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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Utah Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Dan Gimble, OCS Staff
Béla Vastag, OCS Staff

Date: October 11, 2013

Re: In the Matter of the Acknowledgement of PacifiCorp's 2013 Integrated Resource Plan; Docket No. 13-2035-01; Office of Consumer Services Reply Comments

I. Background

The schedule in the 2013 IRP Docket provides all parties with an opportunity to respond to comments filed by parties on September 9, 2013. Accordingly, the Office of Consumer Services (Office) submits the following responsive comments for consideration by the Utah Public Service Commission (Commission).

II. Responsive Comments

Division's IRP Comments

The Utah Division of Public Utilities (Division) recommended that the Commission not acknowledge the 2013 IRP because the Company failed to adequately demonstrate the preferred portfolio, EG2-C07a, was the least cost, least risk case. The Division also recommended a major overhaul of the IRP process and proposed substantial changes to the longstanding Utah IRP guidelines.

Preferred Portfolio Selection – Office Response

For different reasons, the Office and Division expressed concerns that the Company's evaluation and selection process was not applied to portfolios on a consistent and comparable basis. Evaluating candidate portfolios on a consistent and comparable basis is essential to identifying an optimal portfolio from which to develop an action plan to address future resource needs. The Office and Division both concluded that the Company's preferred portfolio fails to comply with this key IRP guideline.

Proposed Changes to IRP Guidelines – Office Response

In Appendix A to its comments, the Division stated that the IRP process has become increasingly complex, protracted, data-intensive, burdensome and produces results that are often stale by the time the Commission publishes its IRP order. As an alternative to the current IRP format, the Division recommended a number of changes designed to streamline, simplify and focus the IRP process and more closely align it with the Company's business plan.[1] Finally, the Division proposed modifications to the existing IRP guidelines to match their proposed new IRP format.

To some extent, the Office agrees with the Division that improvements can be made to the IRP format so that the process is more effective and the end result more timely and useful. However, we do not agree with the Division that the Company's business planning process or a particular business plan should be substituted for robust IRP analysis[2], which includes a specific set of public policy requirements and objectives. Consequently, the Commission should ensure that any refinement of the IRP process does not diminish the core deterministic and stochastic (risk) analysis of candidate cases that has been developed over many years.

While the Office believes that the current core IRP processes should remain in place, we recommend some limited improvements as set forth below:

- Develop a relatively short list of core and sensitivity cases that reasonably capture price, cost, environmental, policy, technology etc. parameters. It is important in future IRPs that a risk assessment be performed on the sensitivity cases as well as the core cases using the PaR model. If additional criteria are used to manually select or adjust the final preferred portfolio, a final risk assessment should also be performed on this portfolio.

- Limit the public process to approximately six to eight meetings over a six-month time frame with:

    - Early meetings to discuss the potential cases to be tested, resource assumptions and market price and fuel cost forecasts. Information related to wind integration studies, PRM analysis, RPS requirements etc. should be completed prior to the start of the public process.

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[1] See DPU 2013 IRP Comments, Appendix A, "A Model IRP Process," pages 7-9.

[2] Previous guidance from the Commission also supports not substituting the business plan for the IRP. See the Commission's April 1, 2010 Order on the 2008 IRP: "…the Company must fully support all of the assumptions used in the IRP and demonstrate their appropriateness for serving the public interest, including the use of any business planning assumptions." and "The objective of the guidelines addressing the link between the Company's strategic business plan and the IRP is to ensure transparency between the two plans such that any differences are easily understood and the benefits of IRP are brought to customers; it is not to make sure the plans match exactly at any given moment."

  - o Later meetings to discuss the deterministic and stochastic results and criteria used to short list and select a preferred portfolio, including any manual adjustments to modify any portfolio.
  - o A final meeting to discuss all considerations that went into the selection of the preferred portfolio. In addition, the flexibility of the preferred portfolio to adapt to rapidly changing conditions (resource costs, market prices, etc.) or unforeseen events should be addressed.

- Require comments from parties within 60 days[3] of the IRP filing date and reply comments within 30 days. This reduces the IRP timeline to roughly September 15 through August 15. The Commission may also want to take a more active-directive role[4] and set a short hearing prior to issuing its order so that it can ask questions of the Company, Division and other parties who submitted comments on the IRP. At a hearing, the Commission may want to clarify specific issues raised by a party in comments or request additional information before deciding whether to acknowledge a filed IRP.

Any revisions to the IRP process should not entail any less overview of the IRP by the Commission. Instead, the Office recommends increased oversight of the process with the purpose of improving its compliance with the existing IRP Guidelines. The core IRP process can result in a good plan. The key is to require that the Company focus on adhering to the Commission's IRP Guidelines when implementing these core processes. A more focused IRP process can result in the development of a flexible IRP action plan and a sensible path analysis that should enable PacifiCorp to respond to a wide range of changing conditions (e.g., load forecasts, market prices, fuel costs, environmental policy, etc.).

Strong Commission oversight is also important because utility IRPs are increasingly relied on by regional entities (e.g., WECC, NWPP, NTTG, WIEB, etc.) in preparing regional resource and/or transmission plans. Continuing a process where Utah regulators and other Utah parties actively participate in the development of the IRP will ensure that the information provided to these entities is current, reliable and reflects the input of Utah stakeholders.

Lastly, if the Commission agrees with the Division's proposal to update its existing IRP guidelines, it should open a docket and set a scheduling conference to identify interested parties and discuss the process and timeline for the case.

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[3] Compared to the current timeline, a shorter period to prepare comments in the future would be appropriate if the Company adopts the proposed meetings described above and if the Company does not incorporate new information or new processes into the final, filed version of the IRP.

[4] See Docket No. 90-2035-01, Report and Order on Standards and Guidelines, Attachment A – Standards and Guidelines for Integrated Resource Planning for PacifiCorp, Utah Jurisdiction, Procedural Issue No. 4, page 44: "The Commission will pursue a more active-directive role if deemed necessary, after formal review of the planning process."

UAE's IRP Comments

The Utah Association of Energy Users (UAE) also expressed concerns about the use of the SBT and how benefits are calculated in the SBT.[5] Specifically, UAE states that "…the SBT has not been properly tested or vetted in any Commission proceedings…"[6] Despite not asking for Commission approval of the SBT, the Company has applied SBT benefits in evaluating cases and selecting the IRP preferred portfolio. As the Office demonstrated in its initial IRP comments, the removal of SBT benefits ($654 million) from the Company's IRP modeling increases the PVRRs of EG2 cases such that the portfolio chosen by the Company, EG2-C07, is no longer in the top half of the rankings for the short-listed portfolios.[7] The salient question is: should the Company be using the SBT to determine a resource plan for ratepayers when the SBT has not been reviewed by the Commission?

III. Conclusion

The Office appreciates and agrees with certain points the Division makes about the IRP process becoming overly complex, protracted and burdensome for both the Company and stakeholders. In response to these points, the Office recommends some limited changes with the goal of shortening and streamlining the IRP process. Additionally, if the Commission agrees with the Division that the present IRP guidelines need to be examined for possible revisions, the Office recommends that this occur in a formal proceeding.

Regarding the SBT, the Office, UAE and a number of parties in other states have raised concerns about the use of this spreadsheet tool for IRP purposes. The Office notes that a separate forum has been established to review the SBT outside the IRP. This dialogue was initiated by the Company after the 2013 IRP was filed and two meetings have been held with more scheduled. Consequently, the SBT should in no way influence the evaluation of cases and the selection of a preferred portfolio in the 2013 IRP.

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[5] Stakeholders in other states also raised issues with the SBT and its application in the 2013 IRP. See comments filed in Wyoming Docket No. 20000-424-EA-13, Idaho Case No. PAC-E-13-05 and Oregon Docket No. LC 57.

[6] Utah Association of Energy Users September 9, 2013 Comments Regarding PacifiCorp's 2013 IRP, page 3.

[7] See Table 1, page 4, OCS 2013 IRP Comments, September 9, 2013.