Office of the Secretary
Service Date
October 9, 2015

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PACIFICORP DBA ROCKY MOUNTAIN POWER'S 2015 INTEGRATED RESOURCE PLAN (IRP)	)))))	**CASE NO. PAC-E-15-04** **ORDER NO. 33396**

On March 31, 2015, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") filed its 2015 Integrated Resource Plan ("IRP") with the Commission pursuant to the Commission's rules and in compliance with the biennial IRP filing requirements mandated in Order No. 22299.

On May 12, 2015, the Commission issued a Notice of Filing, Notice of Modified Procedure, and Intervention Deadline. *See* Order No. 33299. Commission Staff ("Staff"), Idaho Conservation League ("ICL"), Snake River Alliance ("SRA"), and Renewable Northwest submitted comments within the established comment deadline. Rocky Mountain then filed reply comments in response to each party's comments.

ROCKY MOUNTAIN'S 2015 IRP

Rocky Mountain stated that its 2015 IRP represents its 13th comprehensive plan submitted to state regulatory commissions. Rocky Mountain 2015 IRP at 1. The Company stated that its IRP Application was developed with participation from numerous public stakeholders, including regulatory staff, advocacy groups, and other interested parties. *Id.* The 2015 IRP focuses on a 10-year period, 2015-2024 (hereinafter "planning horizon").

The Company's projected load forecast is "down beyond 2019 in relation to projected loads used in the [Company's] 2013 IRP and 2013 IRP Update." *Id.* at 2. The Company cites "reduced residential class load forecast due to increased energy efficiency, including continued phase in of the Energy Independence and Security Act federal lighting standards, [and] lower energy response to economic growth" as the main drivers of lower forecasted load. *Id.*

The Company remarked that "Class 2 [Demand-Side Management] DSM, or energy efficiency, savings in the 2015 IRP preferred portfolio exceed energy efficiency savings from the 2013 IRP preferred portfolio by 59 percent by 2024." *Id.* at 3. In fact, the Company claims that "acquisition of incremental energy efficiency resources" increases by 59% over its estimate in its

2013 IRP and "meets 86 percent of [the Company's] forecast load growth from 2015 through 2024." *Id.*

Once again, Rocky Mountain's base case wholesale power and natural gas price estimates are significantly lower than the estimates found in its previous (2013) IRP. *Id.* The Company stated that the estimates in its 2013 IRP Update are more closely aligned to its 2015 IRP estimates. *Id.* According to Rocky Mountain, "growth in natural gas supplies, primarily from prolific shale plays in North America, have continued to outpace expectations" and exert downward pressure on natural gas prices. *Id.* Rocky Mountain believes that while the market for front office transactions ("FOTs") is "favorable, growth in energy efficiency savings mitigate the need for FOTs through the front ten years of the planning horizon." *Id.* at 4. "On average 2015 IRP preferred portfolio FOTs are down 16% from the 2013 IRP Update and down 29% when compared to the 2013 IRP preferred portfolio." *Id.*

Rocky Mountain's 2015 IRP preferred portfolio includes the addition of 816 MW of energy emanating from power purchase agreements for 36 qualifying wind and solar projects coming on-line by the end of 2016. *Id.* The Company stated that these projects are necessary in order to "mitigate the cost of state renewable portfolio standard (RPS) compliance" in its California, Oregon, and Washington service areas. *Id.* Rocky Mountain stated that its preferred portfolio "meets the Utah 2025 state target of 20%, and has a significant bank to sustain continued future compliance in Utah." *Id.*

Additionally, Rocky Mountain stated that its analysis of "near-term Regional Haze compliance requirements" led the Company to convert some of its coal plants to natural gas by 2018 and install emissions control equipment at its Wyodak, Dave Johnston Unit 3, and Cholla Unit 4 units, potentially "saving PacifiCorp customers hundreds of millions of dollars." *Id.* at 5-6.

Rocky Mountain also noted the impact of the U.S. Environmental Protection Agency's (EPA) issuing Rule §111(d) of the Clean Air Act establishing state emission rate targets for existing resources. *Id.* at 6. According to the Company, "the 2015 IRP preferred portfolio meets PacifiCorp's share of state emission rate targets among those states in which PacifiCorp serves retail customers and owns existing fossil generation potentially affected by the proposed rule." *Id.* The Company "continues to support transmission permitting efforts for Energy Gateway West (Segments D and E), Energy Gateway South (Segment F), Boardman to

Hemingway (Segment H), and a line from Walla Walla to McNary." *Id.* The Company expects to "complete construction of the Walla Walla to McNary project by 2017." *Id.*

Rocky Mountain described several "supplemental studies" the Company relied upon in order to develop its 2015 IRP. *Id.* Regarding potential future resource acquisition, Rocky Mountain claimed that it will "exceed its 13% target planning reserve margin through 2019 and falls just short of its target planning reserve margin in 2020." *Id.* at 8. The Company believes that the expiration of an existing exchange contract will increase system capacity and allow the Company to exceed its 13% target planning reserve margin in 2021 and 2022. *Id.* Rocky Mountain estimated that it will be at least "82 MW and 165 MW below its target planning reserve margin in 2023 and 2024, respectively." *Id.*

Rocky Mountain expressed its commitment to assess current market conditions and dispatch or sell its system resources in an economic manner to the benefit of customers. The Company believes that "the economic dispatch of system resources is critical to how the Company manages net power costs." *Id.* The Company estimated that its first on-peak energy shortfall will occur in July 2020, totaling 5 GWh. *Id.* at 9. In July 2024, the Company remarked that the on-peak monthly load deficit will increase to 189 GWh. *Id.* Rocky Mountain does not forecast any energy shortfalls during off-peak periods through the 2024 IRP planning horizon. *Id.*

The Company's 2015 IRP Action Plan includes the following:

1. **<u>Renewable Resource Actions</u>**

- Pursue unbundled REC request for proposals (RFP) to meet its state RPS compliance requirements.

- Issue annual RFPs seeking current-year or forward-year vintage unbundled RECs to meet Washington and California renewable portfolio standard targets through 2017.

- Defer issuance of RFPs seeking unbundled RECs that will qualify in meeting Oregon renewable portfolio standard targets until states begin to develop implementation plans under EPA's draft 111(d) rule. The Company asserts that it has a projected bank balance extending out through 2027.

- Issue quarterly reverse RFPs through 2016 to sell 2016 vintage or older RECs that are not required to meet state RPS compliance obligations.

- Secure bids from 2013 RFPs seeking up to 7 MW of capacity from qualifying solar systems to meet Oregon's 2020 solar capacity standard.

2. **Firm Market Purchase Actions**

   - Acquire short-term on-peak firm market purchase deliveries from 2015-2017.

   - Balance month and day-ahead competitive price brokered transactions.

   - Balance month, day-ahead, and hour-ahead transactions executed through an exchange, such as Intercontinental Exchange (ICE).

   - Prompt month forward, balance of month, day-ahead, and hour-ahead non-brokered transactions.

3. **DSM Actions**

   - Class 1 DSM: Pursue a west-side irrigation load control pilot beginning 2016.

   - Class 2 DSM: Acquire the following cost-effective Class 2 DSM resources targeting annual system energy and capacity selections from the preferred portfolio: *2015* – 551 MW of Annual Incremental Energy (GWh) and 133 MW of Annual Incremental Capacity; *2016* – 584 MW of Annual Incremental Energy and 139 MW of Annual Incremental Capacity; *2017* – 616 MW of Annual Incremental Energy and 146 MW of Annual Incremental Capacity; *2018* – 634 MW of Annual Incremental Energy and 146 MW of Annual Incremental Capacity.

4. **Coal Resource Actions**

   - Naughton Unit 3: Issue RFP to procure gas transportation and resume engineering, procurement, and construction (EPC) contract procurement activities for the Naughton Unit 3 natural gas conversion in the first quarter of 2016. Possibly update its economic analysis of natural gas conversion in conjunction with the RFP processes to align gas transportation and EPC cost assumptions with market bids.

   - Dave Johnston Unit 3: Wyoming currently appealing 10th Circuit ruling regarding the portion of EPA's final Regional Haze Federal Implementation Plan (FIP) requiring the installation of selective catalytic reduction (SCR) at Dave Johnston Unit 3, or a commitment to shut down Dave Johnston Unit 3 by the end of 2027. If EPA's final FIP is upheld, the Company is committed to shutting down Dave Johnston Unit 3 by the end of 2027. If EPA's final FIP is or will be modified, the Company will evaluate alternative compliance strategies.

- Wyodak: Continue appeal of the portion of EPA's final Regional Haze FIP that requires the installation of SCR at Wyodak. Compliance deadline for SCR under the FIP is currently stayed by the court. If EPA's final FIP is upheld (with a modified schedule that reflects the final stay duration), the Company will update its evaluation of alternative compliance strategies that will meet Regional Haze compliance obligations.

- Cholla Unit 4: Continue permitting efforts in support of an alternative Regional Haze compliance approach that avoids installation of SCR with a commitment to cease operating Cholla Unit 4 as a coal-fueled resource by April 2025.

5. **Transmission Actions**

- Continue permitting for the Energy Gateway transmission plan. Near term targets for Segments D, E, and F include the continued funding of the required federal agency permitting environmental consultant; continue to support the federal permitting process by providing information and participating in public outreach. For Segment H (Boardman to Hemingway), continue to support the project under the conditions of the Boardman to Hemingway Transmission Project Joint Permit Funding Agreement.

- Complete Walla Walla to McNary project construction plan with 2017 expected in-service date. Continue to support permitting process.

STAFF COMMENTS

Staff reviewed the Company's 2015 IRP, and noted substantial changes to the Company's resource strategy since its 2013 IRP in response to uncertainty concerning the EPA's proposed interpretations of §111(d) of the Clean Air Act, EPA Regional Haze Requirements, and requirements of state specific Renewable Portfolio Standards (RPS). Staff believes that these uncertainties greatly complicate Rocky Mountain's planning process. However, Staff also believes that the Company's flexible approach, which considers a broad array of scenarios and potential resource portfolios, is appropriate. In general, the alternative resource portfolios considered by Rocky Mountain decrease the Company's reliance on coal, either by decommissioning existing coal-fired plants, or by converting them to use natural gas, with a net decrease in generation capacity by 2024. In its 2013 IRP, the Company planned to meet the resulting capacity shortfall using market purchases. The Company's 2015 IRP preferred portfolio is somewhat less dependent on market purchases, relying on Class 2 DSM energy management programs to meet anticipated capacity needs.

Staff noted that the Company has changed the way that it values its DSM programs in its 2015 IRP. Class 1 DSM programs include firm, fully dispatchable and scheduled capacity programs such as the Company's 170 MW irrigation load management program in Idaho. In previous IRPs, Class 1 DSM capacity savings were subtracted from the Company's obligation. In the current IRP, these are considered to be a resource. Rocky Mountain's existing Class 1 DSM programs will account for a constant 323 MW of capacity between 2015 and 2024. Because Class 1 DSM savings are no longer deducted from the Company's obligation, the net effect is a small increase (42.6 MW) in required reserves, and a concomitant decrease in capacity position. Between 2015 and 2024, Rocky Mountain's existing Class 2 DSM programs will account for a 110 MW reduction in its capacity obligation. The Company anticipates a 0.89% annual increase in system coincident peak demand between 2015 and 2024. Staff noted that the Company's system-wide capacity position may exceed available FOTs beginning in 2020. Table 1 summarizes Rocky Mountain's system-wide resources, obligations, reserves, capacity position, and available FOTs.

Staff observed that the capacity deficit in the Company's east balancing area, including Idaho, Utah, and Wyoming, already exceeds available FOTs, while there are no capacity deficits in its west balancing area.

Resource Portfolio Selection

Staff remarked that Rocky Mountain's participation in regional plan comparisons such as the Northern Tier Transmission Group (NTTG), the Western Electricity Coordination Council (WECC), and FERC Order 1000 Interregional Coordination Group can ultimately lead to more efficient long-term planning processes across the Western United States and Canada. Staff also believes that both an efficiency of scale and cooperative, co-ownership of transmission assets that reduce the cost of complying with contingency requirements can be achieved through these efforts.

Improvements in operational efficiency ensure that existing resources are better utilized and may allow postponement of costly future transmission investments. Staff believes that the Company should compare its transmission plans as outlined in the IRP to planning efforts of regional transmission groups to assure efficient and prudent compliance with operational and long-term transmission planning and reliability requirements.

Load and Resource Balance

Staff noted that, in its acceptance of the Company's 2013 IRP, the Commission directed the Company "to increase its efforts toward achieving higher levels of cost-effective DSM" and "to present clear and quantifiable metrics governing its actions regarding decisions to implement or decline energy efficiency programs." The Company continues to rely on Class 2 DSM energy savings programs to meet its capacity obligations. By 2024, the Company anticipates deriving 6.1 GWh (9%) of its energy obligation, and 1.0 GW (9.0%) of capacity obligation from Class 2 DSM energy savings programs. This is nine times the capacity reduction that the Company obtains from its existing Class 2 DSM programs (110 MW), and is greater than the combined capacity of its two largest coal-fired plants, Hunter Unit 3 and Huntington Unit 1. By 2034, under the Company's preferred portfolio, Class 2 DSM savings will be 10.9 GWh. The Company stated that for its 2015 IRP it used an accelerated Class 2 DSM acquisition scenario that exceeded energy savings estimates in its 2013 IRP by 59%. According to Rocky Mountain, the accelerated scenario is "both speculative and hypothetical," but the Company did not provide an assessment of the specific risks associated with it.

Staff believes the Company's Class 2 DSM energy savings target to be achievable, and supported the Company's aggressive program to obtain Class 2 DSM resources. According to the Company, its Class 2 DSM programs are primarily targeted at reducing energy consumption, so a program's ability to reduce system peak demand is dependent on the types of energy savings programs adopted by the Company. For example, a program that encourages energy efficient heating might reduce energy use, but have no impact on the capacity obligation of a summer peaking utility like Rocky Mountain. The Company's 2015 IRP emphasized the process for selecting Class 2 DSM programs based on their ability to reduce energy use, but described no mechanism for assuring their contribution to reducing peak load. Given the 2015 IRP reliance on Class 2 DSM capacity reductions, Staff believes that the Company should include a thorough explanation of the effects of these programs for both energy and capacity reduction in its 2017 IRP.

Staff noted inconsistencies between some of the text, tables, and figures found in the IRP and used to discuss DSM related capacity reductions. Part of this difficulty arises because the 2015 IRP often does not discriminate between the nameplate/capacity reduction and the system peak reduction of Class 2 DSM programs. Class 2 DSM nameplate/capacity reduction is computed without regard to the timing of that reduction, and is not necessarily coincident with the system's peak. For purposes of analyzing capacity position, Staff opined that only a Class 2 DSM program's system coincident peak reduction is useful. The effect of using nameplate/capacity reduction rather than system coincident peak reduction is to exaggerate, often by 50% or more, the apparent capacity contribution of energy efficiency programs. Given the increased importance of Class 2 DSM programs to the Company's capacity position, Staff asserted that the Company should provide a more detailed explanation describing how the Company will assure that these programs meet the energy and capacity targets in its next IRP.

Staff analyzed the Company's preferred portfolio plan for converting/decommissioning selected coal-fired plants. According to the Company, this plan is sensitive to assumptions about natural gas price and the EPA's final rules for interpreting §111(d). The 2015 IRP included extensive discussions of these risks and issues surrounding them. Given these uncertainties, Staff believes that the Company's preferred portfolio plan for reducing the energy contribution of coal and increasing the energy contribution of natural gas to both be reasonable. The Multi-State Allocation Protocol assigns the differential costs of existing RPSs in other states to those states that cause these costs to be incurred, thereby protecting Idaho customers from subsidizing the RPS requirements of other states.

Finally, the 2015 IRP included a summary of a Wind Integration Study ("WIS") conducted by the Company. Over the next two years, the Company plans to double the amount of energy that it obtains from solar power, from 3% to about 6% of its system load. Given its increased reliance on solar power, Staff believes that it would be appropriate for the Company to conduct a solar integration study for inclusion in the Company's 2017 IRP.

Therefore, based on its review Staff believes that the Company's 2015 IRP gives balanced consideration to supply and demand resources and that it satisfies the requirements of Commission Order Nos. 25260 and 22299. Staff recommended the Company's subsequent IRPs address current resource needs with more accurate information prior to final resource decisions. Staff recommended the Commission acknowledge the Company's 2015 IRP filing.

ICL COMMENTS

ICL expressed its support of Rocky Mountain's balanced approach toward demand-side resources. ICL believes that Rocky Mountain's methodology for considering demand-side measures is more equal and balanced than Idaho Power's or Avista's. ICL recommended that the Commission establish the Company's method as the preferred method for all Idaho utilities.

ICL believes that the Company's WIS shows the growing ease and lowering costs of integrating wind resources. ICL also believes that the Company's modeling of the Clean Power Plan and coal pollution costs is fundamentally flawed. ICL included comments regarding modeling errors for the Clean Power Plan and coal unit retirement that it stated were presented by the Sierra Club to the Washington UTC regarding the Company's 2015 IRP filing in Washington.

ICL recommended that the Commission direct the Company to produce an IRP update that analyzes a mass-based power plan compliance strategy to discover the least cost and least risk path to deal with forthcoming coal pollution controls.

ICL remarked that Rocky Mountain is among the largest utility systems in the western interconnect. According to ICL, by virtue of their geographic spread, resource stack, transmission system, and coordination with other utilities, the Company's future resource plans will have more impact on Idaho than any other utility. ICL believes that the Commission must scrutinize Rocky Mountain's planning practices.

SRA COMMENTS

SRA stated that its primary concerns regarding Rocky Mountain's 2015 IRP relate to planning for Rocky Mountain's coal fleet, how the IRP treats the Obama Administration's new Clean Power Plan, and the need for greater amounts of DSM resources to absorb much of the projected lost coal generation.

SRA believes that Rocky Mountain's 2015 IRP included adequate analyses of possible 111(d) scenarios and suggested Rocky Mountain analyze the role of energy efficiency in assisting the Company to comply with greenhouse gas emissions reduction targets.

At a minimum, and pending the outcome of litigation over the Clean Power Plan and submittal of state implementation plans, SRA believes that the Clean Power Plan will almost certainly impact the operation of one or more of Rocky Mountain's coal plants or, in some cases, its retirement and decommissioning schedule for certain plants.

SRA opined that Rocky Mountain's parent company, PacifiCorp, is among the nation's most coal-reliant electric utilities. SRA lauded Rocky Mountain's intentions to retire or convert to natural gas approximately 2,800 MW of coal capacity during the planning period covered in this IRP. However, SRA stated that it is disappointed by the Company's extended timeline for retirement/conversion. SRA believes that the Company's reliance on such a large amount of coal as far out as 20 years from now for 30% of generation continues to expose customers to undue risk from the uncertain regulatory costs of coal combustion and the impacts declining gas prices and renewable energy prices are already having on coal's cost-competiveness as a generation resource.

SRA believes that the implementation of the Clean Power Plan will push coal further to the margin. SRA noted that, in recent years, the Company has built new natural gas plants and wind power projects and expanded energy efficiency programs. SRA believes savings of customer dollars will be replicated as additional coal plants are scheduled for early decommissioning.

SRA stated that the Commission should encourage Rocky Mountain (and all Idaho regulated electric utilities) to aggressively promote its programs through the media and with special attention to Community Action Partnerships that serve limited-income customers in its Idaho territory. SRA believes that some of the greatest DSM savings can be reached through commercial and industrial customers and noted that industrial sales comprise approximately 50% of the Company's sales in Idaho.

Finally, SRA recommended that Rocky Mountain continue to research the viability and value of its DSM programs. SRA stated that it appreciates the opportunity to comment on Rocky Mountain's 2015 IRP and commended the Company and its IRP team for its stakeholder involvement efforts.

RENEWABLE NORTHWEST COMMENTS

Renewable Northwest congratulated the Company on the high degree of stakeholder involvement during its 2015 IRP process. It acknowledged Rocky Mountain's efforts in attempting to model the new rule found in §111(d) of the Clean Air Act in its 2015 IRP. Renewable Northwest recommended the Commission maintain the integrity of existing environmental commodities—such as Renewable Energy Credits—and their associated markets. Renewable Northwest also recognized Rocky Mountain's progress made in planning for variable energy resource integration, as reflected in the Company's 2014 WIS.

Renewable Northwest declared that the 2014 WIS determined that a modest increase of only 1 MW in wind regulating margin (the incremental amount of reserves required to accommodate deviations of wind generation from forecasts) was required between 2012 and 2014 to accommodate a 417 MW increase in wind capacity. Furthermore, the Company's Distributed Generation Resource Assessment for Long-Term Planning Study highlighted the large amount of potential commercial-scale solar photovoltaic that could be deployed in Rocky Mountain Power's Idaho service territory. Renewable Northwest expressed its appreciation of the Company's stakeholder process and looked forward to engaging with the Commission and the Company in exploring the increasing role of renewable energy in subsequent IRPs.

ROCKY MOUNTAIN POWER REPLY COMMENTS

Rocky Mountain replied to the comments outlined above. The Company stated that the parties were all generally satisfied with its 2015 IRP but expressed some concerns regarding the Company's modeling approach toward EPA's draft Clean Power Plan ("CPP") section 111(d) rule and how these perceived shortcomings could presumably bias the outcome of resource selection, particularly with respect to identification and analysis of environmental compliance costs. The Company sought to clarify some statements found in its IRP and what it characterized as "misconceptions" by the parties issuing comments.

Reply to Staff Comments: Rocky Mountain responded to Staff's concern that the Company's capacity deficits cannot be met with available FOTs. Rocky Mountain clarified that the values in Staff's tables come from Table 5.14 in the 2015 IRP. According to the Company, this table is used to show capacity need before any incremental resource additions, and does not include any Class 2 DSM. Table 8.8 in its 2015 IRP shows the final capacity position for the first 10 years of the planning horizon inclusive of new resource additions from the preferred portfolio. According to Rocky Mountain, Table 8.8 demonstrates that the Company's system capacity needs are met with planned additions of DSM resources, FOTs, and system transfers.

Regarding Staff's load and resource balance comments focusing on DSM, the Company provided two clarifications: (1) Table 8.8 values are cumulative, not incremental. Thus, capacity impacts for 2024 represent the impact in 2024 from 10 years of DSM acquisitions over the period of 2015-2024; and (2) existing DSM in Table 8.8 represent only impacts from 2014 as discussed further on page 79 of the 2015 IRP. Earlier DSM impacts are embedded in the load forecast and classified as existing resources.

Further, the Company clarified that its 2015 IRP preferred portfolio is not based on an accelerated DSM scenario. The Company agreed that its targets are aggressive, based on the use of the 85% achievability assumptions, when viewed relative to historical DSM acquisition levels. The Company stated that any increase in DSM selections relative to the 2013 IRP is primarily driven by higher levels of potential identified in the Company's 2015 DSM potential study as compared to the 2013 study. Both studies relied on the best available information.

Rocky Mountain responded to Staff's requests that the next IRP include additional information on planned DSM acquisitions and how these align with the IRP's DSM selections in terms of energy and capacity. The Company rejoined that the 2015 IRP Action Plan identifies the planned DSM energy acquisitions; the 2015 IRP Update, and 2017 IRP will report on progress toward achieving these targets. Also, Appendix D of the 2015 IRP includes preliminary acquisition budget estimates, state-specific implementation plans, and a comprehensive DSM Communications and Outreach Plan to provide additional detail on how the Company plans to acquire the identified resources. The Company stated that it creates an annual report in each of its state jurisdictions presenting the prior year's DSM achievements. Each report contains actual energy achievements and estimates of capacity impacts for DSM resources.

In response to Staff's suggestion that the Company include a solar integration study in its 2017 IRP due to increased reliance on solar resources, Rocky Mountain agreed that solar generation is increasing but contends that it does not rise to 6% of system load as alleged by Staff. The Company claimed that the amount of energy from solar in 2017 is approximately 2% of the Company's projected load. Nonetheless, Rocky Mountain stated that it will consider performing solar integration analyses during the 2017 IRP process.

Staff suggested the Company compare its transmission plan with those developed by regional groups. The Company cited its participation in regional and interregional transmission planning efforts with the Northern Tier Transmission Group ("NTTG"), the Western Electricity Coordination Council ("WECC"), and FERC Order 1000 Interregional Coordination Group. Further, the Company argued that it is obligated under its Open Access Transmission Tariff and local Attachment K process to develop and maintain a reliable transmission system that meets customers' needs and that is in compliance with six reliability standard requirements, as described in data responses submitted in this case. The regional transmission plan under FERC Order 1000 has different requirements to qualify which projects get included and their timing; this approach may not be an exact match to local transmission planning requirements.

Reply to SRA: Rocky Mountain responded to SRA's comment that the Company's reliance on coal for "roughly one-third of its generation in 2034" could be risky. Rocky Mountain averred that it selected its preferred portfolio based on comprehensive cost and risk analysis, as documented in Chapter 8 of the Company's 2015 IRP. The Company stated that it will continue to update modeling consistent with state plans for 111(d) as well as regional haze compliance outcomes and examine near-term compliance alternatives to meet emission requirements for coal units.

Reply to ICL: Rocky Mountain responded to ICL's argument that the Company's modeling of EPA's draft CPP section 111(d) rule is insufficient. The Company claimed that ICL used comments submitted by the Sierra Club ("SC") to the Washington Utilities and Transportation Commission ("WUTC") and submitted them in this proceeding as their own. The Company strongly disagreed with the ICL/SC characterization of perceived modeling "errors" in the 2015 IRP. Rocky Mountain argued that many of the comments submitted by SC to the WUTC were based on erroneous interpretation of data and analysis performed by the Company in its 2015 IRP.

The Company stated that the EPA's draft section 111(d) rule was discussed at many, if not all, of the IRP public meetings. According to the Company, many stakeholders provided comments on their interpretation of the rule and concerns regarding how the Company may meet draft compliance requirements. Additionally, two workshops, one in Salt Lake City, and one in Portland, were devoted to discussion of the modeling tools developed to study EPA's draft section 111(d) rule in the 2015 IRP.

ICL/SC's first issue concerns Rocky Mountain's use of an emission rate-based approach to meeting EPA's draft section 111(d) rules. While ICL/SC may believe a mass-based approach is a preferable modeling approach to studying EPA's draft 111(d) rule, there was very little guidance in the draft rule indicating how states would develop and adopt mass-based targets, let alone information to suggest that such an approach would be adopted by all states.

The Company stated that it looked at both emissions rate-based and mass-based approaches in the 2015 IRP.

The Company then quoted a non-exhaustive list of ICL/SC's misrepresentations regarding Rocky Mountain's 2015 IRP Filing:

(1) "PacifiCorp's review of a single interpretation of the CPP may [produce] poor planning results";

(2) "PacifiCorp's failure to model mass-based CPP compliance";

(3) "PacifiCorp neither modeled a mass-based approach";

(4) "PacifiCorp's exclusive choice of a rate-based approach."

In response to the above, the Company cited page 143 of the 2015 IRP describing different section 111(d) scenarios studied. Figure 7.4 on page 144 of the document demonstrates the actual mass-cap limits the company modeled. Table 7.3 lists the core case definitions, including those for cases, C12-1, C12-2, C13-1, and C13-2 that did in fact examine mass-based scenarios, despite statements to the contrary by ICL/SC. Rocky Mountain claimed that results of these portfolios are discussed throughout Chapter 8 of its 2015 IRP.

The Company stated that the ICL/SC statement that rate-based modeling will ". . . leave PacifiCorp's customers vulnerable to contrary state and federal decisions" is without merit. Examination of the resource portfolios selected by the case relying on mass-based assumptions shows a very similar resource mix to the preferred portfolio, especially in the first two to four years of the planning horizon. According to the Company, the results of the portfolios do not support ICL/SC statements. Similarly, comments suggesting Rocky Mountain is using this IRP to direct the form of compliance that individual states will be able to use are vastly exaggerated and in direct conflict with standard regulatory processes.

The Company asserted that it will follow all regulations that are developed to meet state implementation plans for section 111(d) compliance, in addition to any other IRP requirements. ICL/SC also commented that the emission rate-based approach "undervalues coal conversion and retirement." Rocky Mountain reiterated that it does not establish policy but develops plans to meet policy requirements. EPA's draft section 111(d) rule sets rate-based targets and Rocky Mountain developed a range of different resource portfolios to meet these targets under different compliance strategies and considering alternative coal unit retirement assumptions.

ICL/SC further raised concerns that portfolio modeling does not allow for endogenous determination of early retirement dates for coal plants. Use of this modeling option would be problematic as there are many details to consider when assessing the cost for early retirement, such as: coal contract constraints, fixed costs, impacts on fixed and operating costs of other coal units at multi-unit plants, and other variables that influence the economics of early retirement decisions.

Rocky Mountain believes that its current approach, which analyzes alternative coal unit retirement scenarios, is more robust because the impact of early retirements on other units and system fixed costs is explicitly captured. Thus, Rocky Mountain believes that the concerns raised by ICL/SC should not be acknowledged because they contain many errors of fact, the most glaring is the oft repeated claim that Rocky Mountain did not model mass-based cap compliance with EPA's draft section 111(d) rule. The Company argued that it utilized a reasonable approach to modeling compliance with EPA's draft 111(d) rule and developed portfolios across a range of policy and compliance scenarios that were informed by the input of stakeholders choosing to actively participate in the 2015 IRP public process.

COMMISSION DISCUSSION AND FINDINGS

Having thoroughly reviewed all of the filings in Case No. PAC-E-15-04, including Rocky Mountain's 2015 Integrated Resource Plan, appendices and addendums, and related comments from the Company, Staff, ICL, SRA and Renewable Northwest, the Commission finds that the Company's 2015 IRP is presented in the appropriate format and contains the necessary information outlined by the Commission in Order No. 22299. Therefore, the Commission accepts Rocky Mountain's 2015 IRP filing.

In doing so, the Commission reiterates that a standard IRP is merely a plan, not a blueprint. An IRP is a utility planning document that incorporates many assumptions and projections at a specific point in time. It is the ongoing planning process that we acknowledge, not the conclusions or results. The Commission offers no opinion or ruling regarding the prudency of the Company's election of its preferred resource portfolio.

The Commission acknowledges the comments and criticisms of the intervenors and other interested parties, including but not limited to Staff, ICL, SRA, and Renewable Northwest.

The Commission expresses its appreciation for the Company's willingness to furnish an IRP process which fosters meaningful input and participation from interested parties. The Commission believes that such participation by multiple interested parties is necessary and a key factor in the development of an effective resource planning document.

Clearly, Rocky Mountain's 2015 IRP was greatly impacted by the EPA's recent promulgation of Rule §111(d) under the Clean Air Act. The probability of this circumstance was presaged by the Commission in the context of the Company's last IRP filing, PAC-E-13-05. In the Commission's Order accepting Rocky Mountain's 2013 IRP we stated that "it seems more likely than not that the EPA will move forward and enact additional regulations of fossil fuels under the federal Clean Air Act." Order No. 32890 at 12.

The Commission noted further that it would "be in the best interest of the Company and its customers to continue to evaluate and devote more focus on the development of alternative energy resources." *Id.* To that end, "the Commission exhort[ed] the Company to increase its efforts toward achieving higher-levels of cost-effective DSM." *Id.* The Commission firmly believes that "such measures can obviate the need for new generation resources and thereby decrease the constant upward pressure on energy pricing." *Id.*

The Commission's review of Rocky Mountain's 2015 IRP revealed that the Company has acknowledged our recommendations. The Commission is pleased by Rocky Mountain's aggressive pursuit of energy savings related to the Company's acquisition of substantial additional Class 2 DSM resources into the planning horizon. The Commission is hopeful that the Company's concentrated efforts in this area will lead to significant reductions in energy consumption.

The Commission also finds that the Company has developed a practical approach toward new resource acquisition and resource portfolio selection. The Company's approach appears to respond adequately to future resource demands, as well as the federal statutory mandate presented by §111(d).

Finally, the Commission takes note of the 2015 IRP's increased reliance on solar resources. We offer no commentary on the prudency of this decision. However, the Commission suggests that Rocky Mountain consider conducting a reasonable evaluation, similar to the WIS previously commissioned, of the costs and benefits associated with the integration of additional solar resources into its system.

CONCLUSIONS OF LAW

The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Rocky Mountain Power, an electric utility, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 et seq.

ACCEPTANCE OF FILING

Based upon our review, we find it reasonable to accept and acknowledge Rocky Mountain's filed 2015 Electric IRP. Our acceptance of Rocky Mountain's 2015 IRP should not be interpreted as an endorsement of any particular element of the plan, nor does it constitute approval of any resource acquisition contained in the plan.

O R D E R

IT IS HEREBY ORDERED that PacifiCorp's 2015 Integrated Resource Plan is accepted for filing. Acceptance of the 2015 IRP should not be interpreted as an endorsement of any particular element of the plan, nor does it constitute approval of any resource acquisition or proposed action contained in the plan.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of October 2015.

PAUL KJELLANDER, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

KRISTINE RAPER, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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