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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: August 18, 2017

Re: Docket No. 17-035-23: In the Matter of the Application of Rocky Mountain Power for Approval of Solicitation Process for Wind Resources

Background

On June 16, 2017, Rocky Mountain Power (the Company) filed an application with the Public Service Commission of Utah (Commission) for approval of a solicitation process for wind resources (Wind RFP). On June 28, 2017, the Commission issued a Scheduling Order which set deadlines of August 4, 2017 and August 18, 2017 for parties to file initial and reply comments, respectively, in this proceeding. The Order also set a deadline of August 11, 2017 for the Independent Evaluator (IE) to file its report on the Company's draft Wind RFP.

On August 4, 2017, the Division of Public Utilities (Division), the Utah Association of Energy Users (UAE) and Interwest Energy Alliance (Interwest) filed initial comments. On August 11, 2017, the Utah IE, Merrimack Energy Group, filed its Report Regarding PacifiCorp's Draft Renewable Request for Proposals (IE Report).

The Utah Office of Consumer Services (Office) offers these reply comments in support of some of the issues raised by parties in their initial comments and by the IE in its report concerning the Company's draft Wind RFP.

Reply Comments

This RFP for wind resources along with the development of the codependent transmission project would have the Company make a capital investment of approximately $2.5 billion. If the Company's actions toward acquiring these investments are approved by the

Commission, the cost of these investments will be borne primarily by the Company's retail ratepayers. Considering the large magnitude of these costs and the need to protect the interests of these ratepayers, the Office requests that the Commission not allow an unnecessarily hurried RFP process or an RFP design that limits the chances of acquiring the lowest cost resources for ratepayers. Just a 1% reduction will save ratepayers $25 million in upfront investment costs and even more over the life of these assets.

The Office agrees with UAE and the IE Report that the draft Wind RFP, as currently designed, is not compliant with the Utah Energy Resource Procurement Act. As described in the comments from the Division, UAE and Interwest and in the IE's Report, the draft Wind RFP contains limitations that will not allow the market to provide bids that "…will most likely result in the acquisition, production, and delivery of electricity at the lowest cost to retail customers…" (Utah Code Section 54-17-201). These limitations could bias the RFP results in favor of the Company's benchmark options and not allow potentially more cost-effective projects from bids to compete.

The Commission should require the Company to redesign the RFP to remove certain limitations:

- Allow bidders to submit production tax credit (PTC) eligible projects that can serve Company loads and that are not restricted to connection to the Company's transmission system in Wyoming. When comparing to the Company's benchmark projects, these "non-Wyoming" projects should also receive some credit for avoiding the Company's proposed transmission buildout in Wyoming. In addition, some preference should be given to these projects for avoiding the risk that the new Wyoming transmission lines cannot be completed in time for Wyoming wind farms to qualify for the full value of the PTC.

- Remove the requirement that only new wind projects that are PTC eligible can bid into the RFP. Allow projects for repowered wind, wind without PTCs and even other generation technologies to bid.

- Ensure comparability to the benchmark projects by either allowing 30-year PPA terms or mandating other changes that make the lives of benchmark and bid projects comparable.

- Relax the requirement that a completed transmission system impact study (SIS) must be submitted with a bid.

The Office believes that the Commission should not solely be persuaded by the Company's urgency of this "time-limited opportunity" for PTCs but should be willing to extend RFP deadlines as necessary to ensure that this RFP can attract the lowest reasonable cost resources for ratepayers. The Company's hurried schedule may not allow time for high quality bids to be submitted in response to the RFP, especially since this opportunity was only first announced in April 2017 when the 2017 IRP was filed with state commissions.

The Company may respond to some of the criticisms offered in the initial comments of the Division, UAE and Interwest and in the IE Report by claiming that the 2017 IRP did not identify any near-term resource opportunities outside of wind in Wyoming. However, the new wind/new transmission projects that emerged at the end of the 2017 IRP process were the result of last minute analysis and involved little, if any, stakeholder input. It is in the interest of ratepayers that the Commission ensure that this RFP is as productive as possible to either validate the resource selection of the 2017 IRP or to show that there are other resources that are even more cost effective.

The Company may also point to their 2016R RFP where they have stated that they received numerous (i.e. 1,000's of MW of) proposals for renewable projects but that none were selected because none were cost effective for ratepayers. The Office notes that the Company did not use an IE for the 2016R RFP process. The Office also notes that neither the 2016R RFP process or any of the proposals that were received were vetted publicly or with any regulatory agency.[1] Parties cannot verify the robustness of the 2016R RFP process; and therefore, cannot rely on it for validation of the near-term new wind/new transmission resources selected in the 2017 IRP.

Recommendation

The Office recommends that the Commission require the Company to redesign their draft Wind RFP to remove the limitations as described above. If the Company asserts that incorporating the parties' requested changes to the RFP will the delay the process, the Office recommends that the Commission allow for more time, as necessary, rather than issue a flawed RFP to the market. It is important to correct these flaws in order to attract the most robust and cost effective responses (bids) to the RFP as possible.

If the Commission allows the RFP to go forward without the parties' recommended changes, then parties should not be precluded from raising these same issues when the results of the RFP are reviewed or in the corresponding resource decision and cost recovery dockets before the Commission.

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

[1] See: http://apps.puc.state.or.us/edockets/docket.asp?DocketID=20128, Docket No. UM 1771, In the Matter of The Northwest and Intermountain Power Producers Coalition (NIPPC) Request for Investigation into PacifiCorp's 2016 Requests for Proposal.