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August 19, 2022

VIA ELECTRONIC FILING

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: Docket No. 22-035-35
In the Matter of Utah Citizens Advocating Renewable Energy's (UCARE)
Request for Agency Action to Reform the Integrated Resource Plan
Guidelines
PacifiCorp's Response to UCARE's Amended Request

In accordance with the Order Granting Motion and Amended Scheduling Order issued by the Public Service Commission of Utah ("Commission") on July 26, 2022, PacifiCorp hereby submits its Response to UCARE's Amended Request.

Informal inquiries may be directed to Jana Saba, Utah Regulatory Affairs Manager, at (801) 220-2823.

Sincerely,

Joelle Steward
Senior Vice President, Regulation and Customer/Community Solutions

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

Docket No. 22-035-35

I hereby certify that on August 19, 2022, a true and correct copy of the foregoing was served by electronic mail to the following:

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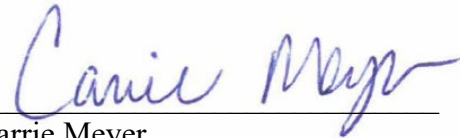
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Attorney for Rocky Mountain Power

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF THE UTAH
CITIZENS ADVOCATING RENEWABLE
ENERGY’S REQUEST FOR AGENCY
ACTION TO REFORM THE
INTEGRATED RESOURCE PLAN
GUIDELINES**

DOCKET NO. 22-035-35

PACIFICORP’S RESPONSE TO AMENDED REQUEST FOR AGENCY ACTION

In accordance with the Public Service Commission of Utah’s (“Commission”) Amended Scheduling Order, PacifiCorp dba Rocky Mountain Power (“PacifiCorp” or the “Company”), by and through its counsel, provides this response to the Utah Citizens Advocating Renewable Energy’s (“UCARE”) Amended Request for Agency Action received by the Commission on July 18, 2022 (“Amended Request”).

On June 30, 2022, UCARE filed a request for agency action to reform the IRP Guidelines. After “several parties expressed reluctance to undertake a broad review of the IRP guidelines,”¹ UCARE amended their request on July 18, 2022, to narrow their request for review of the IRP Guidelines to Guideline 4(k), which relates to the inclusion of externalities as factors in resource planning. Specifically, Guideline 4(k) requires utilities to consider a range of estimated external

¹ *Request for Agency Action to Amend IRP Guidelines*, Docket No. 22-035-35 June 30, 2022.

costs to show how consideration of the costs affects resource selection.² The Company opposes UCARE’s request to revisit guideline 4(k) because the current guideline requires appropriate consideration of externalities and the Company complies with the guideline. UCARE appears to seek a modification of 4(k) to include externalities that, absent significant legislative changes, will not be included in the cost of generating electricity. Further, the extent to which such externalities bear on future costs is already considered during the collaborative IRP process, and modification to the guidelines will only decrease flexibility. Therefore, the Company respectfully requests that the Commission deny UCARE’s Amended Request.

RESPONSE TO UCARE’S AMENDED REQUEST FOR AGENCY ACTION

UCARE seeks to change the IRP to account for societal costs and benefits that do not affect the cost of generating electricity. Guideline 4(k) states in full that PacifiCorp’s IRP must include: “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.”³ To comply with this guideline, PacifiCorp used a scenario analysis approach along with externality cost adders to model environmental externality costs.⁴ The cost adders represent the risk of future environmental regulation on costs, and the Company runs scenarios using no future cost, medium future cost, and high future cost.⁵ In its order ruling on the 2021 Integrated Resource Plan (“2021

² *In the Matter of Analysis of an Integrated Resource Plan for PACIFICORP*, Docket No. 90-2035-01, Report and Order on Standards and Guidelines (June 18, 1992).

³ *Id.* at 39.

⁴ PacifiCorp’s 2021 Integrated Resource Plan Volume II at Table B.4, Volume 1, Chapter 8.

⁵ PacifiCorp’s 2021 Integrated Resource Plan Volume I, Chapter 8 at 217.

IRP”), the Commission did not note any concerns with the Company’s implementation of this guideline.⁶

In the Amended Request, UCARE seeks to:

identify 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.⁷

But there is nothing in this proposal that could not be proposed or discussed in the context of the public input process for the 2023 IRP under the current guideline 4(k). Indeed, as with criticisms of the Company’s externality methodology raised in previous IRPs, the appropriate forum for determining “a reasonable and manageable range of values and timing” is the IRP public input process.⁸

The Commission’s previous IRP guideline revision process is instructive. The Commission took comments from a wide range of interested parties proposing how the Commission should consider environmental externalities. After reviewing these comments, the Commission determined that it is appropriate for the Company to consider the impact of environmental externalities because they can result in future regulation that affect the cost of acquiring and operating generation resources.⁹ The IRP must “address the Company’s approach to environmental risk” so that the Commission can fully understand and evaluate the IRP.¹⁰ “Higher

⁶ *In the Matter of PacifiCorp’s 2021 Integrated Resource Plan*, Docket No. 21-035-09, Order, (June 2, 2022).

⁷ Amended Request at 1.

⁸ *See, e.g., In the Matter of PacifiCorp’s 2013 Integrated Resource Plan*, Docket No. 13-2035-01, Report and Order at 21-22 (January 2, 2014) (noting “differences of opinion on specific externality values” and suggesting “continued discussion in the IRP public input process”).

⁹ *In the Matter of Analysis of an Integrated Resource Plan for PACIFICORP*, Docket No. 90-2035-01, Report and Order on Standards and Guidelines at 10 (June 18, 1992).

¹⁰ *Id.* at 11.

cost resources would be acquired when it is in the interests of the Company and its ratepayers to reduce the risks associated with future regulations.”¹¹ In other words, the Commission seeks information on environmental externalities to the extent they bear on future price risk, and not in order to facilitate environmental policymaking at the Commission level. This guideline was included in a substantially similar form in 2008 in the IRP guidelines that govern Dominion Energy’s planning process.¹²

This flexible, price-risk oriented approach to the IRP is consistent with proceedings to develop compensation for renewable energy providers. The Commission has consistently ruled that it is not appropriate to consider environmental externalities in valuing renewable energy unless they directly affect rates. For instance, when evaluating the costs and benefits of a net metering program, the Commission ruled that only costs and benefits to customers that affect the cost of electricity should be included in compensation of customer generators.¹³ In that matter, the Commission ruled that considering societal costs and benefits outside of how those costs and benefits affect rates would be outside of the Commission’s authority.

Similarly, the Commission declined to include an “adder” based on environmental externalities to compensate qualifying facilities.¹⁴ In declining to include an adder, the Commission ruled that “to the extent potential costs associated with environmental risks and

¹¹ *Id.* at 12.

¹² See *In re Questar Gas Company*, Docket 08-057-02 (March 31, 2009) (including a requirement to include “[a] range, rather than attempts at precise quantification, of estimated external costs, in order to show how explicit consideration of costs might affect the selection of resources”).

¹³ *In the Matter of the Costs and Benefits of PacifiCorp’s Net Metering Program*, Docket No. 14-35-114, Order Re Conclusions of Law on Statutory Interpretation and Denying Motion to Strike (July 1, 2015).

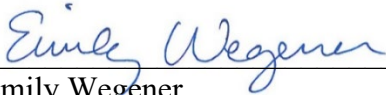
¹⁴ See, e.g., *In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts*, Order on Phase II Issues at 25-26 (August 16, 2013) (“[T]o the extent potential costs associated with environmental risks and hedging can be projected and factored into Company decision making, they should be accounted for in PacifiCorp’s IRP modeling and resource portfolio evaluation process where cost, risk and uncertainty are evaluated to identify a least-cost, risk-adjusted, long-term capacity expansion plan.”) declining to approve adjustments to avoided cost for future environmental risk.

hedging can be projected and factored into Company decision making, they should be accounted for in PacifiCorp's IRP modeling and resource portfolio evaluation process where cost, risk and uncertainty are evaluated to identify a least-cost, risk-adjusted, long-term capacity expansion plan." This statement indicates that the Commission views consideration of environmental externalities to be important to the extent they could affect future rates. The current Guideline 4(k) is more than sufficient to address this concern, and UCARE has the ability to raise its concerns in the public input process.

CONCLUSION

For the foregoing reasons, the Commission should deny UCARE's Amended Request and maintain Guideline 4(k) as written.

Respectfully submitted this 19th day of August, 2022.



Emily Wegener

Attorney for Rocky Mountain Power