GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

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
Béla Vastag, Utility Analyst

Date: September 25, 2015

Re: In the Matter of Rocky Mountain Power's 2015 Integrated Resource Plan
Docket No. 15-035-04;
Office of Consumer Services Reply Comments

I. Background

The schedule in the 2015 Integrated Resource Plan (IRP) Docket provides parties with an opportunity to respond to initial comments that were filed by all parties on August 25, 2015. 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) made several recommendations to the Commission regarding PacifiCorp's (Company) 2015 IRP. In general, the Office concurs with the Division's recommendations. Specifically, the Office strongly supports the Commission adopting in its Order on the 2015 IRP two of the Division's recommendations:

- "The Division recommends that the Commission require future IRPs present a contingency plan for the reliance of FOTS to be used in the event that market supplies tighten and prices increase significantly."[1]

- "The Division recommends that the Commission order the Company to prepare IRP-type analyses in conjunction with its 2015 IRP Update showing the effects on resource acquisition and retail ratepayer cost impacts if, over the next three years, the Company acquires (a) 1,000 megawatts of additional solar PV capacity through

[1] Division of Public Utilities comments, August 25, 2015, page 30.

new QF contracts and (b) 3,000 megawatts of additional solar PV capacity through new QF contracts."[2]

Environmental Groups' IRP Comments

Initial comments were submitted by or on behalf of several environmental groups.[3] These comments all essentially make the same criticism of the Company's 2015 IRP – that the modeling has been constrained such that new renewable resources are not selected and that coal powered generating units are not retired soon enough. The IRP process includes the involvement of many different stakeholders and interests. Further, the statutes, rules, and guidelines governing the IRP process must take priority over the agenda of any individual or set of stakeholders. Ultimately, the Company must develop an IRP that results "in the selection of the optimal set of resources given the expected combination of costs, risk and uncertainty."[4]

In response to the environmental groups' criticism concerning modeling constraints, the Office offers the following:

- While the Company has not selected any new renewable resources in the 2015 IRP preferred portfolio, the Office is aware that the Company has signed contracts with Qualifying Facilities (QFs) just in Utah for approximately 1,000 MW of wind and solar resources that are scheduled to come online by the end of 2016. Further, the IRP model is not selecting fossil fuel resources in lieu of renewable resources, i.e. no new resources (other than DSM and FOTs) are selected until 2028.

- The Company has actually increased the amount of coal powered generating units being retired or converted to natural gas during the comparable 18-year period (2015 to 2032) in the 2015 IRP as compared to the 2013 IRP.[5] In this period, the 2013 IRP had 1,698 MW of retirements while the 2015 IRP has 2,536 MW or an increase of 838 MW of coal retirements. Furthermore, the 2015 IRP preferred portfolio has an additional 627 MW of retirements outside this period (in 2033) for total coal retirements of 3,163 MW.[6] This is an increase in total coal retirements of 1,465 MW from the 2013 IRP.

- The actual investments in environmental equipment that will be made for many of our coal units is unknown and depends on many moving parts such as final State Implementation Plans (SIPs) for regional haze, final implementation of the EPA 111(d) rule and tradeoffs between when each coal unit is upgraded/retired, cost of upgrades and optimal dispatch/reliability of the system. The recommendation by these groups to just allow the System Optimizer (SO) model to make these

[2] Ibid.

[3] These environmental groups include Interwest Energy Alliance, Utah Physicians for a Healthy Environment, Breathe Utah, Utah Clean Energy, Sierra Club, HEAL Utah, Western Clean Energy Campaign, Powder River Basin Resource Council and Idaho Conservation League.

[4] Utah IRP Standards and Guidelines, Docket No. 90-2035-01.

[5] The 20-year planning horizon in the 2013 IRP ended in 2032 while in the 2015 IRP ends in 2034.

[6] See Table 8.7 in both the 2015 and 2013 IRPs.

selections is too simplistic. The environmental groups say that the Company has constrained the SO model to not retire enough coal plants but they have largely ignored the complex analyses that the Company performed in Volume III of the 2015 IRP – Coal Analysis. Because of the complexities of the tradeoffs involved in analyzing which coal plants to retire and when to retire them, the Company has performed a separate analysis in an attempt to more accurately model and evaluate these tradeoffs. In the conclusion of the Coal Analysis, the Company summarizes some of the complexities as follows:

> *"PacifiCorp's analysis, performed using the System Optimizer model, captures resource portfolio impacts of potential Regional Haze compliance alternatives including impacts to system dispatch costs and up-front capital and run-rate operating costs for new and existing generating units. PacifiCorp's analysis reflects how different Regional Haze compliance alternatives might impact compliance costs associated with known and prospective regulations for mercury and air toxics, coal combustion by-products, effluent limits, and cooling water in-take structures. Similarly, PacifiCorp's analysis considers implications of EPA's draft 111(d) rule."*[7]

Ignoring that there are tradeoffs, i.e. multiple ways to optimize the final outcome of meeting these uncertain requirements, and just forging ahead to build renewable resources and to shut down coal plants as fast as possible as these environmental groups propose would most likely <u>not</u> be a prudent approach nor in the best interest of the Company's customers.

III. Conclusion

Considering the many uncertainties involved in the planning process, the Office continues to assert that the Company has developed a preferred portfolio which produces a low cost, low risk and reliable set of resources to meet Utah customers' future demand for electricity; and, we recommend that the Commission acknowledge the Company's 2015 IRP.

CC: Chris Parker, Division of Public Utilities
Jeffrey K. Larsen, Rocky Mountain Power

[7] PacifiCorp 2015 IRP, Volume III, page 45.