Gary A. Dodge, #0897
Phillip J. Russell (10445)
HATCH, JAMES & DODGE
10 West Broadway, Suite 400
Salt Lake City, UT 84101
Telephone: 801-363-6363
Facsimile: 801-363-6666
Email: gdodge@hjdlaw.com
prussell@hjdlaw.com

Attorneys for UAE

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of PacifiCorp's 2017 Integrated Resource Plan	**Docket No. 17-035-16** **INITIAL COMMENTS OF THE UTAH ASSOCIATION OF ENERGY USERS (UAE) REGARDING PACIFICORP'S 2017 IRP**

The Utah Association of Energy Users ("UAE") hereby submits its initial comments on PacifiCorp's 2017 Integrated Resource Plan ("IRP"). UAE appreciates the efforts of PacifiCorp and others in developing this IRP. However, UAE has significant concerns about this IRP, and PacifiCorp's resource planning process in general, and about a significant potential for increased risks and rates for captive Utah ratepayers stemming from PacifiCorp's proposed new wind and transmission resources ("Proposed New Resources"). The Proposed New Resources were not selected in a manner consistent with the Commission's Standards and Guidelines ("Standards"); nor are they the product of a Meaningful IRP Process. Thus, UAE cannot support acknowledgement of the IRP as consistent with the Standards or as in the public interest. UAE recommends that the Commission decline to acknowledge this IRP.

1. The Proposed New Resources Were Selected and Evaluated in Secret by PacifiCorp.

The IRP and its Action Plan contemplate massive expenditures on significant new wind and transmission resources that were not contemplated in prior IRPs, that have not been shown to be necessary, and that were not evaluated or selected through a meaningful, public IRP process. To the contrary, evaluation and selection of the Proposed New Resources were done solely by PacifiCorp after the public input meetings had concluded, in secret and in a vacuum. This concern was recently described by the Oregon Public Utility Commission staff in comments submitted to the Commission regarding PacifiCorp's 2017 IRP:

> The Commission expects the IRP process to be transparent and to allow for stakeholder input to the Company's preferred portfolio choice, as well as all the analysis the Company performs to reach this choice. In this IRP cycle, the Company essentially completed the public input process of seven public meetings, beginning in June 2016 and going through the end of the year. The Company then produced a draft Action Plan reflecting no new resource acquisition, as the Company's analysis projected no need for additional resources in order to serve load reliably.
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> It was only at the end of this process that the Company drastically altered its Action Plan to include both the repowering of 905 MW of existing Company-owned wind resources (Wind Repowering) and the purchase of 1,100 MW of new wind with the associated new transmission line (New Wind) that would enable transport of the New Wind power. These proposed capital investments are projected to cost approximately $3.5 billion. Despite the significance of these costs and unfamiliarity with the projects themselves in the context of the IRP, stakeholders had little to no time to review because it was brought to the table at the very end of the process.
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> Staff is uncertain as to why the Company waited so long to introduce such major resource acquisitions, but in any case, Staff is concerned that the lack of stakeholder review violates a core IRP principle that fosters an open and participatory process and thus may pose a risk to ratepayers. The late inclusion of such a significant set of investments has deprived Staff and other stakeholders of the opportunity to preview that capital addition proposal and ask the Company questions prior to the filing of the IRP. Staff is further concerned with the late addition of these two Action Items (New Wind and Wind Repower) because the Company has no need to justify these resource acquisitions and

makes no claim to have a need – it presents this $3.5 billion acquisition purely as a long term economic benefit to customers over the course of twenty years.

UAE recognizes that the prudence of the Proposed New Resources will be addressed primarily in other dockets—UPSC Dockets 17-035-23, 39 and 40. However, PacifiCorp is seeking acknowledgment of the IRP, the Action Plan and the Proposed New Resources in this docket, and is asserting in those other dockets that the Proposed New Resources are products of the 2017 IRP process and should thus be approved.[1] However, testimony already prefiled by several parties in those dockets raise a multitude of significant concerns about the Proposed New Resources, the projections of ratepayer benefits, and ratepayer risks.[2] UAE submits that the proposed resources should be evaluated on their own merits in those other dockets and should not be given a proverbial "leg up" through the Commission's acknowledgment of the IRP or the Action Plan.

By failing to provide meaningful opportunities for substantive public review and evaluation of and input into the Proposed New Resources as part of the 2017 IRP process, PacifiCorp violated Standards 3 and 5. Thus, neither the IRP nor its Action Plan should be acknowledged by the Commission. No credibility should be given to any claim that the Proposed New Resources were selected as least cost/least risk resources pursuant to a meaningful IRP planning process.

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[1] *See, e.g.*, Docket 17-035-23, Application for Approval of Solicitation Process, at 7-8; Docket 17-035-39, Application for Approval of Resource Decision to Repower Wind Facilities, at 6-7; Docket 17-035-40, Application for Approval of a Significant Energy Resource Decision and Voluntary Request for Approval of Resource Decision, at 8-9.

[2] UAE will not repeat or cite in this docket the ample evidence in the other dockets that call into serious question the likelihood of customer benefits being realized. However, UAE urges the Commission to consider the testimony from those dockets in determining whether to acknowledge the IRP or its Action Plan.

2. The Proposed New Resources Would Create Significant Ratepayer Risk.

Acquisition by PacifiCorp of the Proposed New Resources would create significant new ratepayer risks. PacifiCorp's own evaluations show only modest projected benefits. If any of the multitude of untested assumptions utilized by PacifiCorp prove inaccurate, however, the alleged ratepayer benefits could easily become ratepayer burdens. For example, PacifiCorp's initial analyses indicated that the Projected New Resources will not be economical if natural gas prices remain low—which is certainly possible, and predicted by many. Moreover, PacifiCorp's proposal for significant new, unneeded, long-term fixed-price renewable resources is wholly inconsistent with the "fixed-price risk" arguments that it advanced aggressively, and that the Commission accepted, at least in part, in Docket 15-035-53. PacifiCorp has offered no explanation for this sudden reversal of attitude as to ratepayer risk. It appears that PacifiCorp worries about fixed cost ratepayer price risk only if someone other than PacifiCorp will own the resources.

The multitude of risks inherent in the Proposed New Resources—including gas price risk, construction cost risk, facility performance risk, tax rate risk and many others—will presumably fall primarily on ratepayers. By failing to properly acknowledge or evaluate all of these potential ratepayer risks, the IRP fails to satisfy Standards 1 and 4h. UAE thus submits that, at least pending a meaningful and thorough evaluation of ratepayer risks and potential benefits in those other dockets, the Commission should not acknowledge the IRP or its Action Plan.

3. The Proposed New Transmission Segments Were Not Vetted through the OATT Process or the IRP Process.

PacifiCorp's proposed new transmission "sub-segment" and other proposed transmission projects will not reduce congestion in moving power out of Wyoming to meet PacifiCorp's loads. At best, they will move additional wind energy from one part of rural southern Wyoming to another. It is UAE's understanding that, in proposing a new 500 kV line and multiple new 230 kV transmission lines, PacifiCorp has not followed the transmission planning requirements outlined in Attachment K of its open-access transmission tariff ("OATT"). Attachment K requires that projects designed to address local needs—like the proposed Gateway West sub-segment D2—follow a "Local Transmission System Plan" developed through a two-year planning process, with extensive public review and input, which has not occurred. Also, since the party requesting this new transmission segment is PacifiCorp's merchant function, questions may arise as to PacifiCorp's compliance with OATT Standards of Conduct. Federal law prohibits incumbent transmission monopolies from discriminating in favor of their merchant affiliates; the possibility of discrimination here has the potential to lead to costly litigation. PacifiCorp's analysis and pursuit of new transmission segments outside the normal course of the IRP and the OATT violate Standards 1, 3 and 4h.

4. **The Process Used to Determine the Preferred Portfolio as Least Cost/Least Risk was flawed and incomplete.**

As discussed in more detail below, the process used by PacifiCorp to create and evaluate the Preferred Portfolio as least cost/least risk was flawed and incomplete. The sequence of coal plant retirement modeling done early in the process did not allow coal plant retirements to be considered as an alternative to new transmission. Also, only assumptions relating to Wyoming Wind resources were updated in the final portfolio selection; other resource costs were not updated and other new resource types were not considered. Nor were other combinations of resource types and transmission sub segments modeled. Moreover, PacifiCorp's initial analysis—the only one that has been analyzed by other parties and upon which responsive testimony has been filed—indicates that the preferred portfolio is not the lowest cost if natural gas prices remain low, even though low natural gas prices are arguably the most likely future scenario. All of these deficiencies violate various aspects of the Standards, including Standards 1, 4b and 4h.

a. Improper Sequence of Regional Haze Case Selection and Transmission Modeling.

The IRP process is illustrated in Figure 7.1 on page 144 of the IRP. At a high level, the initial model runs were used to determine a Regional Haze portfolio which defined coal plant investments and retirements. The case definitions of the Regional Haze cases considered are shown in both Chapter 8 of the main document and Appendix K of Volume II. Table K1 on page 179 of Volume II is a reference to how the Regional Haze cases were defined. This table shows that, when these model runs were performed, no new Gateway transmission was assumed in the transmission topology. Thus, the Regional Haze model runs did not consider the Gateway D2 sub-segment that was ultimately chosen in the preferred portfolio. The chosen Regional Haze portfolio served as the foundation for all subsequent model runs. This Regional Haze foundation was thus chosen using a different transmission topology than the Preferred Portfolio. Additionally, the initial Regional Haze model runs did not include wind repowering.

The sequencing of the Regional Haze portfolio selection and the accompanying decisions on coal plant investments and retirements, combined with the addition of transmission Segment D2 and others late in the selection process, in combination served to prevent any Regional Haze evaluations of Segment D2. There were thus no comparisons or analyses of alternatives relative to Regional Haze with and without transmission sub segment D2 (or any other sub segment). Also, there were no evaluations of cases in which coal plants may be retired early to free up transmission for new wind rather than building new transmission to enable new wind. The combination of the Regional Haze portfolio being selected early and the late addition of transmission segment D2 resulted in a Preferred Portfolio that has not been fully evaluated and cannot be shown to be least cost or least risk. These errors in evaluation of resources and risks violate Standards 1, 4b, 4h and 5.

b. Wyoming Wind Resource Costs were the Only Ones Updated in the Final Portfolio Selection.

During the Final Portfolio Screening phase of the IRP, the company made adjustments to assumptions regarding Wyoming wind resources. For example, capital cost assumptions were decreased by 10.7% and the assumed capacity factor was decreased from 43% to 41.2%. See 2017 IRP at p. 220. No changes or updates to any cost or capacity factor assumptions were made to any other resource types. The IRP thus did not evaluate resources in a consistent and comparable manner and the Proposed New Resources have thus not been shown to be least cost/least risk, in violation of Standards 1, 4b and 4h.

c. No New Transmission Sub Segments other than D2 were evaluated.

During the Final Portfolio Screening phase of the IRP, PacifiCorp made adjustments to how transmission investments were modeled. First, the company departed from modeling Energy Gateway segments in whole and chose to model only the D2 sub segment of Gateway segment D and related upgrades. No other sub segments were modeled or considered. The capital cost assumptions for sub segment D2 were decreased by $113 million from initial estimates. See 2017 IRP at p. 220. No other potential transmission segments or sub segments were reevaluated for cost. Also, new power flow and dynamic stability analyses were performed on sub segment D2, which purportedly increased transfer capability from 650 MW to 750 MW.

See 2017 IRP at p. 220. No other potential transmission segments or sub segments were reevaluated with power flow and dynamic stability analyses. The IRP thus failed to evaluate all resource options in a fair, consistent and comparable manner, in violation of Standards 1, 4b and 4h.

d. High, Low and Base Natural Gas Price Forecasts Were Given Equal Weight

The IRP modeling includes three natural gas price forecasts. The medium gas price forecast is based on the Company's Official Forward Price Forecast. The high gas price forecast and the low gas price forecast are from third party experts. These price forecasts may be reasonable proxies for a range of potential future outcomes, but they may well not all have an equal likelihood of occurring. In fact, the current futures market for natural gas indicates that the low natural gas price forecast is currently believed by market participants to have a greater likelihood of occurring than even the medium forecast, and a much greater likelihood of occurring than the high natural gas price forecast.

Notwithstanding the above, the IRP in tables 8.12 and 8.15 averaged the results of these three forecasts, giving the high, medium and low price forecasts equal weight. While these three forecasts may be properly used to define a range of potential outcomes, the IRP provides no support for why the three forecasts should be given equal weight. Absent such support, and particularly in light of market-based forecasts from the futures market that suggest low prices, it is not reasonable to assign the three forecasts equal weight for purposes of justifying predefined resource selections. The IRP thus fails to evaluate resource options on a reasonable, consistent and comparable basis, in violation of Standards 1, 4b and 4h.

5. The Time Sensitive Nature of the PTC Should Not Compromise the IRP Process.

The Company has attempted to justify its significant departures in the Final Screening process from the more established processes typically used on an allegedly expiring PTC opportunity. While UAE is not opposed to exploring time-limited opportunities under proper conditions, any justification for a proposed major investment in reliance on IRP analyses must first be subjected to full, complete, fair and comparable analyses, as opposed to the compromised analyses performed in the Final Screening process of the 2017 IRP. Among other things, PacifiCorp's rushed process has resulted in an inadequate RFP, in violation of Standard 4c.

Conclusion

UAE recommends that the Commission not acknowledge the 2017 IRP. UAE further recommends that the Commission instruct the company to 1) select future resources consistent with approved IRP evaluation methods and stakeholder input, 2) incorporate meaningful analysis of ratepayer risks in IRP resource selection, 3) properly vet new transmission segments through the OATT and IRP processes, and 4) conduct comprehensive and complete IRP analyses of all available generation and transmission resource alternatives. Finally, for avoided cost calculation purposes, UAE recommends that the timing of resource additions be based on when new resources would have been added, without consideration of the Proposed New Resources, at least unless and until such time as the Proposed New Resources are approved in other pending dockets.

Dated this 24h day of October 2017.

Hatch, James & Dodge

/s/ ___________________________________
Gary A. Dodge,
Attorneys for the Utah Association of Energy Users

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 24th day of October 2017 on the following:

Rocky Mountain Power:

Yvonne R. Hogle	yvonne.hogle@pacificom.com
Bob Lively	bob.lively@pacificorp.com
irp@pacificorp.com	

Division of Public Utilities:

Patricia Schmid	pschmid@utah.gov
Justin Jetter	jjetter@utah.gov
Chris Parker	chrisparker@utah.gov
William Powell	wpowell@utah.gov

Office of Consumer Services:

Robert Moore	rmoore@agutha.gov
Steven Snarr	stevensnarr@agutah.gov
Michele Beck	mbeck@utah.gov
Cheryl Murray	cmurray@utah.gov

HEAL Utah

Michael Shea	michale@healutah.org

Utah Clean Energy:

Sarah Wright	sarah@utahcleanenergy.org
Sophie Hayes	sophie@utahc.eanenergy.org

Western Resource Advocates:

Jennifer Gardner	jennifer.gardner@westernresources.org
Steven S. Michel	smichel@westernresources.org
Nancy Kelly	nkelly@westernresources.org
Penny Anderson	penny.anderson@westernresources.org

Renewable Energy Coalition

Adam Long	along@shutah.law
John Lowe	jravenesanmarcos@yahoo.com

Sierra Club:

Gloria D. Smith	gloria.smith@sierraclub.org
Alexa Zimbalist	alexa.zimbalist@sierraclub.org

/s/ ______________________________