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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF ROCKY MOUNTAIN)
POWER'S 2017 INTEGRATED RESOURCE PLAN) Docket No. 17- 035-16

RESPONSIVE COMMENTS OF THE INTERWEST ENERGY ALLIANCE

DECEMBER 15, 2017

The Interwest Energy Alliance (“Interwest”) files these Responsive Comments in response to the Initial Comments filed in related to the PacifiCorp 2017 Integrated Resource Plan October in this docket.

I. INTRODUCTION

Interwest appreciates the opportunity to respond to initial comments filed by parties related to the PacifiCorp 2017 IRP. Several parties filed comments which raised strong concerns about PacifiCorp’s activities and modeling used to prepare the IRP. PacifiCorp has also included deficient coal unit modeling in its recent IRPs. Interwest agrees that these concerns should be

addressed in the Utah PSC's order. In addition, Interwest supports other parties which recommend changes to the Action Plan to remedy deficiencies in the modeling related to utility scale solar energy and to require updated modeling about battery storage in the 2019 IRP.

Interwest asks the Commission to distinguish between procedural and substantive concerns, and to acknowledge that new renewable energy investments are consistent with public policy goals established in previous Utah IRP-related orders. Acquiring resources for overall cost-savings may be a relatively unfamiliar part of the new utility regime, but in this manner PacifiCorp is showing signs of being responsive to stakeholder input, rather than becoming less responsive. Therefore, Interwest recommends the Commission review the information presented to PacifiCorp by the modeling, however late in the IRP cycle it was received by the IRP team and the stakeholders, and to acknowledge the overall plan as being in the best interests of electricity consumers.

Interwest supports the filings from Utah Clean Energy which promote advancing grid-scale solar energy earlier in the planning process. UCE recommends that the 2017 Action Plan indicate that the utility should acquire solar resources which are currently called for later in the IRP to the near term to benefit from historic low prices and the Federal Investment Tax Credit.

UCE also recommends that PacifiCorp track and update battery cost trends to accurately reflect energy storage as a resource in its IRP modeling. As stated in its initial comments, Interwest agrees that it is critical that PacifiCorp uses the most accurate and current market information, including price and technologies available in the market, when it establishes the assumptions and inputs into its 2019 IRP modeling. To accomplish this goal, Interwest agrees

with the UCE recommendation that PacifiCorp be urged to convene technical workshops to discuss the challenges and needs related to modeling battery storage and to refine modeling in the 2019 IRP.

Interwest recommends acknowledgement of the overall IRP because the primary near-term investments included in the Action Plan (repowering, new wind and transmission) appear to be supported by the IRP modeling. These actions will reduce the risks and higher costs and of using front office purchases to meet PacifiCorp's need over the planning period. The Oregon Public Utilities Commission has recently entered a verbal order acknowledging the IRP.¹ Parties are appropriately concerned about the interrupted and opaque process used to develop the IRP, and about the weakness in the coal plant analysis included by PacifiCorp in its recent IRPs. These are critical issues to be addressed by the Commission. However, the primary Action Plan activities related to new wind and transmission should be approved, and the IRP acknowledged with appropriate modifications to the Action Plan as described herein.

II. NEW WIND AND TRANSMISSION SAVES FUEL TO MEET ENERGY AND CAPACITY NEEDS

PacifiCorp's modeling reveals that substantial new wind resources will reduce emissions and provide for stable prices and substantial fuel cost savings, while filling demand which would otherwise be met by risky and more expensive front office transactions. The new resources will

¹ Portland Business Journal, "PacifiCorp's \$3.5B wind plan gets PUC blessing, with caveats", Dec. 12, 2017, <https://www.bizjournals.com/portland/news/2017/12/12/pacificorps-3-5b-wind-plan-gets-puc-blessing-with.html>.

allow PacifiCorp to burn less fossil fuel to generate electricity over the life of the repowered and new wind projects. This vital point is missed in some of the comments filed in response to the IRP. PacifiCorp has taken a huge step forward towards integration of more renewable energy, which it has been encouraged to do in a cost-effective manner by previous Commission orders in several states. Like other utilities around the West, PacifiCorp's transmission and generation resources have been built around its thermal plants, and large investments will be required to incorporate more geographically diverse variable energy resources on a cost-effective basis over the long run. PacifiCorp proposes new transmission resources to enable it to bring on more fuel-saving resources now because the tax benefits allow it to do so in a cost-effective manner. To have delayed these acquisitions would have been imprudent and the utility likely would have been criticized for "leaving consumers' money on the table". Spending hundreds of millions on a more risky plan to burn fossil fuels throughout the planning period is not a more cost-effective plan.

In past IRPs, PacifiCorp had manually restricted the amount of wind which its Strategist model could assume was available to it due to lack of available transmission capacity to bring wind online from wind-rich areas in Wyoming. This artificial constraint has left valuable wind resources untapped despite falling prices and available federal tax credits which have spurred investments by other large utilities over the past few years. In the 2017 IRP, PacifiCorp's modeling began along the same path, but then the utility saw potential savings for consumers (referred to in this context as "opportunities") available from the published IRS opinions interpreting how the utility can use the PTC benefits for wind repowering. These potential opportunities were then incorporated into the modeling, which took some weeks. During this time, the stakeholders were "left in the dark" about how the planning was changing due to this new information. PacifiCorp's

error in not keeping stakeholders more informed earlier has caused understandable mistrust about the entire stakeholder input process. This mistrust continues to this day, fueled in part by the recognition that large investments are required to bring PacifiCorp's generation fleet into the modern age.

Interwest suggests that the Commission and parties consider these proposals as a positive move, clumsily performed. The pivot in the context of the IRP denied the active stakeholders the ability to ask extensive questions and receive explanation and answers in the context of the IRP process, which should be required of the utility when it develops all IRPs. This misstep by the utility should not be repeated. However, these are extraordinary, if not unique, circumstances. Furthermore, stakeholders have now been allowed the process and time to conduct discovery and to analyze the IRP results through several pending dockets, including this IRP docket, so that each party can review the recommendations and modeling in detail. This docket has not been rushed and the time allotted would ordinarily allow for sufficient review. Admittedly, it would have been preferable for parties to have been able to ask numerous questions and have more public meetings while the IRP was being developed during which to absorb these new portfolios and potentially affect the outcome. However, this assertive plan by the utility is rational and prudent based on changes to tax policy passed at the end of 2015, and interpretation issued during 2016, and follows similar decisions and investments made by other utilities around the West. PacifiCorp's proposal will help modernization its grid and increase integration of variable energy resources. These acts should be approved despite the remaining concerns about the utility's ongoing deficient coal unit analysis and other delays.

Interwest notes that Congressional activity may result in reduced tax credit appetite for the utility, indirectly reducing the savings which would otherwise been provided by the PTC tax regime previously established by the federal government, on which billions of dollars have been invested around the US. This disruption in the market fueled by political wrangling in Washington should not be sufficient reason for the Utah PSC to deny acknowledgement for the Action Plan, simply because of the action items directed towards the repowering and new wind and transmission acquisitions. PacifiCorp was relying on the same promises from the federal government that utilities and renewable developers and manufacturers around the country have relied upon – that tax credits used to build new industries and promote economic development and jobs would be available through the expiration of the PTC. Other utilities have obtained Commission approval of large wind projects for economic savings rather than simply to fill demand requirements, because the costs of large projects are low and stable enough to bring hundreds of millions in savings per project. Xcel Energy’s proposed wind and solar projects were discussed in Interwest’s initial comments, and since that time several projects have moved forward: a) parties have filed a unanimous agreement for Southwestern Public Service Company of New Mexico to build a 511 MW facility and a 478 MW farm in Texas, along with acquiring a new 230 MW PPA, investing \$1.6 billion for \$2.8 billion of savings (stipulation filed, but not yet approved by the New Mexico Public Service Commission)²; b) PGE has obtained approval just this week for its renewable energy plan in Oregon³; c) MidAmerican will invest another \$1 billion in wind repowering in

² Albuquerque Journal, “NM AG, others sign on to Xcel wind farm”, Dec. 11, 2017, <https://www.abqjournal.com/1105307/nm-ag-others-sign-on-to-xcel-wind-farm.html>.

³ Portland Business Journal, “PGE’s stalled renewable energy plan wins support from regulators”, Dec. 14, 2017, <https://www.bizjournals.com/portland/news/2017/12/14/pges-stalled-renewable-energy-plan-wins-support.html>.

Iowa⁴; and d) American Electric Power has proposed to purchase 2,000 MW of new wind in Oklahoma.⁵

Parties are concerned about possible changes to the tax code, which may indirectly affect the value of tax credits. The PTCs are likely to remain at the same levels, even while tax credit appetites are reduced by other proposals which have yet to be altered by the conferencing process in Congress. These matters are very likely to be resolved by very early in 2018. Indeed, some of those provisions, like the Alternative Minimum Tax appear to have been eliminated from the most recent descriptions of the compromise bill forged through the Conference Committee.⁶

PacifiCorp's IRP modeling shows that new wind and repowering to increase its wind production substantially will bring online valuable zero fuel cost, stably-priced renewables and also effectively pay for new transmission upgrades which have been needed for reliability in Wyoming and which will enable these new emissions-free resources to be brought online. Emissions from electricity generation will continue to be monitored and regulated, with increased stringency likely over time. Fossil fuel based generation remains risky, so it is prudent to invest in fuel-saving generation now while the federal tax credits and historically low prices remain in

⁴ Des Moines Register, November 9, 2017, "MidAmerican will spend \$1 billion 'repowering' oldest wind turbines", <https://www.desmoinesregister.com/story/money/agriculture/2017/11/09/midamerican-spend-1-billion-repowering-oldest-wind-turbines/846375001/>.

⁵ Columbus Business First, "AEP to spend \$4.5 billion on biggest single wind farm in U.S." (purchase by utilities not yet approved), <https://www.bizjournals.com/columbus/news/2017/07/26/aep-to-spend-4-5-billion-on-biggest-single-wind.html>.

⁶ See Reuters, "Republicans forge tax deal, final votes seen next week", Dec. 13, 2017, <https://www.reuters.com/article/us-usa-tax/u-s-republicans-craft-tax-deal-final-votes-seen-next-week-idUSKBN1E71A5>.

place. Interwest recognizes that regulatory best practices ordinarily warrant a careful step-by-step more incremental acquisition process. However, under this unique set of circumstances, considering all market conditions, PacifiCorp's IRP contains the analysis to support its repowering and new wind and transmission investments, which will result in millions in savings and reduced risks for consumers under its base case assumptions and most likely futures.

III. MODELING OF UTILITY SCALE SOLAR SHOULD BE UPDATED, WITH ANALYSIS BASED ON 2017 SOLAR RFP BID RESULTS

As stated in its initial comments, and in support of comments from other parties in this docket, Interwest reiterates its strong support for the pending grid-scale solar RFP. Solar prices have dropped to historic lows and the federal Investment Tax Credit ("ITC") remains high, at the 30% levels, but it is anticipated to be lowered and level off at 10% for these large projects so PacifiCorp should act now, as other large utilities have done around the West. Xcel Energy just acquired a 50 MW solar purchase power agreement for \$33.95/MWh for its voluntary acquisition plan, Renewable*Connect⁷, so prices in this range should be available in Utah also, much lower than those modeled by PacifiCorp. UCE substantiates these concerns well in its initial comments, and its data points will not be repeated here.

⁷ See attached **Exhibit A**, "RC Charge Pricing Sheet", filed by Xcel Energy in CO PUC Docket No. 17AL-0818E, found at: https://www.dora.state.co.us/pls/efi/EFI.Show_Filing?p_fil=G_739172&p_session_id=300475; See also background on Xcel's Renewable*Connect program at https://www.xcelenergy.com/staticfiles/xcelresponsive/Company/Rates%20&%20Regulations/Regulatory%20Filings/CO_Filings_RenewableConnect_Fact_sheet.pdf.

Interwest also recommends that the Commission set up a docket and require PacifiCorp to report on its modeling of the solar RFP results in a transparent manner, and to enable the parties to make recommendations about solar acquisitions, so the Commission can thoroughly review PacifiCorp's plans to acquire solar energy in the near term if cost-effective bids are received, rather than in the late 2020's. PacifiCorp's IRP defers grid-scale solar acquisitions as being uneconomic until 2028. This delay runs contrary to the actions of other large utilities which have rich solar resources within their service areas. Further, PacifiCorp's modeling should be updated in its 2018 IRP Update and in the 2019 IRP to reflect the technical specifications and prices made available to the utility in the 2017 solar RFP. These prices should be aggregated and/or made available under confidentiality protections to key-decisionmakers and staff, so that they can verify that future solar pricing assumptions have been updated to reflect the historically low prices currently available in the market.

Acquiring solar resources earlier in the planning period, during the 4-year Action Plan, would enable electricity consumers to benefit from the ITC at higher levels and to increase the technological and geographic diversity of its generation resources. Solar energy will also reduce emissions and provide valuable capacity resources to the utility. Interwest promotes grid-scale solar acquisitions to be considered in the early years based on updated pricing reflecting bid responses received in the 2017 solar RFP.

IV. ENERGY STORAGE PRICES AND TECHNOLOGIES SHOULD BE MONITORED AND UPDATED IN THE 2019 IRP

As described in initial comments and comments submitted during the IRP process, Interwest has recommended that PacifiCorp update its renewable energy and storage technology price assumptions on a regular basis based on market testing through an RFP, because these assumptions are usually well above market prices during the entire period that renewable prices have been falling, resulting in inefficiencies and potential for these resources to be unfairly discriminated against in IRP analysis. The same is true for battery storage, prices for which are also falling, and Interwest supports UCE's recommendation for a stakeholder process and research conducted to follow the market changes and products available for energy storage, including battery storage and pumped storage, to be incorporated into the modeling used for the 2019 IRP.

V. SUMMARY

Interwest supports the comments from others and the 2017 IRP and Action Plan, with minor revisions recommended as follows:

1. Acknowledge the wind and new transmission and repowering proposals in the Action Plan. Require additional public meeting requirements and updates to the Action Plan based on development activities in the 2018 IRP Update;
2. Require PacifiCorp to incorporate the 2017 solar RFP bid results in a report to be filed with the 2018 IRP Update, and set up a process for reporting of its modeling and to obtain input about proposed acquisitions. Require PacifiCorp to modify the Action Plan to require the modeling be submitted in a transparent manner and encourage the utility to acquire grid-scale solar resources in the near term to benefit from higher levels of the ITC, if the modeling results indicate cost savings from solar acquisitions during the planning period;
3. Require PacifiCorp to engage with a stakeholder group to research and monitor energy storage opportunities, including updated pricing and market offerings to be incorporated into the 2019 IRP modeling.

Interwest appreciates the opportunity to submit these responsive comments.

Dated this 15th day of December, 2017.

/s/Lisa Tormoen Hickey

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Renewable*Connect Year 1 - 2018 Charge

Contract Length	10 Year	5 Year	Month to Month
(1) PPA (\$/MWh)	\$33.95	\$33.95	\$33.95
(2) Solar Integration (\$/MWh)	\$0.40	\$0.40	\$0.40
(3) Program Administration (\$/MWh)	\$6.01	\$6.01	\$6.01
(4) Risk Factor	1.01	1.03	1.10
(5) Total Charge (\$/MWh)	\$40.77	\$41.57	\$44.40
(6) Total Charge (\$/kWh)	\$0.04077	\$0.04157	\$0.04440

Notes

- (1) Per the Purchased Power Agreement signed with Next Era for the solar resource
- (2) Solar integration costs determined through the 2016 Electric Resource Plan in Phase I, as prescribed by the three-case Settlement Agreement in Proceeding No. 16AL-0048E
- (3) Forecasted marketing, administration, and IT costs for Year 1 divided by the forecasted solar generation (updated per the Next Era PPA Year 1 value)
- (4) As outlined on page 20 of the Rebuttal Testimony and Attachments of Steven W. Wishart in Proceeding No. 16A-0055E
- (5) The sum of lines 1-3 multiplied by line 4
- (6) Line 5 divided by 1,000

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Responsive Comments of the Interwest Energy Alliance was filed and served on the following, by email unless noted otherwise, on this 15th day of December, 2017:

psc@utah.gov, Utah Public Service Commission

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