on the *PacifiCorp 2008 IRP Update* [hereinafter *Update*].

Planning environment and business plan development.

The Update discusses what effect the 2010 business plan had on the 2008 IRP, and is therefore helpful for increasing transparency in the IRP process. However, because the Update is an IRP document, the Company must "fully support all of the assumptions used in the IRP and demonstrate their appropriateness for serving the public interest, including any use of business planning assumptions." *PacifiCorp 2008 Integrated Resource Plan Acknowledgment*, Docket No. 09-2035-01 at 48 [hereinafter *2008 IRP Acknowledgment*].

To that end, the Company should explain how the business planning assumptions incorporated into the Update serve the public interest, particularly with regard to the following problematic themes, expounded upon in the sections below: 1) deferring renewables acquisition until 2017, while increasing planned reliance on gas resources and continued reliance on wholesale purchases, thereby increasing the risk of federal climate legislation costs to be borne by consumers; and 2) reducing the planned expansion of cost-effective demand side management (DSM).

Deferring renewables acquisition.

The Company explains that it plans to defer planned acquisition of wind resources until 2017 unless it becomes prudent to resume adding renewable resources in the face of federal emissions regulation, or unless the company is presented with an economically attractive renewable project that represents a "unique opportunity" for its customers. *Update* at 16. The Company also states that it might be necessary, in the long term, to replace baseload fossil fueled plants with non-emitting baseload[1] resources in order to achieve emission reduction targets potentially mandated in federal bills such as the Waxman-Markey and Boxer Kerry bills. *Id.* at 21. The Company, however, concedes in a footnote that the financial impact of such legislation could require significant generation portfolio changes *beginning in 2012*:

> In addition to the costs of replacing and retrofitting coal and natural gas generation, bills such as Waxman-Markey and Boxer-Kerry would impose an additional cost that ultimately will be borne by customers. This added cost is the cost of purchasing emissions allowances, even for emissions that are below the cap. Although the bills provide for some allocation of "free" allowances, PacifiCorp is expected to receive less than 50% of the allowances it needs even if the Company is able to reduce emissions to the level of the cap, and the expected shortfall increases each year. Beginning in 2012, the financial impact of such a shortfall is estimated to be $581 million to $683 million per year (assuming $25 per allowance), and increasing each year thereafter. In order to mitigate these significant allowance costs, *PacifiCorp would need to make significant changes in its generation portfolio*.

Id. at 21, n. 4 (emphasis added).

Although the company points out that it will be consumers who bear the additional costs imposed by federal legislation, it does not explore the prudence of not mitigating those costs by planning to defer renewables acquisition until 2017. Nevertheless, there are several factors at

[1] UCE would like to note that goal of integrated resource planning is not to assess one baseload alternative for another, but rather to evaluate whole system portfolios, with a diversity of generation resources, based on least cost and least risk factors, in an effort to most prudently meet demand.

play, in addition to impending legislation (or regulation), which favor acquiring renewables sooner rather than later. For example, current economic conditions favor lower prices; demand for, and therefore costs of, renewable energy generation will likely increase after passage of climate legislation or regulation; fuel prices are likely to remain volatile; and the production tax credit (PTC) for wind projects expires in 2012 and the PTC for geothermal projects expires in 2013.[2]

The IRP Standards and Guidelines dictate that the IRP process should result in the selection of the optimal set of resources given the expected combination of costs, risk, and uncertainty. *Report and Order on Standards and Guidelines*, Docket No. 90-2035-01 at 42 [hereineafter *IRP Standards and Guidelines*]. Based on the Update, it seems clear that PacifiCorp considers climate regulation an expected risk, with high associated costs. *See Update* at 17-22. The Update explains that the risk of federal climate mandates, in the form of carbon offsets or allowances, will be borne by consumers. *Id.* at 21, n.4.

Nevertheless, the Company plans to defer acquisition of renewable resources, which could significantly reduce emissions, until 2017—five years after the Company expects to see costly shortfalls due to federal legislation. This plan clearly exposes consumers to the risk of having to pay high and unpredictable costs of purchasing carbon allowances on the market.

The Company does not justify or analyze the prudence of imposing such a potentially costly risk on consumers. Meanwhile, the Public Service Commission has expressed concern with the Company's stated confidence in its ability to manage the risk associated with relying on the market for a significant portion of its customers' power requirements. *2008 IRP*

[2] UCE estimates that approximately $50 million of Production Tax Credits are forfeited if the Company executes its business plan instead of the 2008 IRP Preferred Portfolio. Furthermore, the Company could have received approximately $345 million in PTC benefits had it chosen Portfolio 8 in the 2008 IRP, which had a PVRR nearly identical to that of the Preferred Portfolio.

Acknowledgement at 29 (explaining that the Company's decisions leave "little room for forecast error related to prices and loads"). Additionally, the Company has submitted to the Utah Public Service Commission an application for approval of an Energy Cost Adjustment Mechanism, because it is so difficult to manage the risks associated with unpredictable fuel-related costs. *2008 IRP Acknowledgement* at 30. An ECAM potentially further unloads the risks of imprudent generation decisions onto consumers.

The IRP process is designed to facilitate "the selection of the of the optimal set of resources given the expected combination of costs, risk and uncertainty." *Standards and Guidelines* at 42. However, it is not clear that the 2010 business plan, as explained in the Update, is "consistent with the long-run public interest." *Id.* Utah Clean Energy doubts the prudence of deferring renewables acquisition until 2017, in the face of climate regulation and increased risks associated with heavy reliance on fossil fuels and market purchases.

Reducing planned expansion of demand-side management.

The Update Action Plan significantly limits expansion of Utah's Cool Keeper program to 30 megawatts (down from 200 MW in the 2008 IRP) and limits additional cost-effective Class 1 DSM, including commercial curtailment and customer-owned standby generation, to 100 MW (down from 130 MW in the 2008 IRP). *Update* at 59.

The decision to reduce the planned expansion of Cool Keeper should be explained more thoroughly, especially with regard to SB 47, which would have enabled Rocky Mountain Power to offer Cool Keeper as an opt-out program, significantly increasing participation. Although the Update acknowledges the legislation (*Update* at 7 and 29), it does not mention the Governor's subsequent veto or its effect on the Company's plans for Cool Keeper. Therefore, it does not appear that the proposed reduction is related to the veto. Furthermore, SB 47 had not been introduced during development of the 2008 IRP.

Cool Keeper was shown to be cost effective from all calculated cost-effectiveness tests and provided over 112 MW of temperature dependent load control. *Demand-Side Management Annual Report for 2009 – Utah* at 21. The Company justifies its decision to reduce the planned expansion of Cool Keeper by explaining that 170 MW of DSM provided by Cool Keeper has been "generally offset" by the introduction of a proposed Commercial Curtailment product and by increased participation in irrigation load control programs. *Update* at 7. However, the Company does not explain or justify its decision to "offset" a proven cost-effective DSM program with other, *proposed* demand response programs. Given this, and the fact that legislation enabling the Cool Keeper opt-out program was vetoed, the Company should more thoroughly explan its decision to drastically curtail this cost-effective DSM program, or revisit the decision in light of changed circumstances.

Conclusion.

Utah Clean Energy questions whether the 2010 business plan, as contained in the 2008 IRP update, is in the long-run public interest, particularly with regard to the decisions to derfer renewables acquisition until 2017 and to significantly reduce expansion of cost-effective DSM programs. UCE respectfully requests that such factors will be taken into consideration when the Commission next evaluates the Company's decisions in a rate-setting or other appropriate proceeding.

Once again, UCE is grateful for this opportunity to submit for consideration these comments on the 2008 IRP Update.

Respectfully submitted,

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