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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**In the Matter of PacifiCorp's
2015 Integrated Resource Plan**

Docket No. 15-035-04

**COMMENTS OF THE UTAH
ASSOCIATION OF ENERGY
USERS (UAE) REGARDING
PACIFICORP'S 2015 IRP**

The Utah Association of Energy Users (“UAE”) hereby submits its comments on PacifiCorp’s 2015 Integrated Resource Plan (“IRP”).

Commission review of the IRP is important primarily for (i) determining whether the IRP is sufficiently consistent with the Commission’s published Standards and Guidelines to warrant acknowledgment; (ii) providing feedback on how the IRP process can be improved in the future; (iii) providing specific “review” and “guidance” to the utility under Utah Code §§ 54-17-101, et seq., on the proposed action plan; and (iv) evaluating the reasonableness of the timing and character of the next deferrable resource for avoided cost pricing purposes.

UAE appreciates the efforts of PacifiCorp and others in developing this IRP. While UAE has several concerns about the IRP, the resource planning process, ratepayer impacts and risks,

UAE does not oppose Commission acknowledgment of the IRP as generally consistent with the Standards and Guidelines.

UAE submits the following additional comments on the IRP:

1. In addition to establishing a proposed 2-4 year action plan, the IRP also has a significant impact on other things, such as qualifying facilities (QF) avoided cost pricing. Specifically, through the IRP, PacifiCorp determines the nature and timing of the next deferrable resource and the definition of the sufficiency and deficiency periods, which have direct impacts on avoided cost pricing. However, these elements of the IRP receive very little analysis or attention and are largely left to the discretion of PacifiCorp and assumptions used by PacifiCorp in the IRP process.

The 2015 IRP “preferred portfolio” selected by PacifiCorp consists primarily of DSM resources and front office transactions. The first “deferrable resource” identified by PacifiCorp is in 2028. DSM programs are chosen in the IRP optimization modeling if the estimated cost is lower than other options, such as a deferrable resource. There is thus a direct connection between the assumed cost of DSM bundles and the timing of the next deferrable resource.

Similarly, Front Office Transactions (FOTs) are chosen up to a Company estimated market limit, if cost effective. There is thus also a direct connection between FOT market price assumptions and limits and the timing of the next deferrable resource.

In the past, IRP analyses have not included any sensitivity analyses for DSM prices. However, PacifiCorp’s preliminary and updated budget estimates for DSM programs for the years 2015 to 2018 show that there is significant uncertainty in DSM program cost estimates. The 2015 IRP included a preliminary cost estimate of the DSM programs selected in the IRP for years 2015 to 2018 of \$262.5 million. In the July 17, 2015 technical conference the estimate was

updated to \$297 MM. This change of over 10% in the cost estimate is significant and illustrates the uncertainty of DSM cost estimates.

Assumed FOT market limits are also significant, totaling 1200 MW with an additional 375 available at a 10% premium. (IRP page 128). This amount is equivalent to 2 or 3 deferrable type resources. If FOT market assumptions were to change significantly either as to pricing or limits, it would almost certainly change the timing of the next deferrable resource. UAE recognizes the PAR model has market prices as one of the stochastic variables. However, the PAR analysis informs risk related to portfolio cost, not the timing of the next deferrable resource.

Because of the absence of sensitivity analyses to DSM cost uncertainty and FOT market limits in the IRP, it is not clear to what extent a higher cost of DSM bundles or lower FOT market limits would have changed the timing or nature of the next deferrable resource. However, given the increasing importance of the timing of the next deferrable resource to PacifiCorp dockets and rates, this sensitivity to DSM cost and FOT market limits should become part of the IRP.

Differing IRP assumptions or decisions can have significant impacts on the next deferrable resource. For example, in IRP sensitivity run S-15 the model was forced to align EPA 111(d) renewable timing with RPS requirements. In this sensitivity run, the model shut down a coal plant early and the next deferrable resource was moved up to 2020. Given that DSM and FOTs dominate the resource mix of the preferred portfolio, sensitivity analyses around these types of resource are critical to understand potential changes to the next deferrable resource if input assumptions ultimately prove to be significantly different from reality, as they often are.

While the IRP may not have originally been used to provide this important information as to the next deferrable resource, it has become the referenced source. Thus, sensitivity analyses

around and additional focus on these issues have become necessary. Alternatively, a separate process could be fashioned to derive the next deferrable resource outside the IRP context.

2. The IRP preferred portfolio selection process is focused primarily on the first 10 years and/or the action plan period. While the action plan is a key output of the IRP, the IRP preferred portfolio is used in other regulatory proceedings, and all 20 years of the forecast period are important.

The first 10 years of the analysis and the 2- 4 year action plan window are given priority over the remaining years in the selection of the preferred portfolio. For example, in “Chapter 8 Modeling and Portfolio Selection Results”, this priority of the first 10 years taking precedence in choosing a portfolio is mentioned on page 186:

“This figure illustrates the similarity among the top performing portfolios, identified using cost and risk metrics, through the first 10 years of the planning period when differences in resources among portfolios is most likely to influence the 2015 IRP action plan.”

This priority is confirmed in a data response to ODOE Data Request 4:

“Additionally, please refer to Figure 8.17 on page 187 in Volume I of the Company’s 2015 IRP. As noted on page 186:

This figure illustrates the similarity among the top performing portfolios, identified using cost and risk metrics, through the first 10 years of the planning period when differences in resources among portfolios is most likely to influence the 2015 IRP action plan.

That is, focusing on C13-1 would not have changed the resource outcomes in the action plan time horizon.”

The action plan period or first 10 years of analysis should not be given priority over the last 10 years of analysis in the preferred portfolio selection. Giving priority to the first 10 years of the action plan period could result in choosing a portfolio with different timing of the next

deferrable resource, which has become perhaps a more important output of the IRP process given the current extensive reliance on market resources.

In summary, UAE recommends the Commission instruct the company to 1) conduct uncertainty analysis around DSM costs and FOT market capacity to better inform timing of the next deferrable resource and deficiency/sufficiency period and 2) give equal consideration to the entire forecast period in selecting the preferred portfolio.

Dated this 25^h day of August 2015.

Hatch, James & Dodge

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 25th day of August 2015, on the following:

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