

Interwest Energy Alliance
Sarah Cottrell Propst
Executive Director
341 Alameda
Santa Fe, NM 87504-8526

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Miscellaneous Correspondence
and Reports Regarding Electric Utility Services
(2012)

DOCKET NO. 12-999-01

COMMENTS OF INTERWEST ENERGY ALLIANCE

Interwest Energy Alliance (“Interwest”) is a nonprofit trade association of wind and utility-scale solar energy developers working with conservation-oriented non-governmental organizations to promote renewable energy in the West. Interwest appreciates this opportunity¹ to respond to PacifiCorp’s (the “Company’s”) UT PSC Docket No. Docket No. 12-999-01 Quarterly Compliance Filing – 2012.Q2 Avoided Cost Input Changes, June 29, 2012 (the “Q2 Filing”).² Interwest writes in response to the Company’s proposal to deny wind power generators QF indicating pricing based on a wind proxy, contrary to the pricing policy implemented under this Commission’s most recent order establishing rules for QF pricing, entered on October 31, 2005, in UT PSC Docket No. 03-035-14 (“the QF Pricing Order”).

1. Why is this important?

We all understand that the Commission needs to maintain control to reduce the costs that the Company pays for power sold to customers, from utility-owned and independently-owned generation facilities. However, paying unsustainably lower than market prices will damage the market. As noted by one leading Public Utility Regulatory Policies Act of 1978 (PURPA) analyst:

It is perhaps less obvious that customers are also at risk if a utility underpays for power from independent power producers. While the net savings represent a “bargain” for the utility’s customers, setting the purchased power rate too low also discourages

¹ These comments are filed pursuant to the Action Request dated July 10, 2012, requesting that the Division of Public Utilities review and provide comments on the appropriateness of the Q2 Filing.

² Quarterly Filing in the Matter of Miscellaneous Correspondence and Reports Regarding Electric Utility Services (2012)(re: Docket No. 03-035-14);
<http://www.psc.utah.gov/utilities/misc/12docs/1299901/230901Cover%20Letter%20Re%20Quarterly%20Compliance%20Filing%20-%202012.Q2%20Avoided%20Cost%20Input%20Changes%206-29-2012.docx>

development of alternative resources. If the development of alternative resources could occur at a lower cost than the utility's self-built generation, then the lost opportunity to obtain those cost savings puts customer interests in lower costs at odds with the utility's interest in building generation assets on which it is entitled to earn a rate of return. ...³

Over time, the number and financial strength of alternative generation suppliers will suffer. Inefficiencies will mount, lowering diversity, increasing risks, and costing ratepayers money. Based on U.S. Energy Information Administration and Bureau of Labor Statistics data, from 1997 through 2011, consumers in states served by competitive wholesale power markets have seen their electricity rates increase about 2.2%, compared to an overall 4.1% rise in the national average. Consumers in states that don't benefit from organized competitive wholesale power markets, meanwhile, have seen their electricity rates rise 8.5%.

<http://www.competecoalition.com/blog/2012/04/consumers-without-competitive-electricity-markets-see-greater-rise-power-prices>.

http://www.competecoalition.com/files/COMPETE_Coalition_2012_Report.pdf.

The QF pricing required by PURPA and this commission's previous orders helps sustain a variety of supply contract alternatives, which creates a more efficient power market.⁴

2. What is the regulatory background in Utah?

The Company's proposal to refuse QF pricing based on a wind proxy violates PURPA and Utah regulatory policies for several reasons. The Company relies on the fact that it has exceeded the 1,400 MW wind target which remained outstanding at the time of the 2005 QF Pricing Order, and the next deferrable IRP resource assumed in the 2011 IRP Update is not a wind resource. However, the truncated supplemental information provided in the 2011 IRP Update and Revised Action Plan included arbitrary constraints which impeded wind energy from the modeling results and preferred portfolio. These short term changes should not be used to modify policies previously adopted by this Commission.

The Revised Action Plan in the 2011 Integrated Resource Plan Update ("2011 IRP Update"), filed for informational purposes on March 30, 2012 in UT PSC Docket No. 11-2035-01 indicated as follows:

Wind

Acquire cost effective wind resources to satisfy renewable portfolio standard requirements, diversify portfolio risk and reduce emissions. Incremental wind resource acquisition does not begin until the end of 2018 due to the need for incremental transmission capacity to be able to deliver remote resource generation to load and the

³ "REVIVING PURPA'S PURPOSE: The Limits of Existing State Avoided Cost Ratemaking Methodologies In Supporting Alternative Energy Development and A Proposed Path for Reform", Prepared by Carolyn Elefant Law Offices of Carolyn Elefant, Washington D.C. www.carolynelefant.com, <http://www.recycled-energy.com/images/uploads/Reviving-PURPA.pdf>.

⁴ Energy competition promotes customer choice, innovative energy technologies and services, long-term savings opportunities, economic development and job creation, energy supply reliability, improved generation performance and clean energy resources. Exelon, "Benefits of Competition", 2012, http://www.exeloncorp.com/assets/performance/docs/fact_BenefitsofCompetition.pdf.

associated in-service date of Energy Gateway West. Acquire 450 MW of incremental wind resources in 2019 and 2020.

In the next IRP, PacifiCorp will track and report the statistics used to calculate capacity contribution from its wind resources as a means of testing the validity of the PLCC method. . . .

Table 6.1 – IRP Revised Action Plan, PacifiCorp – 2011 IRP Update, p. 60.⁵

Interwest notes that comments filed in response to the 2011 IRP Update include those from a QF wind developer: “We have been working with PacifiCorp interconnection on a project in Utah and know there to be pockets of available transmission in the Wasatch Front.” Comments of Wasatch Wind Intermountain, June 11, 2012, filed in Docket No. 11-2035-01, p. 2.⁶ The 2012 IRP Business Plan cites several reasons for deferral of 550 MW of wind resources over the period of 2018 through 2021, including reduced load forecasts, delays in the in-service date of the Windstar to Populus Energy Gateway transmission project (from year-end 2017 to year-end 2018), along with the assumed unavailability of the federal production tax credits during the planning period. 2011 IRP Update, pp. 52-53.

3. The IRP assumptions artificially constrain wind acquisitions in the near term, but the overall goal still includes substantial amounts of wind energy acquisitions by 2030.

The modeling and determination of the preferred portfolio, which does not anticipate wind resources to be added until after 2018, are arbitrarily restrained to include limited amounts of wind energy. These business decisions should not be used to limit opportunities for competitors to enter the market the Company is trying to control.

By way of example, the Company indicates that the limitation on annual wind acquisitions is borne out by transmission constraints. However, there are wind projects developed or available for development in Utah which are not dependent upon new transmission construction in the near term. Therefore, the transmission constraints do not support the artificial annual wind acquisition limitations imposed in the IRP.

Furthermore, there will be incremental changes to the available interconnection capacity on the transmission system. For example, the decision to forego environmental upgrades to Naughton 3 coal unit and to convert it to natural gas, with a low capacity factor, will provide additional transmission availability over the next few years despite delays in the Energy Gateway installations. Therefore, the one-year delay in the Energy Gateway segment should not affect

⁵<http://www.psc.utah.gov/utilities/electric/11docs/11203501/220427PacifiCorp's%202011%20IRP%20Update%203-30-2012.docx>.

⁶<http://www.psc.utah.gov/utilities/electric/11docs/11203501/227523Comments%20of%20Wasatch%20Wind%20Intermountain%206-8-2012.docx>. The 2011 IRP Update and Revised Action Plan draw comments from parties but are essentially filed “for informational purposes only”. Their assumptions are not fully vetted through discovery and cross-examination. Some of the important modeling inputs, including the economic value, costs and capacity factors contributed to the system by renewable energy resources are outdated by the time the 2011 IRP Update is filed.

wind acquisitions in an all-or-nothing manner for the next 8 years as the Revised Action Plan appears to indicate.

Several of the data sets forming assumptions which the Company relied upon as the basis for reduced wind acquisitions through 2018 fluctuate over time and are likely to change again in the near term. The load forecasts will be updated again in November of 2012, and are likely to start to show upticks based on economic recovery. See, e.g., Northwest Power and Conservation Council, Memorandum July 10, 2012, <http://www.nwcouncil.org/news/2012/07/p1.pdf>, Slides 7-8, copy attached as **Exhibit A**, See pp. 1-2 (showing slow recovery creating small demand increases relative to capacity). There may yet be an extension of the wind tax credit: a federal production tax credit extension bill passed the Senate Finance Committee in early August 2012,⁷ and is likely to be considered after the November elections, if the history of the tax credit provides any basis on which a prediction can be made.

In addition, the Company's modeling reduces the amount of wind in the preferred portfolio. The Company's assumed capacity factor for wind projects in Utah (29%) is substantially lower than the capacity factors available through modern wind turbine technologies. This inaccurate modeling assumption artificially constrains these low-cost and stable-priced resources, notwithstanding current publicly-available reports from experts, including "*Western Renewable Energy Zones Phase 1, QRA Identification Technical Report*" prepared for NREL, Black & Veatch, October 2009, where Black and Veatch reported over 3000 MW of Class 3 and Class 4 wind in Renewable Energy Zones located in Utah, and 2,189 MW of Non- WREZ wind in Utah. <http://www.nrel.gov/docs/fy10osti/46877.pdf> pp. 4-53, pp. 4-53 to 4-55. See Slides 13-16 (copies attached hereto as **Exhibit B**, See pp. 1-4) of the NREL Report, "*Recent Developments in the Levelized Cost of Energy From U.S. Wind Power Projects*", Feb. 2012, which indicates that modern technological advances have increased capacity factors despite higher curtailment rates and further development in lower wind speed areas. <http://eetd.lbl.gov/ea/ems/reports/wind-energy-costs-2-2012.pdf>. Turbine prices and improved technologies have also reduced overall installed costs. See "*2011 Wind Technologies Market Report*", U.S. DOE, August 2012, Fig. 26, p. 41, http://www1.eere.energy.gov/wind/pdfs/2011_wind_technologies_market_report.pdf. These market changes are not reflected in either the original 2011 IRP modeling or in the 2011 IRP Update.

The original 2011 IRP Action Plan indicated that the Company planned to acquire significant levels of wind energy over the planning period, "up to" an additional 800 MW by 2020, with 2,100 MW anticipated by 2030, indicating "[t]he 800-megawatt level is supported by consideration of regulatory compliance risks and public policy interest in clean energy resources." 2011 IRP Update, pp. 45-47 (2011 IRP Update wind assumptions are found on p. 46). Note that the Company still indicates that an incremental 1,175 of wind resources will be required for RPS compliance by 2030, and the Company planned to acquire more than the minimum for RPS compliance. Whether or not the PTC is extended, wind costs are very low now, and the Company ought to consider purchases in the short term to meet these goals, even

⁷ The Committee passed a tax extenders bill, S.3521, The Family and Business Tax Cut Certainty Act of 2012, which included an extension of both the PTC and the investment tax credit (ITC) for offshore and community wind projects. AWEA, Federal Policy report, http://www.awea.org/issues/federal_policy/index.cfm

considering short term wind curtailment requirements, during this “buyer’s market”. An RFP or offer of QF pricing would reveal whether developers would find projects to be economic even assuming there will be limited curtailments over the short term. There is still substantial need for additional wind resources to be incorporated into the PacifiCorp power system, and even though the next deferrable recommended resource in the 2011 IRP Update is a natural gas resource, the Company proposes to purchase a significant amount of wind energy over coming years based on the IRP results, so QF pricing should continue to be required as previously ordered.

4. Summary.

For the foregoing reasons, the 2011 IRP Update is a flawed basis on which to modify the policies adopted by this Commission by Order adopted on October 31, 2005 in Docket No. 03-035-14 to implement PURPA. The wind proxy partial displacement was adopted in order to implement important federal and policies. PacifiCorp should not be allowed to use artificial transmission modeling constraints in the 2011 IRP Update to deny QF pricing to wind generators who can otherwise provide Utah ratepayers with stable-priced wind energy in the near term while prices remain relatively low and higher wind capacity factors provide substantial benefits to the power system.

The Action Plan continues to plan for acquisition of significant amounts of wind energy over the next 18 years as a target goal, but the Company has decided to delay acquisitions for several years in its Revised Business Plan. The resource plan results include wind acquisitions in later years to minimize long-term regulatory compliance/incentive uncertainty, implement long-run public policy goals, and to achieve the risk mitigation benefits of zero carbon, zero fuel cost renewable resources. 2011 IRP Update, p. 47. These benefits apply in the near term, and costs and risks to consumers will be reduced by a more predictable and consistent plan for earlier acquisitions while prices based on the wind proxy remain low. Therefore, the Company should be required to provide QF pricing based on a wind proxy as previously ordered.

Respectfully submitted this 20th day of September, 2012, by:

Interwest Energy Alliance
Sarah Cottrell Propst
Executive Director
341 Alameda
Santa Fe, NM 87504-8526

/s/Lisa Tormoen Hickey
Lisa Tormoen Hickey
Alpern Myers Stuart, LLC
14 N. Sierra Madre, Suite A
Colorado Springs, CO 80903
(719) 471-7955
lisahickey@coloradolawyers.net

Exhibits:

Exhibit A: Northwest Power and Conservation Council, Memo. July 10, 2012, See Slides 7-8,
<http://www.nwccouncil.org/news/2012/07/p1.pdf>;

Exhibit B: NREL Report, “Recent Developments in the Levelized Cost of Energy From U.S. Wind Power Projects”, Feb. 2012, See pp. 1-4, <http://eetd.lbl.gov/ea/ems/reports/wind-energy-costs-2-2012.pdf>.