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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Utah Citizens Advocating Renewable Energy's (UCARE) Request for Agency Action to Reform the Integrated Resource Plan Guidelines	**DOCKET NO. 22-035-35** **COMMENTS OF WESTERN RESOURCE ADVOCATES & UTAH CLEAN ENERGY**

I. INTRODUCTION AND SUMMARY

On June 29, 2022, Utah Citizens Advocating Renewable Energy ("UCARE") filed a Request for Agency Action to Reform the Integrated Resource Plan ("IRP") Guidelines with the Utah Public Service Commission ("Commission"). On July 18, 2022, following the Commission's issuance of a scheduling order, UCARE filed an Amended Request for Agency Action to Reform IRP Guidelines ("Amended Request"), which narrowed the scope of the initial request. On July 26, 2022, the Commission granted an unopposed motion to revise the scheduling order to provide more time to respond to the Amended Request. Western Resource

Advocates ("WRA") and Utah Clean Energy ("UCE") hereby respond to UCARE's Amended Request and recommend that the Commission deny it.

While UCARE's initial request for agency action sought to review and reform, generally, the IRP Guidelines established by this Commission in Docket No. 90-2035-01, UCARE's Amended Request focuses "exclusively on IRP guideline 4(k)."[1] UCARE's Amended Request seeks a "comprehensive examination of environmental and societal externalities" and an opportunity "to make a convincing case for strengthening Guideline 4(k) to more appropriately integrate externality factors into the Commission's future regulation of PacifiCorp's IRP processes."[2]

UCARE seeks the following opportunities as part of this docket:

> [I]dentify and describe the full range of externalities associated with PacifiCorp's electricity generation in Utah; present sets of data from multiple sources for the quantification of these externalities; explain how IRP Guideline 4(k), developed in 1992, is not well-suited to current economic, environmental, and societal conditions or to the data bases and models now available; discuss new applications of externality factors to the IRP process that comport with the Commission's mission and regulatory objectives; and, propose a revision of Guideline 4(k) that better reflects the importance of incorporating externalities into the IRP process and includes a methodology for doing so. We hope that the Commission and all interested parties will agree to at least one technical conference focusing on externalities.[3]

WRA and UCE recommend that the Commission deny UCARE' Amended Request, i.e. to reform Guideline 4(k). Existing IRP Guideline 4(k), along with IRP Procedural Issue 5 (as outlined in the Commission Order in Docket No. 90-2035-01), requires consideration of externalities in the IRP and does so in a way that allows externality analysis to evolve over time to reflect more robust and accurate information. As such, Guideline 4(k), provides a durable

[1] UCARE Amended Request for Agency Action, page 1.
[2] *Id.*
[3] *Id.*

framework for evaluating externalities. Revising 4(k), and prescribing specific costs or methodologies, as appears to be contemplated by UCARE's request, may weaken its durability and cause more frequent requests for revision. The current Guidelines are capable of accounting for advancements in our understanding of externality costs and externality calculation methods. WRA suggests that it is implementation of Guideline 4(k) that is at issue, not the guideline itself.

II. COMMENTS

1. Overly prescribing or narrowing Guideline 4(k) will limit the IRP's ability to evaluate costs, risks, and uncertainty in pursuit of an "optimal" set of resources.

The existing Guidelines, including 4(k), allow the IRP process to adapt to a wide array of uncertain and evolving factors over time. The Utah IRP has historically focused on evaluating all relevant resources "and the factors influencing choice among them…in the search for the optimal set of resources given the expected combination of costs, risks and uncertainty over the long-run to provide electric service to customers."[4] This process requires the utility to make many assumptions over a 20-year planning period about such things as load growth, fuel costs and availability, market access, climate and weather conditions, state and federal policies, costs of new and existing technologies, and externality costs. None of these can be forecasted perfectly—there will always be uncertainty regarding how each of these factors will materialize over the planning period. Because of this, it is vital for the IRP Standards and Guidelines to create a planning environment that can account for changed conditions and the availability of more and better data.

[4] Docket No. 05-2035-01, Public Service Commission Order Issued on July 21, 2005, page 3; Docket No. 11-2035-01, Public Service Commission Order issued on March 22, 2012, pages 3-4; Docket No. 13-2035-01, Public Service Commission Order issued on January 2, 2014, page 5; Docket No. 15-035-04, Public Service Commission Order issued on January 8, 2016, page 6.

Guideline 4(k) provides needed flexibility to appropriately account for externalities in resource planning as conditions change and more information becomes available between IRP cycles. WRA and UCE agree with UCARE that economic, environmental, and societal conditions have evolved since the IRP Guidelines were established in 1992. We also have access to more data and better models than were available in 1992. Conditions will continue to evolve with each IRP planning cycle. This does not mean the existing Guidelines are inappropriate or not well-suited to current conditions. Rather, existing Guideline 4(k) provides an appropriate framework for evaluating externalities over time. The purpose of the Standards and Guidelines is to facilitate robust planning processes, over and over again, as conditions change. If 4(k) is changed to be more prescriptive, the externalities analysis will become static and impede the IRP process from adapting to new conditions and new data.

Guideline 4(k) provides flexibility in integrated resource planning by requiring:

> A range, rather than attempts at precise quantification, of estimated external costs which may be intangible, in order to show how explicit consideration of them might affect selection of resource options. The Company will attempt to quantify the magnitude of the externalities, for example, in terms of the amount of emissions released and dollar estimates of the costs of such externalities.[5]

In 1992 the Commission carefully grappled with how to account for environmental externalities as part of integrated resource planning and concluded that "Consideration of environmental externalities and attendant costs *must be included* in the integrated resource planning analysis."[6] The Commission found that "external costs associated with the electric utility industry are uncertain, but clearly not zero" and that accounting for "internalization" of external costs was a way of evaluating risk and uncertainty consistent with "prudent business

[5] *Id.* at 44-45 (emphasis added).
[6] Docket No. 90-2035-01, Public Service Commission Report and Order issued on June 18, 1992, page 40 (Attachment A, Procedural Issue 5).

planning."[7] The Commission further concluded: "The analysis should include the quantification of actual emissions as well as a range of dollar values for external costs for each acquisition strategy. In addition, the analysis should include an appraisal of how operations of existing and future resources might be affected and how this would impact costs."[8]

This guidance is even more appropriate for resource planning today because in addition to economic, environmental, and societal conditions, externality analysis methods are evolving more rapidly than ever. Guideline 4(k) eschews prescribing a specific quantification or limitation on the consideration of externalities, in part, because quantifying externalities is a difficult task that is itself constantly being refined and improved.

The Commission in 1992 set up durable guidelines requiring a range of estimates instead of prescribing a specific externality calculation method. Its reasoning is still true today—IRP standards and guidelines should be flexible enough to balance ongoing improvements to externality analysis with the need to reasonably quantify externalities to derive a set of optimized resource portfolios during an IRP cycle. The existing Guideline 4(k) appropriately strikes this balance. WRA and UCE support applying the most vetted and robust externality analysis available in each integrated resource planning cycle, consistent with Guideline 4(k), to fully and accurately evaluate the risks and costs that affect the short and long-term public interest. Changing 4(k) may make it more prescriptive, less durable, less capable of accounting for new information and changed conditions, and no more accurate. Therefore, WRA and UCE recommend that the Commission deny UCARE's amended request for agency action.

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[7] *Id.* at 11, 12.
[8] *Id.* at 13.

2. The existing IRP guidelines, including 4(k), already provide an opportunity for UCARE and other parties to address externalities (and other planning issues) with PacifiCorp and the Commission in each biannual planning cycle.

WRA and UCE agree with UCARE and the general sentiment of the public comments filed in this docket so far: PacifiCorp should do a more thorough job accounting for externalities in its resource planning in order to uphold and protect the public interest. The costs of climate change are mounting, will be paid for by customers, are caused by burning fossil fuels, and will be exacerbated or mitigated by PacifiCorp's resource planning and acquisition decisions. Additional climate-associated costs will be borne by customers due to the utility making investments to *adapt* to climate impacts, such as wildfires, extreme heat, and droughts, or through more costly operating conditions. (PacifiCorp is already charging ratepayers for wildfire mitigation efforts and extreme high temperatures reduce the efficiency of thermal power production.) Costs of adapting to a changing climate are reflected in externality pricing so using it to inform resource planning should help the utility avoid making investments that cause future internalized costs. As the Commission stated: "The Commission finds that prudent business planning must evaluate risk and uncertainty."[9] Not including externality analysis can lead to imprudent decision-making that increases costs and risks for ratepayers over time. WRA and UCE recommend more engagement on and ongoing improvement in implementing the existing Standards and Guidelines (specifically 4(k)), not changing the IRP Standards and Guidelines at this time.

The current Guidelines, including 4(k), allow for a balance between specifying what factors PacifiCorp needs to include in its IRP and affording the utility and stakeholders the

[9] Docket No. 90-2035-01, Public Service Commission Report and Order issued on June 18, 1992, page 12.

opportunity to shape how these variables are incorporated (and change over time) through discussion in the IRP public input process. PacifiCorp typically models a range of carbon "policy" prices designed to represent the costs of potential climate regulations that will be internalized by the utility and its customers if implemented. PacifiCorp has also used a federally determined "social cost of greenhouse gas" in sensitivity analysis in response to direction from the Washington Commission. There is certainly more PacifiCorp could do to inform its resource planning with externality analysis and to develop portfolios that mitigate climate change and minimize future internalized costs to customers. How PacifiCorp models carbon pricing and other externalized costs associated with climate change is the topic of ongoing discussion in the current IRP process.

The existing Standards and Guidelines cannot ensure a perfect process but were designed to establish an ongoing forum for meaningful stakeholder input and information exchange with PacifiCorp and the Commission, including on the subject of externalities.[10] Every two years, PacifiCorp and stakeholders have an opportunity to update and improve IRP externality analysis. And every two years, the Commission has an opportunity to evaluate PacifiCorp's compliance with the Standards and Guidelines and make recommendations and requirements for the

[10] Standard and Guideline 3 requires that the IRP be developed in a public process in consultation with the Commission, Commission staff, the Division of Public Utilities, the Office of Consumer Services, Utah state agencies (as appropriate), and other interested parties. "PacifiCorp will provide ample opportunity for public input and information exchange during the development of its Plan." 1992 Report and Order, 40-42. The Commission may take a more "active directive role if deemed necessary" by its formal review of the planning process. *Id.* at 40. The Commission's preamble to the 1992 Order further establishes that the Standards and Guidelines are designed to protect a robust public process that is responsive to change over time: "The Commission's interest in promoting Integrated Resource Planning (IRP) for its regulated utilities is ongoing. The process is expected to evolve over time and thus need periodic revisiting. The Commission will require PacifiCorp to pursue the least cost alternative for the provision of energy services to its present and future ratepayers that is consistent with safe and reliable service, the fiscal requirements of a financially healthy utility, and the long-run public interest. *The Commission believes that the IRP Standards and Guidelines describe a process that will help utilities accomplish this goal*." *Id.* at 1 (emphasis added). The Commission tends to take the standards and guidelines seriously and has used failure to comply with Standard and Guideline 3 as recently as this year to decline acknowledgement of PacifiCorp's 2021 IRP. *See infra* note 13.

improvement of future IRPs. UCARE has not intervened in any previous IRP docket or filed public comments during the comment period. Before requesting a change in the Standards and Guidelines, UCARE should avail themselves of the existing process that already requires ongoing externality analysis.

Opening a docket to change Standard and Guideline 4(k) is unnecessary to provide specific relief UCARE seeks, including having an opportunity to identify externalities associated with PacifiCorp's electricity generation and to present data on the quantification of such externalities, as well as a forum to discuss “new applications of externality factors to the IRP process that comport with the Commission's mission and regulatory objectives.”[11] Certainly, there have been complaints about the effectiveness of PacifiCorp’s public input process, and parties will surely identify areas for improvement going forward, but the Commission has demonstrated a willingness to enforce the guidelines and not acknowledge an IRP for failure to uphold the public participation requirements.[12] UCARE and others should utilize the existing guidelines by raising these issues with PacifiCorp in the public input process, and with the Commission in the IRP acknowledgement docket before suggesting that the guidelines should be changed.

Specific recommendations from public comments filed in this proceeding are appropriate to raise in PacifiCorp’s IRP process without necessitating a change to the Standards and

[11] UCARE Amended Request, page 1.
[12] “This recent and escalating pattern [of failing to provide stakeholders with ample opportunity for input and exchange of information] is unacceptable. Stakeholders invest substantial time and resources to participate in the IRP planning process. The purpose of the process is not to allow them an early preview of what PacifiCorp has unilaterally elected to do. The purpose is to allow them an opportunity to provide meaningful feedback at each stage of a collaborative process. Guideline 3 is clear: the IRP is to be developed ‘in consultation’ with stakeholders who must enjoy ‘ample opportunity for public input and information exchange *during the development of [the plan]*.’” Docket No. 21-035-09, Public Service Commission Order issues on June 2, 2022, page 15 (emphasis in original).

Guidelines, including the following (which have been paraphrased and consolidated to provide a high-level summary):

- IRP resource models and portfolios should acknowledge a full range of monetized externality costs.
- Environmental and societal externality costs should be specifically identified and assessed by a neutral third party, not PacifiCorp.
- Every biennial IRP process should include a technical review of the latest externalities research and apply that research to inform resource planning.

WRA and UCE recommend that UCARE present their information and arguments in the existing process that already requires ongoing externality analysis before seeking to revise the Standards and Guidelines and that PacifiCorp rigorously implement the existing IRP guidelines with respect to externalities and devote more effort to the public input process to incorporate externalities into the resource planning process.

III. CONCLUSION

WRA and UCE appreciate the opportunity to respond to UCARE's Amended Request for Agency Action to Reform the IRP Standards and Guidelines. WRA and UCE recommend that the Commission deny UCARE's request because Guideline 4(k) already provides a durable framework for evaluating externalities and UCARE can bring forward its information and arguments about externality analysis in the existing IRP processes. WRA and UCE believe that it is premature to open a docket to revise Guideline 4(k) at this time.

DATED this 19th day of August, 2022.

Respectfully submitted,

_(s)_____________________________

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_(s)_____________________________

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CERTIFICATE OF SERVICE
Docket No. 22-035-35

I hereby certify that a true and correct copy of the foregoing was served by email this 19th day of August 2022 on the following:

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