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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power's 2015 Integrated Resource Plan	**DOCKET NO. 15-035-04**

UTAH CLEAN ENERGY'S RESPONSE TO ROCKY MOUNTAIN POWER'S REQUEST FOR WAIVER OF BUSINESS PLAN SENSITIVITY REQUIREMENT

I. Introduction

Utah Clean Energy hereby responds to Rocky Mountain Power's (RMP or the Company) request for a waiver of its requirement to include the Company's business plan as sensitivity analysis in subsequent Integrates Resource Plan (IRP) processes. Years of Commission precedent demonstrate that RMP's request is not in the public interest. Utah Clean Energy recommends that the Commission deny RMP's request.

The IRP process was designed, and standards and guidelines established, *to benefit ratepayers*, through an evaluation of costs and risks associated with alternative resource acquisition paths. To uphold the public interest, it is necessary for the Company's strategic business plan to align with customer interests over the long term. In order to ensure this alignment, the regulatory community must understand the consequences to customers of the Company's business planning decisions as they deviate from cost and risk analysis contained in the IRP. Therefore, although the Company raises concerns over business sensitive information, stakeholders must still have access to sufficient information to compare the business plan against IRP analysis and the preferred portfolio, in order to protect ratepayers from "unreasonable costs associated with [Company] decisions to change the quantity and type of resources it procures based on asserted but unexamined risks."[1]

While Utah Clean Energy urges the Commission to deny the Company's current request, there may be other options for addressing the Company's concerns over business sensitive information while still providing the regulatory community with sufficient information to evaluate the cost and risk implications of corporate decision-making and running sensitivity analysis. We recommend that the Commission direct the Company to propose an alternative consistent with the following guidance. Utah Clean Energy believes the Company is likely in the best position to make such a recommendation, provided its recommendation is consistent with Commission guidance and precedent on the requirement for direct linkage between the business plan and the IRP.

II. Background

On January 8, 2016, the Commission acknowledged the Company's 2015 IRP, but noted that the Company had not provided sensitivity analysis of its business plan, as required in the 2013 IRP Order (issued January 2, 2014 in Docket No. 13-2035-01). The Commission invited the Company to raise substantive objections to this requirement, if any, in a motion. On April 7, 2016, RMP filed a request to with the Commission for a waiver of the requirement to model the Company's business plan as a sensitivity case in the development of all future integrated resource plans.

[1] Public Service Commission of Utah, Docket No. 07-2035-01, In the Matter of the PacifiCorp 2006 Integrated Resource Plan, *Report and Order* (February 6, 2008), page 34, *hereinafter* "2006 IRP Order."

In its request, the Company described the IRP process as distinct from the business planning process. Essentially, the two analysis leap-frog over one another as new information becomes available, with the IRP serving as the "starting point for resource assumptions used in the business plan."[2] The business plan, however, contains additional constraints to those used in the IRP, including "capital and operating cost constraints, market price assumptions, and policy changes."[3]

The Company provides three reasons for requesting a waiver of the business plan sensitivity requirement: 1) the business plan contains confidential, business-sensitive, and strategic information that could, if disclosed, harm the Company and customers; 2) the business plan considers forward looking assumptions, including resource cost information, which is commercially sensitive and raises the risk of harm to the Company and its customers[4]; 3) the business plan covers a 10-year planning horizon while the IRP covers a 20-year planning horizon.[5]

Utah Clean Energy has reviewed previous Commission orders that address the IRP-business plan linkage requirement. Over the years, the Commission has provided guidance on the linkage requirement that is relevant to the current matter. Based on this guidance, Utah Clean Energy provides the following comments and recommendations.

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[2] RMP Request for Waiver, Docket No. 15-035-04 (April 7, 2016), page 3.
[3] RMP Request for Waiver, Docket No. 15-035-04 (April 7, 2016), page 3.
[4] This second argument seems somewhat indistinct from the first, but the following may lend some clarification: "The Company explains the business plan attempts to project utility costs as accurately as possible and requires more precise cost estimates and more frequent assumption updates than the IRP." Public Service Commission of Utah, In the Matter of the PacifiCorp 2006 Integrated Resource Plan, Report and Order, Docket No. 07-2035-01, February 6, 2008, page 32.
[5] RMP Request for Waiver, Docket No. 15-035-04 (April 7, 2016), pages 4-5.

III. The Commission has provided extensive guidance on what is required to ensure that the Company's Strategic Business Plan is "directly related" to its IRP and that ratepayers benefit as a result.

"Procedural Issue Nine" of the IRP *Standards and Guidelines* requires that "The Company's Strategic Business Plan must be directly related to its Integrated Resource Plan." Since the Commission adopted the Standards and Guidelines (in 1992 in Docket No. 90-2035-01), it has provided extensive guidance on the purpose and requirements of linking the business plan to the IRP. Ratepayers are to benefit from utility decision-making by virtue of the business plan's linkage with the IRP. The IRP is to provide the analytical basis by which regulators are able to evaluate and quantify whether and to what extent ratepayers are impacted by utility business decisions that depart from IRP analysis. The utility, not ratepayers, bears the risk of costs associated with resource acquisitions not analyzed through a vetted IRP process.

A. While the IRP process and the strategic business plan process have distinct purposes and considerations, the requirement to link the two is to ensure ratepayers benefit from corporate decision-making.

The Commission has acknowledged and described the distinct purposes of the IRP and the strategic business plan, but has consistently found that the purpose of linking them is to ensure ratepayers benefit from corporate decision-making.[6] The purpose of the IRP is to identify an "optimal" resource plan to serve the long-run public interest, and to invite interaction and information exchange between the Company and stakeholders.[7] On the other hand, the business plan is, fundamentally, directed at promoting the Company's financial interests.[8]

[6] Public Service Commission of Utah, Docket No. 09-2035-01, In the Matter of the Acknowledgment of PacifiCorp's Integrated Resource Plan, *Report and Order* (April 1, 2010), pages 47-49, *hereinafter* "2009 IRP Order;" 2006 IRP Order, page 34.
[7] 2009 IRP Order at 47.
[8] *Id.* at 47.

Linking the two plans promotes alignment between the Company's financial interests and the public interest. In its *Report and Order on the Standards and Guidelines*, the Commission explained the primary purpose of the linkage requirement: "Consistency between the Company's strategic business plan and its IRP is necessary to ensure that ratepayers receive the benefits from IRP."[9] Likewise, in its 2007 Order on the IRP, the Commission stated, "The reason for this guideline is to ensure ratepayers receive the benefits of IRP."[10] In the 2009 IRP Order, the Commission stated, "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."[11]

Thus, while the IRP and the business plan ultimately serve different purposes, the business plan must be directly linked to the IRP in order to ensure corporate decisions benefit customers (not just the Company) and promote the long term public interest.

B. In order to ensure that ratepayers benefit from business planning, the regulatory community must be able to evaluate the cost and risk impacts of Company business decisions that diverge from analysis contained in the IRP.

As an initial matter, the IRP itself must contain sufficient and credible analysis to support a Commission determination that its results are consistent with the public interest.[12] Indeed, "The IRP must serve as an analytical document of the costs and risks to ratepayers of alternative means of providing for adequate future service."[13]

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[9] Public Service Commission, Docket No. 90-2035-01, In the matter of an analysis of an integrated resource plan for PacifiCorp, Report and Order on Standards and Guidelines (June 18, 1992), page 17; *see also* 2006 IRP order at 34; 2009 IRP Order at 49.
[10] 2006 IRP Order at 33.
[11] 2009 IRP Order at 48.
[12] 2006 IRP Order, pages 33-34.
[13] *Id.* at 33.

In this way, the IRP provides the analytical basis for determining whether and to what extent deviations from the plan, such as strategic business decisions, impact RMP's customers. In its 2007 IRP Order on the business plan-IRP link, the Commission stated, "It is critically important the IRP process produces credible results upon which state commissions can rely prior to the use of constraining assumptions based on asserted corporate financial risks."[14]

To the extent the Company's business plan deviates from analysis contained within the IRP, the Company must demonstrate and quantify impacts to customers in terms of both costs and risks.[15] The Commission has specifically instructed the Company to "ensure the IRP explicitly produces the quantitative analysis necessary for regulators to understand the cost consequences of mitigating any risky or uncertain event including any Company corporate resource planning decision."[16]

The Commission has not prescribed *how* the Company is to demonstrate a linkage between the IRP and the business plan, but has determined that the linkage must be transparent and comprehensible:

> 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. Because changes affecting planning can occur any time, it is expected the IRP and business plans may diverge as assumptions are updated in one or the other plan. In our order on Guidelines, and per R746-430-1, we directed the Company to identify in its IRP action plan, how its actions for implementing the IRP are consistent with its strategic business plan. We do not dictate how this is to be done. Planning processes should be flexible enough to incorporate improvements over time.[17]

[14] *Id.* at 34.
[15] *See Id.* at 33-34; 2009 IRP Order at 49-50.
[16] 2006 IRP Order, page 34.
[17] 2009 IRP Order, pages 47-49.

The Commission further explained that it supported the approach used by the Company in the 2008 IRP wherein the Company included business plan reference cases and evaluated these cases in comparison to the other broadly defined cases. "This approach provides transparency between the two planning processes and allows cost-risk tradeoff analysis of the business plan and other alternative portfolios, but can be done within the integrated resource planning process analytical time frame."[18]

C. The Company bears the risk for costs associated with resource procurement changes based on business planning assumptions.

If the Company fails to adequately link the business plan with the IRP, it increases its own risk of not recovering costs associated with its resource decisions. Furthermore, if the objective of IRP is to minimize total costs and risk, and to create a flexible plan that allows for adjustments in response to uncertainty over time, not evaluating the business plan or its comparison and relationship to the preferred portfolio makes the preferred portfolio even more risky in the first place.

In its 2007 IRP Order, the Commission explained, "The Company bears the risk for any unreasonable cost to ratepayers associated with its decision to change the quantity and type of resources it procures based on asserted but unexamined risks."[19]

IV. Analysis and Recommendation Based on Commission Guidance

Based on the foregoing, Utah Clean Energy opposes the Company's application for waiver of its requirement to run its business plan as a sensitivity in future IRP processes. It is critical, in order to demonstrate that ratepayers benefit from the IRP, that there is a direct, analytical link between the business plan and the IRP. Currently, running the business plan

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[18] *Id.* at 49-50.
[19] 2006 IRP Order, page 34.

through the same IRP models as the other portfolios, and comparing the business plan with the preferred portfolio, is how the regulatory community evaluates whether and to what extent Company business decisions, which are made pursuant to corporate financial constraints and for the purpose of benefitting shareholders, will impact ratepayers – positively or negatively.

In its filing, RMP indicates that its request for a waiver is not a request to waive the IRP-business plan linkage requirement.[20] However, RMP does not provide any follow-up discussion of how these two requirements are associated, either in terms of commission Precedent (and IRP process history) or modeling requirements. It is not clear from RMP's filing how the Company will demonstrate linkage between the business plan and the IRP going into the future.

While the Commission has been clear that the linkage requirement is to ensure that the benefits of IRP flow through to ratepayers, RMP seems to believe that common assumptions between two "necessarily unique"[21] processes is sufficient: "The linkage between the two planning processes ensures that both are informed by the most current information and on-going analysis, including review of capital and operating constraints, to ensure the Company's plans remain affordable for customers."[22] In other words, the two "necessarily unique" process are linked only by shared assumptions.

However, there is no explanation of how the Company's current and ongoing capital and operating constraints will benefit customers compared to the lengthy, public, and vetted cost, risk, and uncertainty analysis contained in the IRP. Simply sharing input assumptions is clearly insufficient to ensure that the benefits of IRP flow through to ratepayers. Without running

[20] RMP Request for Waiver, Docket No. 15-035-04 (April 7, 2016), pages 5-6.
[21] RMP Request for Waiver, Docket No. 15-035-04 (April 7, 2016), page 3.
[22] RMP Request for Waiver, Docket No. 15-035-04 (April 7, 2016), pages 3-4.

sensitivity analysis, the regulatory community will not be able to uphold the public interest and ensure that the benefits of IRP flow through to ratepayers.

There may be other ways to fulfil the linkage requirement, consistent with the foregoing guidance and Commission precedent, without triggering sensitive business concerns. However, at this point, and without more information, Utah Clean Energy believes running the business plan as a sensitivity is the most appropriate, understandable, and clear way of evaluating the impacts of the Company's business planning decisions.

Utah Clean Energy recommends that the Commission deny the Company's application, but allow the Company (or other parties) to propose strategies for complying with the linkage requirement, so long as they are consistent with the following general principles:

1. The objective of the linkage requirement is to ensure that the benefits of IRP are brought to ratepayers through the Company's business decisions.
2. The IRP must have sufficiently detailed analysis to allow the regulatory community to evaluate the ratepayer (cost, risk, and uncertainty) impacts of the Company's business plans and decisions.
3. The Company should bear the risk of resource decisions based on asserted but unexamined costs, risks, and uncertainties.

Dated this 29th day of June, 2016.

Respectfully submitted,

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