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## Division Comments on PacifiCorp's 2017 IRP Update

**To:** Utah Public Service Commission  
**From:** Utah Division of Public Utilities  
Chris Parker, Director  
Artie Powell, Manager  
Joni S. Zenger, Utility Technical Consultant  
**Date:** July 30, 2018  
**Re:** **Docket No. 17-035-16, PacifiCorp's 2017 IRP Update**

### Recommendation (No Action)

The Division has reviewed PacifiCorp's Confidential 2017 Integrated Resource Plan Update (2017 IRP Update). These comments contain no confidential information. As discussed below, the 2017 IRP Update was submitted for informational purposes only, and no action is required.

### Issue

On May 3, 2018, PacifiCorp (Company) filed its 2017 IRP Update with the Utah Public Service Commission (Commission). The Company prepares its IRP on a biennial schedule, filing its plan with state utility commissions in its six state jurisdictions during each odd numbered year. In the even numbered years, as in this year, the Company files an update to its IRP.<sup>1</sup> On May 3, 2018, the Commission issued a Notice of Filing and Comment Period, requesting interested parties to file comments on the 2017 IRP Update by July 30, 2018, with

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<sup>1</sup> The Division notes that the Company typically files its IRP on March 31 of each odd year and its IRP Update on March 31 of each even year. The Company notified the Commission that both filings would be late this cycle, and the Commission accepted the late filing dates of the 2017 IRP and the 2017 IRP Update, respectively.

reply comments due on or before September 10, 2018. This memorandum contains the Division's comments. This memorandum does not address all possible topics. The Division previously provided detailed comments, with a discussion of key items in the Company's April 4, 2017 IRP filing.<sup>2</sup>

## **Discussion**

The Company's 2017 IRP Update describes resource planning and procurement activities since the April 4, 2017 filing of the 2017 IRP, including business planning, capital expenditures, and operating cost constraints, as well as regulatory changes that occur during the year. The 2017 IRP Update brings up-to-date inputs and assumptions, such as the load forecast, market prices, capital costs, state and federal regulations, and other changes to the planning environment. This includes addressing any recommendations and requirements identified by state commissions during the 2017 IRP acknowledgment and review process.

The 2017 IRP Update produces an updated resource portfolio mix, and updates or revisions to the 2017 IRP action plan resulting from the changes to the planning environment and the refreshed inputs. As the Division has stated previously,<sup>3</sup> it has no way of verifying the results that come from the IRP model runs. The IRP models are proprietary and not available for use without an expensive license from the vendor. In the 2017 IRP Update, the preferred portfolio contains no new natural gas resources through the 20-year planning period. After accounting for reduced loads and lower renewable resource costs, the ensuing resource mix resulted in the removal of a new gas-fired simple cycle combustion turbine and a combined-cycle combustion turbine. The reliance on market front office transactions (FOTs) is reduced throughout the 20-year planning horizon. The IRP update's preferred portfolio continues to assume existing utility-owned coal-fired capacity will be reduced by 3,650 megawatts (MW) through the end of 2036.

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<sup>2</sup> Docket No. 17-035-16, Comments from the Division of Public Utilities, October 24, 2017.

<sup>3</sup> Id., also Docket No. 15-035-04 and Docket No. 13-2035-01.

The Company's Energy Vision 2020 (EV 2020) projects, which include 1,131 MW of new wind, repowering approximately 999 MW of existing wind capacity, and the new 140-mile, 500 kilovolt (kV) Aeolus-to-Bridger/Anticline transmission line in Wyoming, continue to be the updated preferred portfolio's major recommendations. However, the update calls for 741 MW more wind and 820 MW more solar than the 2017 IRP that the Company issued a year ago. In addition, the plan calls for a decrease by 200 MW of energy efficiency resources and a 97 MW decrease in load control than called for in the 2017 IRP.

In terms of resource planning, this past year (as well as 2017) brought some significant state and federal public policy and changes. This IRP cycle includes changes proposed to the Clean Power Plan and to the Tax Reform Act, which the Company must implement or plan for. With respect to state actions, the Oregon Public Utility Commission ordered the Company to prepare an economic analysis of individual coal units by June 30, 2018 to determine which plants should be closed and when. The Company was also required to perform additional transmission analyses. Parties and regulators are currently evaluating the June 30, 2018 data and will continue to evaluate these studies as part of the 2019 IRP process.

The capacity need in both the 2017 IRP and the 2017 IRP Update increases due to the assumed retirements of Naughton unit 3 coal plant in Wyoming in 2019 and unit 4 of the Cholla plant in Arizona in 2020. (PacifiCorp owns about 90% of Cholla unit 4.) The IRP update load and resource balance continues to show a capacity need throughout the planning period, but this need has been reduced relative to the 2017 IRP by 204 MW, rising to 539 MW by 2027.

The Company updated the status and progress of actions it has completed to date in its IRP Action Plan. In its updated filing, the Company has also added new coal resource action items at each of its Company-owned coal plants, stemming from the Company's June 30, 2018 coal plant analysis. The Company intends to update the coal resource actions in future IRP filings as applicable.

In its initial 2017 IRP Order, the Commission declined to analyze or evaluate the IRP's treatment of the EV 2020 projects, as these resources were being evaluated in Dockets No. 17-035-39 and No. 17-035-40, respectively. The Commission did find fault with the timing and process, determining that the analysis surrounding the projects did not comply with Guideline 3 of its Standards & Guidelines.<sup>4</sup> The Division has commented extensively in both EV 2020 dockets as well as in the 2017 IRP docket.<sup>5</sup> With regard to the Company's 2017 IRP Update, the Division restates its concerns with respect to the Company's initial 2017 IRP<sup>6</sup> with regard to the Company's initial 2017 IRP:

- The IRP process must remain focused on least-cost, least-risk planning. PacifiCorp's regulatory obligations that relate to a clean energy future will factor into least-cost, least-risk planning, but those obligations cannot replace the least-cost, least-risk planning as an objective in and of themselves.<sup>7</sup> Furthermore, Utah should not bear the cost of decisions made to satisfy other states' requirements.
- While compliance obligations must be considered, the IRP's outcome must not be over-shadowed by policy-based objectives. According to the Guidelines, the IRP process should result in the selection of the optimal set of resources given the expected combination of costs, risk, and uncertainty.<sup>8</sup>
- With respect to EV 2020, PacifiCorp did not comply with Guideline 3. The Company must comply with Guideline 3 going forward in its 2019 IRP process and provide ample opportunity for public input and information exchange during the development of the plan.<sup>9</sup>

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<sup>4</sup> Docket No. 17-035-16, Report & Order, March 2, 2018, p. 42.

<sup>5</sup> See Docket No. 17-035-39, 17-035-40, and 17-035-16.

<sup>6</sup> Docket No. 17-035-16, Report & Order, March 2, 2018.

<sup>7</sup> Id., at pp. 17-18.

<sup>8</sup> Id. at p. 42.

<sup>9</sup> Id., at p. 1 and p. 42.

With respect to the 2017 IRP Update, the Division recommends focusing attention moving forward, as the Company develops its 2019 IRP. As the Company has already held its 2019 IRP June kickoff meeting and July public stakeholder meetings, the Division recommends a forward-looking approach to ensure that the 2019 IRP addresses the concerns expressed above. The Division cautions PacifiCorp against dramatic changes without consultation with IRP stakeholders. Even if proposals are nascent, an early notification to stakeholders that the option is being considered is warranted. It is evident that significant work surrounding what became the EV 2020 projects occurred relatively early in the 2017 IRP process. Keeping stakeholders in the dark until the eve of filing should not happen again. It threatens parties' trust and wastes significant time and resources.

The IRP Update is typically filed for informational purposes only, and according to Utah Administrative Rule R746-430-1(3), no action is required by the Commission.<sup>3</sup> The Division does not recommend any action at this time by the Commission.

## **Conclusion**

The Company filed its 2017 IRP Update and updated action plan on May 2, 2018, which updates inputs, assumptions and the Company's resource portfolio mix in its preferred portfolio. The Division notes that, per Rule R746-430-1(3), the Commission is not required to acknowledge, accept, or issue an order pertaining to the action plan. The Division believes that attention should be focused on the 2019 IRP process and on ensuring that future IRPs address the concerns expressed previously by the Commission, as stated above. The Division recommends no further action by the Commission at this time.

Cc:

Jana Saba, Rocky Mountain Power

Michele Beck, Office of Consumer Services

Service List