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Rocky Mountain Power wants to spend billions on wind energy in Wyoming, but there will be hurdles

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Rocky Mountain Power wind turbines stretch toward the horizon last month near Medicine Bow. The com recently committed to a \$2.2 billion investment in new Wyoming wind and transmission in the next few ye

Alan Rogers, Star-Tribune

When the wind suddenly falters in a canyon on the northern border of Oregon, and turbines stop generating pulses of power onto the electricity grid, gusts may well still be spinning the wheels in Carbon County, making up the difference.

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Wind power is intermittent. But as long as it has a transmission route, it's cheap, and utilities like PacifiCorp, which still get nearly half of their power from coal generation, have long-term plans that include a lot of new wind.

The best wind, and thus the best investment for the company's buck right now, blows through a wind alley in southern and western Wyoming.

PacifiCorp, and its subsidiary Rocky Mountain Power, would like to spend nearly \$2.2 billion building new wind farms and laying 140 miles of a high voltage transmission line from the Medicine Bow area of wind alley to the Jim Bridger power plant in Sweetwater County. But they have to get approval, and not just from Wyoming.

The company is under an admittedly tight deadline. In order to keep federal tax credits that make wind generation so cheap, this all must be done by 2020. They can't start until they get approval.

Rocky Mountain Power is a public utility operating in Wyoming, Idaho and Utah. The larger PacifiCorp coverage area extends to Oregon, Washington and Northern California.

Recently, Oregon's state regulators criticized the Wyoming wind project. Was it necessary, and could it put the Oregon rate payer at risk to swallow this investment down the line with higher monthly bills?

The company is likely to face similar pushback in Wyoming and for much the same reason. Is the investment risk worth it? Will it benefit consumers or put them on the hook to pay for something they didn't need?

For the next few months, it's RMP's job to argue its case before the Wyoming Public Service Commission, answer staff and intervenor questions and ultimately prove its right to build. There will be a preliminary meeting Sept. 25, and two final public hearings, one for the repowering plans Jan. 9 and one for the new generation and associated transmission on Feb 22.

"I think this is going to be a pretty heavy lift for them," said Bryce Freeman, administrator of the Wyoming Office of the Consumer Advocate, which acts on behalf of the rate payer in these type of cases. "It's never easy to build big stuff, and there are a lot of questions circulating about whether they really need to build it."

Balancing demand

RMP has maintained that it does not believe the wind build out will raise rates. In the long term, the investment is going to be a cost-benefit to consumers in Wyoming in large part because of that federal boost, company spokespeople say. Wind also has zero fuel cost, unlike natural gas and coal generation.

As some aging coal units appear more economical to close down than keep running, Rocky Mountain Power is seeking the lowest cost way to balance the rollercoaster of daily electricity demand, as people switch on air conditioners, flick the lights off or turn on the oven. The availability of power on the grid must always keep pace with the demand for power.

To justify expansion, public utilities have to prove need or benefit to consumers. In Wyoming at least, which provides 30 percent of PacifiCorp's power and only consumes about 17 percent, more wind isn't precisely a necessity, but certainly a long-term lower cost of electricity or higher reliability on the grid is a benefit.

RMP is out to prove that is the case.

“We do see a marginal increase in demand throughout our states. It’s not massive, but this particular project will help meet that demand,” said Jon Cox, vice president of government affairs for RMP.

The wind project was announced when the company released its latest Integrated Resource Plan, a 20-year outlook that the company reviews every two years.

In looking at the long-term trend, the company is always adjusting its expected power mix, calculating different economic scenarios, to make it to that bottom line, Cox said.

“The goal is to find the lowest cost option, and this is what we’ve identified,” Cox said of the wind investment. “The [federal tax credit] is part of that, but also the fact that Wyoming’s wind is good enough that we get more electricity from there than we would anywhere else in our six-state system.”

“The benefit from that tax credit will flow back to customers, which is why our analysis shows over the course of this project that it does provide a net savings to our customers,” he added.

But the risk could also come back to rate payers. Each of the states in the utility’s system carry a different load of that burden, with Utah taking on about 42 percent and Wyoming about 24 percent, Cox said.

Predicting the wind

For some, the company’s desire to add new wind, that comes in with a federal tax credit before it goes away, is understandable.

“I think they would resist the idea that somehow Wyoming is going to be exporting wind energy to the other states in their system,” said Ken Lay, a 25-year Wyoming resident and member of the Norther Laramie Range Alliance, which has challenged a number of wind projects in the last eight years or so.

The group is an intervenor on RMP's current cases before the Wyoming Public Service Commission. "The way they look at it, they're simply diversifying the wind portfolio, making it a more predictable contributor, making the wind portfolio as a whole a more predictable supplier of energy."

The alliance isn't alone in stepping in to raise concern about the company's plans.

The Office of the Consumer Advocate, Wyoming Industrial Electric Consumers and Interwest Energy Alliance are also intervenors on the case. A pending petition to intervene has been put in by a private company, the Rocky Mountain Sheep Ranch, which will be considered Sept. 14.

At this point, early in a process that needs to move rapidly for RMP, there aren't so much objections as there are questions.

Lay and others are not convinced yet of the need, not just for the new wind, but for the transmission line.

"If seven or eight years from now you are going to decommission the largest facilities on this line (the Jim Bridger plant – which could see partial shut downs of individual coal units in the near term), then why would you need to increase its capacity, at great expenses, today?" Lay asked.

"There is no doubt that long-term demand is in a gentle decline due to distributed generation and energy efficiency. That was what their IRP was showing until the latest version, which said PacifiCorp needs all this wind energy to replace the coal plants they've decided to shut down early."

The organization of loosely 900 members has been outspoken on a number of wind issues in the past, from eagle take permits to viewshed issues. One of the consistent arguments they hold is that federal law is forcing RMP to buy power from small wind farms, termed qualifying facilities.

Lay's argument is that if RMP's new wind capacity involves buying from these small developers, consumers miss out on the federal tax credit for that power, which the smaller farms will keep for themselves.

It's one of the points he's bringing up in RMP case.

"It begins to shift the way you look at the public utility," he said of becoming more aware of the complex federal and state policies that govern power generation and distribution. "The public utility becomes your friend, because they have the ability to install these facilities much cheaper, the tax credits go to ratepayers and they've shown much more responsiveness to citizen concerns about siting, wildlife habitat and viewsheds."

Lay's ranch sits south of Glenrock, near the Pioneer Wind Park which sells its power to RMP, and not far from the RMP's own wind facilities north of Highway 25 on the site of a former coal mine.

RMP buys power from nine wind farms that it does not own and operate itself, including Pioneer. It's unclear at this point in the process how much of the new wind power that RMP wants to bring online will be bought from smaller producers, said Cox, spokesman for the company.

But there is disagreement on how much these small facilities influence customer rates. Utilities have to pass on the benefit of the tax credit to their customers and small farms don't.

Though wind farms that produce less than 80 megawatts of wind have a guaranteed buyer from a public utility, mandated by federal law, and though they can keep the production tax credit money, rather than pass it on as a discount to rate payers, they can only sell their power to the utility at an "avoided cost," to utility customers. That price is determined by regulators as the amount of money the utility would spend if they were generating the power from their own sources, whether that be coal, natural gas or wind, said Rob Godby, director of the Center for Energy Economics and Public Policy at the University of Wyoming.

In Wyoming that avoided cost is pretty cheap.

Some utilities don't like the deal -- which foists 20-year purchase agreements on companies like RMP -- but it's designed so that it does not affect the rate payer either way, he said. These companies could probably make more money from their wind in an open power market where all forms of power are in competition. But the advantage of being small and selling to regulated utilities, is that they have 20 years of a fixed price, Godby said.

If a handful of small companies represent part of Rocky Mountain Power's new wind generation, it shouldn't matter to the consumer either way.

A ticking clock

An end to federal tax credits for wind has been a rallying cry for those who dislike the wind industry, dislike its competitive advantage or dislike the look of turbines and their bone-white skeletons shadowing the landscape.

They are about to get their wish. Congress, and wind lobbyists, agreed that wind had the help it needed to become a viable industry. In the next three years, wind projects across the country will be in a mad rush to qualify for the 10-year life credit that they can get up to that point.

Chokecherry Sierra Madre Wind Farm, developed by the Power Company of Wyoming, is also counting on that 10-year credit for the first phase of its 1,000 turbine wind farm near Rawlins.

There is a bigger picture to RMP's wind plans, an electricity grid that's morphing into something new. As Lay, from the Northern Laramie citizens' groups said, the company is looking system wide with this wind.

"They are trying to position themselves so that they have the assets that people need and the ability to move it around the West to where it is needed," said Godby, the UW economist. "This is a strategic decision for [PacifiCorp], to develop this low cost wind now, while the production tax credits exists, because within the next decade they are going to start retiring their coal fired power plants."

In the meantime, the rush to get the job done remains one RMP's biggest challenges.

Rocky Mountain power needs agreements from landowners for right of way permits. It needs approval from the Wyoming Industrial Siting Council, though that group has yet to deny an applicant. There are also county level land use permits that have to be in place, before the company can even get to the construction phase, said Freeman from the Consumer Advocate.

“To be fair, they do have some of the biggies out of the way (like federal environmental assessments),” he said. “There is just a lot of stuff that they are going to have to do ... if they can’t get it done by the end of 2020, they won’t qualify for the full production tax credit which really impacts the economics of what they are trying to do.”

And that may be what it boils down to in terms of need. There is an opportunity to get cheap power long term, if the math works out. If the permitting is completed. And if the projected prices, costs and retirement schedules of RMP's various coal, natural and wind generators hold true.

When asked why now and why so fast, at the company’s initial announcement of wind investment in April, Senior Vice President Gary Hoogeveen, told the Star-Tribune:

“Because we have to.”
