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IN THE MATTER OF PACIFICORP DBA)
ROCKY MOUNTAIN POWER'S 2013) CASE NO. PAC-E-13-05
INTEGRATED RESOURCE PLAN) COMMENTS OF THE NW
) ENERGY COALITION

I. Introduction

The NW Energy Coalition (Coalition) appreciates the opportunity to provide comments regarding Rocky Mountain Power's 2013 Integrated Resource Plan. The Coalition participated in the pre-IRP workshop phase that the Company conducted for almost a full year before filing the IRP. We recognize the value of the extensive input the Company solicited through this process and believe that the result is a better and more robust IRP. Although the plan is improved, we offer the following comments to express areas of concern regarding certain aspects of the 2013 IRP and its associated Action Plan.

Our overarching concern is that the Company continues year after year to focus on protecting business-as-usual – a reliance on outdated coal plants that are becoming increasingly expensive to operate — coupled with a lack of appreciation for the reduced risk and cost offered by demand-side resources and newer resource options such as demand response, distributed generation and renewables. We fear that the Company's resulting decisions will lead to higher costs for all customers throughout Pacific Power/Rocky Mountain Power territory.

II. Demand Side Management

A) Class 2 DSM

The Company's 2013 IRP analysis clearly selected case EG02- C15 as the least cost, least risk portfolio. This portfolio contained accelerated DSM assumptions, among other elements. Despite this portfolio ranking least cost/least risk, it was not selected as the preferred portfolio based on the rationale that the accelerated DSM assumptions are not reliably achievable.

The IRP documentation gives no substantiation regarding the assumptions used, nor any detailed explanation of why specific assumptions used to obtain this accelerated DSM case were deemed unreasonable. Other differences between this portfolio and the final portfolio selected as the preferred portfolio (EG02-C07a) – including early selection of some Class 1 DSM and an inability to select CCCT resources -- remain completely unanalyzed in the IRP documentation.

The Company acknowledges that the rankings of case EG02-C15 illustrated the value of obtaining as much DSM as possible, as early as possible. However, they fail to commit to higher DSM targets in the IRP Action Plan. Instead, the Company states that it incorporates some specific action plan items that attempt to achieve accelerated Class 2 DSM. The Company does not identify these specific action plan items, nor does it

provide an indication of the amount of expected DSM acceleration expected from the action items. This approach is too vague and unsatisfying for the Coalition.

The lack of firm DSM commitments in the Action Plan to the accelerated DSM found to be least cost/least risk, in exchange for nebulous action items, further concerns us due to Rocky Mountain Power's mediocre track record for implementing DSM action items. Key items contained within the 2011 IRP Action Plan (that could have helped maintain consistent upward momentum on Class 2 DSM) appear to not have been implemented or were purposefully delayed by the Company. These items include:

- 1) Plans to acquire energy efficiency resources from the Company's Special Contracts customers in Utah and Idaho.
- 2) The system-wide RFP (excluding Oregon) for specific direct install and other direct distribution programs targeting savings from residential and small commercial sectors.

Additionally, we are concerned that the Company's IRPs continually underestimate the amount of achievable Class 2 DSM. Because the 2013 IRP relies heavily on front office transactions (FOT), Class 2 DSM left unachieved will result in an increased reliance on FOT – and the market risks that are associated with those purchases.

Since 2011, an analysis of the Company's DSM targets and achievements indicates that in most states, the Company is consistently outperforming its own targets. This leads us

to believe that the Company is repeatedly setting overly conservative targets for Class 2 DSM. Table 1 provides the percentage of DSM Class 2 achieved above or below the Company's DSM Class 2 target for each state in 2011 and 2012.

Table. 1 Class 2 DSM Actual Achievements by Percent over or under Class 2 DSM target by State

State	2012	2011
California	52%	7%
Idaho	48%	-38%
Oregon	58%	34%
Utah	3%	38%
Washington	32%	45%
Wyoming	-5%	-51%

During the 2011 IPR process, the Coalition expressed concerns about low ramp rates used by the Company for Wyoming and Idaho, because these states currently have some of the fastest growing opportunities for energy efficiency programs, largely due to the fact that energy efficiency is just gearing up in these states. Table 1 illustrates that Idaho clearly had a big jump in Class 2 DSM accomplishments in 2012 and the Wyoming gap seems to be narrowing quite a bit. We remain concerned that the ramp rates and other analysis for Idaho and Wyoming continue to underestimate the amount of Class 2 DSM available.

The Coalition recommends that the Commission urge Rocky Mountain Power, through specific Class 2 DSM targets in the IRP Action Plan, to continue rapid and robust progress on Class 2 DSM achievements that match those identified in the least cost/least risk portfolio Case EG02-C15.

III. Coal Resource

The Company, since the initial filing of the 2011 IRP, has made great strides in improving its analysis of the costs and risks associated with upgrades to its coal fleet. These improvements notwithstanding, the Coalition maintains that the Company is still underestimating the cost and risk of continued reliance on coal generation. A failure to adequately address the full range of future regulations that will impact coal plants will saddle ratepayers with high environmental upgrade costs, stranded costs, or both.

The Company's coal analysis falls short in two main areas. First, the Company's base case modeling assumptions utilize a CO₂ price that is too low and, second, the Company underestimates the likely requirements, and therefore costs, from known and unknown future environmental regulations that impose pollution control investments.

The Company's base case CO₂ price curve used in the 2013 IPR has zero cost through 2022. This assumption is out of step with recent announcements by the White House regarding CO₂ regulations. The EPA is expected to issue rules regulating greenhouse gas emissions from existing coal plants within the next couple of years. Consequently, the timing and costs associated with greenhouse gas regulation are now expected to be much faster and higher than what the Company utilized in its base case. Therefore, the

Coalition recommends that the Commission give more careful consideration to the high CO2 scenarios and results in the IRP analysis.

Regarding pollution control cost assumptions, the company models a base case and stringent case for regional haze requirements in order to reflect uncertainties in future regulatory decisions. Unfortunately, both the base and stringent cases used in the 2013 IRP analysis underestimate likely regulatory futures. The base case for regional haze requirements used by the Company in its coal plant analysis uses state implementation plan requirements that have already been rejected by the EPA, ensuring that base case cost assumptions are below likely costs. Further, the more stringent regional haze scenario used in the Company's analysis was proven inadequate in the face of the recent EPA decision in Wyoming. That decision indicates that the Company will be required to install more costly environmental upgrades on a number of coal facilities, exceeding the assumptions in the most stringent case analyzed in the 2013 IRP. Despite significant input from stakeholders warning that the stringent case was not stringent enough, the Company forged ahead with an analysis that we now know underestimates likely costs.

PacifiCorp is currently in process of costly upgrades to its coal fleet. Many significant investments occur over the next couple of years, consequently, time is of the essence. From the perspective of consumer and environmental protection, it is important to ensure that the full range of costs and risks from likely regulation are understood in this 2013

IRP because the majority of PacifiCorp's coal plant investments will be made in the very near future.

We recommend that prior to Commission approval or acknowledgment of any coal plant upgrades contained in the 2013 IRP Action Plan, the Company be required perform a revised coal unit analysis that incorporates a broader range of current and future compliance scenarios that can be evaluated for economic and regulatory risk.

III. Load Control and Demand Response

Load control and demand response are undervalued in the 2013 IRP. Despite Class 1 DSM Action Items from the 2011 IRP that called for at least 140 MW of incremental cost-effective Class 1 DSM by 2013, no incremental Class 1 DSM resources were added to the Company's system in 2011 or 2012 and none is selected in the preferred portfolio over the next 10 years. The Company also canceled the commercial curtailment product called for in another 2011 IRP action item. The Company explains in Chapter 9 of the 2013 IRP that the cancellation of these items was due to a revised load forecast.

Additionally, the 2013 IRP Volume 1 states that the Company completed an analysis of the feasibility and costs of west-side Class 1 irrigation control, however, "it was not selected as an economic resource in the first ten years of the 2013 IRP preferred portfolio" (IRP, Volume 1, page 257). This result is surprising; more scrutiny of this

decision is warranted given the expected value of summer peak load reduction to the Company's system.

Despite a 2011 Action Plan item to incorporate plug-in electric vehicles and smart grid technologies in the 2013 IRP, the Coalition can find no evidence that these things were actually included in the IRP analysis in any meaningful way. No discussion of these items or how they were included in the analysis is found in Volume 1 or Volume 2 of the IRP.

As technological development (distributed generation, smart phone apps that manage home energy use, etc.) makes it easier for customers to become an active part of the electric system, the Company should seek methods to use this technology to the benefit of the overall system. Demand response and other load control tools will play an increasingly important role in managing peak loads, integrating renewable resources and thus keeping costs down for customers.

The Coalition recommends close Commission scrutiny of the underlying model assumptions in the 2013 IRP that seem to have led to an undervaluing of Class 1 DSM. We also recommend that the Commission encourage Rocky Mountain Power to increase the amount and sophistication of its overall analysis regarding demand response and other load control tools in the next IRP.

IV. Renewable Resources

One notable aspect of the Rocky Mountain Power 2013 IRP is that the robust renewable energy effort made by PacifiCorp in recent years seems to be slipping backward. Roughly summarizing new capacity additions in Table ES-3 in Volume 1, for 2013-2022, front office transactions are 1076 MW (average per year), new combustion turbines 645 MW, new energy efficiency is 958 MW, and renewables only 138 MW (mostly distributed solar enabled by Utah state policy, and no new wind or geothermal).

There are several contributing factors to the shortfall in renewable energy additions to the mix, but the primary ones, we believe, are an overestimation of renewable prices, especially solar, and an underestimation of future gas prices and price volatility.

A) Solar Costs

In our view, the IRP starts with too high a current cost for solar PV and does not incorporate the likely decline in costs over both the short and long term. Aside from a small amount of solar DG enabled under state policies, there are no acquisition targets or pilot programs included in the Action Plan despite the fact that PacifiCorp territory includes some of the best solar resources in the nation. Because much of the Company's system is summer peaking, we see a substantial opportunity to develop solar at scale to assist with adequacy and reliability and reduce the need for expensive contingency and balancing resources.

The Company has the opportunity to be a leader in developing this beneficial resource. The first place to start is to have a more accurate assessment of current and future costs. The IRP anticipates only modest price reductions for solar PV throughout the 20-year planning period, not enough to make a substantial difference in the resource mix. Yet experience curve analysis over four decades and more recent trends suggest deep cost reductions will occur in the coming years. As a result, solar resource acquisition by 2032 in the draft IRP is a tiny fraction of the potential that actually exists. The Company's solar price projections need to be reevaluated.

B) Natural Gas Price Volatility

The current IRP modeling framework does not capture the full diversity and risk hedging value of clean energy resources such as energy efficiency, demand response and renewables. Throughout the industry, there is a great deal of diversity among natural gas price forecasts and, historically, the price of natural gas is known to be highly volatile. While considering a range of natural gas prices in the IRP analysis provides some consideration for price risk, a fully dynamical modeling approach such as the Regional Portfolio Model (RPM) used by the Northwest Power and Conservation Council does a better job in characterizing the uncertainty and risk aspects of the system, including the important driver of natural gas price volatility.

The Coalition recommends that the Commission closely review the solar price projections for Idaho and to encourage the Company to look for ways to close the

enormous gap between technical potential and achievable technical potential in distributed solar resources. We also recommend that the Commission urge the Company to review and improve its methodology for including natural gas price uncertainty and risk in IRP modeling in the next IRP.

Transmission

The IRP analysis includes a number of significant enhancements for the incorporation of transmission in the planning process. Foremost is the substantial expansion of outputs by running five Energy Gateway packages, ranging from no-build to all-build, for each of the 19 planning scenarios.

However, the IRP scenarios only consider the segments that PacifiCorp currently considers to be active, and does not directly evaluate other potential segments that have previously been planned or other new transmission or non-transmission alternatives.

We recommend that the company, the respective state regulatory commissions and stakeholders consider how to build a broader transmission assessment into the IRP process. One or more scoping workshops to lay out key issues might be a good way to begin.

One transmission related development new in this IRP is the System Operational and Reliability Benefits Tool (SBT) that the Company is developing to identify more fully the benefits of proposed transmission segments. We agree this is a good step to take because

the system-wide models can't capture the effects of these projects in sufficient detail for stakeholder and regulatory assessment.

The SBT is not a comprehensive cost-benefit analysis. It is perhaps best considered a snapshot of costs and benefits for a new transmission line, but only for informal purposes. Indeed, there are costs and benefits that are not included in the SBT, including mitigation costs that are not included in capital costs, and other important externalities such as the social cost of carbon. We agree with the Company that further assessment and development is needed for the SBT. In addition, at this time it is not appropriate to include the Customer and Regulatory Benefits component that attempts to measure indirect benefits to customers from reduced outage risk, because it is highly sensitive to assumptions and not backed by adequate data.

Thank you for the opportunity to submit comments regarding the Rocky Mountain Power 2013 IRP.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "W Gerlitz".

Wendy Gerlitz
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NW Energy Coalition