



**Renewable
Northwest
Project**

917 SW Oak St, Suite 303 • Portland, OR 97205
phone: 503-223-4544 • fax: 503-223-4554 • www.RNP.org

RECEIVED

2011 JUL 11 PM 2:56

IDAHO PUBLIC
UTILITIES COMMISSION

July 11, 2011

BY EMAIL (to jean.jewell@puc.idaho.gov)

Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 83720-0074

Re: Case No. PAC-E-11-10
Renewable Northwest Project's Comments on Rocky Mountain Power
Company's 2011 Integrated Resource Plan

Honorable Commissioners:

Renewable Northwest Project (RNP) appreciates the opportunity to comment on Rocky Mountain Power Company's ("the Company's") 2011 Integrated Resource Plan (IRP), pursuant to the Modified Procedure described in Idaho Public Utilities Commission ("Commission") Order No. 32243. RNP is a coalition of public interest and industry groups that seeks to promote the implementation of environmentally responsible renewable energy resources across the Northwest.

RNP shares the Company's view that electric sector regulation will continue to prefer clean, renewable energy resources. (See, *e.g.*, IRP, pages 82, 225.) Planning for a regulatory environment that values low-carbon, renewable, clean and safe generating technologies is in the best interests of the Company's customers. Short-term political shifts notwithstanding, national political leaders will continue to respond to the desire to lead in the clean energy economy and to avoid environmental and safety issues associated with risky and polluting technologies. In some parts of the IRP, the Company ultimately makes a number of sensible decisions to plan toward that regulatory future by favoring investments in transmission modernization (see IRP, page 82) and renewable energy resources (see IRP, pages 225-228).

In particular, RNP applauds the Company's use of sophisticated transmission investment analysis in Chapter 4 of its IRP and its recognition of the diverse benefits of transmission investments (IRP, page 49). Given that the Company's analysis shows that "economics do not drive a clear selection" (IRP, page 82), careful planning for a robust, efficient transmission system will be a good bet for customers in any future—and especially in a future that prefers clean, renewable energy sources.

Yet, in other critical areas of the IRP analysis, the Company's path is inconsistent with the very regulatory vision that it postulates. Most significantly, the Company fails to provide any comprehensive, forward-looking economic analysis of continuing to upgrade aging, inefficient coal plants.¹ Those sizeable investments will become a liability for customers as diverse forms of regulation of coal plant pollution advance (see IRP, pages 30-36). In this context, piecemeal justification of pollution control upgrades in rate cases is not sufficient; the Company's IRP should be required to demonstrate that customer dollars spent today to prop up aging coal plants are still a good investment when viewed along with a reasonable forecast of the compliance costs associated with likely future regulation. The Company's coal retirement analysis, apparently limited to a "proof-of-concept" evaluation of *currently planned* pollution control upgrades assuming various CO₂ and gas prices (IRP, pages 168, 180-181, 236-40), does not evaluate the full picture of the ratepayer investment required to keep individual coal plants on line. We recommend that the Company undertake a robust analysis to evaluate whether, with the future pollution controls reasonably likely to be required by clean air regulation, continued investment in each of its plants makes economic sense for ratepayers when compared to alternatives.

Another poor fit with the Company's regulatory vision is that the only significant near-term investments in new generating resources reflected in the IRP are two large natural gas plants. Questionable modeling assumptions, still being examined, may have influenced the paucity of renewable resources in initial portfolio results and in the Company's plans for near-term investment. To arrive at a level of investment in renewable resources over the planning term that reasonably hedges regulatory risk, the Company had to adjust the preferred portfolio based on post-hoc policy and business analysis. RNP agrees with the Company that its initial modeling included too few renewable resources to hedge policy risk, and that adding more wind resources is likely an appropriate adjustment. Nonetheless, it is important to consider whether skewed assumptions about renewable resources prevented the Company's model itself from reaching appropriate outcomes for renewable energy.

Wind. For wind resources, capital costs were commensurate with those modeled in the 2008 IRP,² despite an explicit recognition that the cost of wind turbines has fallen (IRP,

¹ Several PacifiCorp plants appear on a Western Grid Group/Synapse Energy study's list of the bottom 25 percent of economic merit within the western coal fleet, as compared with both new and existing gas generation: Carbon 1-2 (UT, 172 MW), Dave Johnston 1-3 (WY, 437 MW), Naughton 1-2 (WY, 370 MW). Jeremy Fisher and Bruce Biewald, Synapse Energy Economics, Inc., "WECC Coal Plant Retirement Based On Forward-Going Economic Merit" (January 10, 2011), available at <http://www.wecc.biz/committees/BOD/TEPPC/TAS/SWG/10March2011/Lists/Minutes/1/WECC%20Coal%20Retirement%20Criteria%201-10-2011%20Final.pdf>. Western Grid Group commissioned Synapse to develop a model that generates a list of possible coal plant retirements based on forward-going economic merit. More background is available in a WECC staff presentation available at <http://www.wecc.biz/committees/BOD/TEPPC/TAS/SWG/10March2011/Lists/Presentations/1/WGG%20Carbon%20Reduction%20Study%20Case.pdf>.

² In the 2008 PacifiCorp IRP, the Oregon wind's low cost estimate was \$2378/kW in 2011 dollars. In 2011 those capital costs have risen to \$2393/kW for Oregon sites that do not require new incremental transmission. "2008 Integrated Resource Plan Volume 1." Pacificorp. Pg 103. Available at http://www.pacificorp.com/content/dam/pacificorp/doc/Environment/Environmental_Concerns/Integrated_Resource_Planning_3.pdf.

page 112). High capital costs for wind resources were adjusted further upward (by 50 to 100 percent) by assigning additional construction costs without clear explanation or justification. (See IRP, page 130 [Table 6.10].) Capacity factors for wind resources appear low relative to other data.³ In addition, the Company relied upon wind integration costs from a study that it completed without ever having responded to serious problems identified by a broad range of stakeholders.⁴ Had stakeholder concerns in these areas been evaluated seriously during development of the IRP, the Company may not have had to insert additional wind resources at the end of its modeling. Furthermore, wind resource additions may not have been delayed until the end of the planning period, when lower capital costs and federal incentives may no longer be available to the Company.

Geothermal. Of particular interest for Idaho is the IRP's treatment of geothermal resources, given the state's rich endowment and the experience of Idaho utilities in successfully contracting with geothermal generators. PacifiCorp has operating experience with geothermal resources, and they can add important diversity to the portfolio if found to be least cost, least risk. Indeed, most of IRP's initial portfolio results contained significant geothermal resources, averaging around 300 MW. (IRP, pages 207 [Table 8.1], 208.) Yet, because of a desire to obtain legislative cost-recovery guarantees, the Company eliminated all consideration of geothermal resources. (IRP, page 224.) This justification appears to assume that the utility is only considering a self-build resource, and not PPAs from geothermal developers. The Company's experience with geothermal resources makes self-build a good option, but it is not clear that it is the only option. Other utilities, including Idaho Power, appear to have contracted for geothermal resources. To justify excluding an entire resource from consideration, particularly one favored by the model, the Company should at least be required to demonstrate that it has made a strong effort to find least cost, least risk geothermal resources through contracts and self-build opportunities.

Solar. RNP is pleased that the Company evaluated distributed generation resources, including solar PV and solar hot water. It is notable that, with accurate cost assumptions, the Company's model selected both as cost-effective resources for the Company's system. The preferred portfolio includes 30 MW of solar hot water heating resources by 2020, and we look forward to seeing the Company implement programs to capture this efficient resource. (IRP, pages 230 [Table 8.16], 254.) For distributed solar PV, when sensitivity cases 30 and 30a corrected the model to include only the utility's buy-down cost for a Utah solar PV incentive program (rather than the full installation cost, much of which is borne by the customer), the model selected the full amount of distributed solar capacity it was

³ For example, the BPA Wind-Only Bubble in Table 6.10 lists a capacity factor of 29 percent (though underlying data shows that the Company may actually have used 28 percent). Northwest Power and Conservation Council data demonstrate a historical average 30 percent wind capacity factor for projects connected to BPA from 2007 to 2010. Elliot Mainzer (BPA), Ken Dragoon (NWPCC), "Wind Energy Development in the Pacific Northwest: Checking Facts, Connecting Dots" (June 6, 2011), Slide 5, available at http://www.bpa.gov/corporate/windpower/docs/WIF_SC_Presentation_6-11.pdf.

⁴ Despite assurances in a September 1, 2010 email communication to study participants that "PacifiCorp will investigate substantive issues raised by stakeholders and respond appropriately during the course of the remaining 2011 IRP development schedule," no response to stakeholder concerns with the wind integration study has been provided to date.

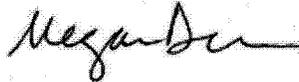
permitted to choose (1.2 MW per year). (IRP, pages 243-44.) This suggests that incentive programs for distributed solar can be least cost supply-side resources when utilities pay just a percentage of the installation cost, and the Company should be encouraged to pursue the Utah program and consider expansion into Idaho.

Of the above issues, all of which should be addressed in future IRPs, one is so significant that RNP urges the Commission to take action in this docket. The Commission should require the Company to provide, as a supplement to its IRP, a comprehensive regulatory analysis of past, present, and future investments in coal plants on a plant-by-plant basis. The supplement should include a risk analysis that comprehensively compares the regulatory compliance costs for each of these units with alternative power supply options and examines the possibility that regulatory compliance costs will be greater than those forecasted. If the planning process does not give regulators a broader, forward-looking context within which to view continued requests for cost recovery for pollution control upgrades, it will be more difficult to make informed decisions when individual investments come before the Commission in rate cases, such as the one currently pending.

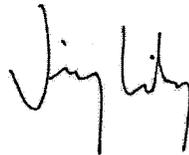
RNP appreciates the opportunity to comment, and to work with the Company toward achieving a diverse portfolio of generating resources that will position customers well for a regulatory future that favors clean, renewable resources.

Sincerely,

RENEWABLE NORTHWEST PROJECT



Megan Walseth Decker
Senior Staff Counsel



Jimmy Lindsay
Power Systems Analyst

Cc: Ted Weston, RMP (by email to ted.weston@pacificorp.com)
Daniel Solander, RMP (by email to daniel.solander@pacificorp.com)