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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
Béla Vastag, Utility Analyst

Date: June 29, 2016

Re: In the Matter of Rocky Mountain Power's 2015 Integrated Resource Plan
Docket No. 15-035-04

Background

On March 31, 2016, Rocky Mountain Power (the Company) filed PacifiCorp's 2015 Integrated Resource Plan Update (IRP Update). On April 7, 2016, the Company also filed in this Docket a Request for Waiver of Requirement to Include Business Plan as Sensitivity Case in Subsequent IRPs (Business Plan Waiver). The Public Service Commission of Utah (Commission) issued a Scheduling Order on April 7, 2016 and a Notice of Amended Comment Period on April 20, 2016 setting the schedule for comments on the IRP Update filing, including on the April 7, 2016 Request for Waiver, with initial comments due June 29, 2016. Accordingly, the Office of Consumer Services (Office) submits its initial comments on PacifiCorp's 2015 IRP Update and request for a Business Plan Waiver.

Request for Business Plan Waiver

In its April 7, 2016 Request for Business Plan Waiver, the Company specifically asks the Commission for a waiver of the requirement to include the Company's Business Plan as a sensitivity case in all subsequent IRPs. The Commission has imposed this requirement for a good reason; and therefore, the Commission should deny the Company's request for a Business Plan Waiver.

In past IRPs, the Office has voiced concerns that the IRP was significantly shaped by business planning processes outside of the normal and extensive stakeholder-involved IRP modeling and portfolio development processes. For example, in the 2008 IRP, the Office stated:

> *In particular, the IRP assumptions used and the fixing of any resources cannot simply be aligned with the business plan, but must be identified, explained and supported with verifiable evidence.*[1]

Additionally, in the 2011 IRP, the Office stated:

> *In the 2011 IRP, the Company applied new criteria to a single portfolio (Case 3) in order to justify what appears to be a pre-determined portfolio result - the Business Plan (Case 19) which includes a full Energy Gateway transmission build out.*[2] *Case 19 performed poorly in the initial stochastic screening results and was not even included by the Company on its short list of cases subjected to further evaluation. The additional criteria used to develop the Re-optimized Case 3 appears to be a backdoor attempt to align the IRP outcome with the Business Plan, despite the fact that the business plan case failed to pass muster in the initial stochastic analysis.*[3]

To address such concerns, the Commission stated in its 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."[4] The Office believes that this directive from the Commission is still a very necessary requirement and that the Company must continue to provide analyses of the Business Plan as part of its IRP filings.

The Office recommends that the Commission deny the Company's request for a Business Plan Waiver; and instead, require the Company to propose an alternative solution for the issues it raised in its Waiver Request - an alternative that protects business-sensitive information but also allows for regulatory oversight of the Business Plan's impact on the IRP.

2015 IRP Update

The Office sees two major changes in the 2015 IRP Update from the 2015 IRP that we will provide comments on.

1. Coal generating units Naughton 3 and Cholla 4 will not be converted to natural gas but will be retired at the end of 2017 and 2024, respectively.

2. The Company announced plans to issue an RFP to acquire new renewable resources to take advantage of the extended availability of the production tax credit (PTC) for wind and to help meet an increased RPS requirement of 50% in Oregon.

[1] Docket No. 09-2035-01, OCS Comments on PacifiCorp 2008 IRP, June 18, 2009, page 4.
[2] Docket No. 11-2035-01, OCS Comments on PacifiCorp 2011 IRP, September 7, 2011, page 19.
[3] Ibid, page 5.
[4] Docket No. 09-2035-01, Report and Order, April 1, 2010, page 48.

Retirement of Naughton 3 and Cholla 4

Due to lower loads, low market prices and increased conversion costs, the Company's analyses now show that retiring these units is a lower cost alternative than natural gas conversion. The retirement of Naughton 3 and Cholla 4 would reduce the Company's resources by 337 MW in 2018 and by another 387 MW in 2025, as compared to the 2015 IRP. As a result, the system Load and Resource Balance is short an additional 720 MW in 2025 as compared to the 2015 IRP. This deficit is primarily made up with additional Front Office Transactions (FOT) and in 2025 FOTs now total 1,440 MW.

The Company plans to revisit the analysis of these two coal units in the 2017 IRP. The Office looks forward to updated analyses on these units and asks that the Company include information on how the retirement of these units would affect available capacity on and reliability of the transmission system. The Office understands that the retirement of the Carbon coal units required expensive upgrades to the Company's transmission system and stakeholders would also want to understand if costly upgrades would be required for other coal unit retirements shown in the first 10 years of the IRP.

Potential Acquisition of New Wind and Solar Resources

On page 56 of the IRP Update, the Company states that it planned to issue an RFP for renewable resource acquisition in Spring 2016 and then complete the RFP evaluation, selection and contracting process by Fall 2016. The reason stated for this timeline is to acquire wind and solar resources such that they qualify for the full amount of the PTC and/or investment tax credit (ITC). At the June 21, 2016 kickoff meeting for the 2017 IRP, the Company indicated that the RFP closed in May 2016 and that they were pleased with the bids that had been submitted. The Company also indicated that if any contracts for resources resulted from this RFP process, these resources would automatically be included as base resources in the 2017 IRP.

The Office notes that Sensitivity Case S-09 of the 2015 IRP considered an extension of the PTC through the IRP study period. The portfolio resulting from this sensitivity case did not show any wind being acquired until 2020. New resources were needed in 2020 because this case also accelerated the retirement of Dave Johnson Unit 1 from 2028 to 2020 (resulting from Regional Haze Scenario 1 being used). It appears that without accelerated coal retirements, the System Optimizer model would not have selected any new wind resources in Case S-09 even with an extended PTC.

The Office also notes that in other forums, e.g. Qualifying Facility (QF) cases and requests for special contracts, the Company states that they have no need for new resources for the next decade.[5] The Office questions the Company's decision to potentially acquire new resources from the results of its recent RFP when IRP analyses and Company statements in other proceedings indicate that no new resources are needed. If these resources are needed for the Oregon RPS, then the Office assumes that their costs will be situs assigned.

[5] For example, see the Direct Testimony of Paul Clements in Docket No. 15-035-53 (May 11, 2015, lines 53-56 & 61-63 and in Docket No. 16-035-27 (June 21, 2016, lines 269-285).

Recommendations

The Office has the following recommendations in response to the Company's 2015 IRP Update filings:

- Deny the Company's request for a waiver of the Commission's requirement to include the Business Plan as a sensitivity case in IRPs.
- Request that the Company provide alternative solutions for protecting the business-sensitive information potentially exposed by the Business Plan analysis in the IRP.
- Require the Company to explain the specific purpose for any new renewable resources acquired from the Company's Spring 2016 RFP.

CC: Chris Parker, Division of Public Utilities
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