

Regulatory Assistance Project Electric Resource Long-range Planning Survey¹
Compiled by CM LB

State: Utah Date: 7/28/05

Name of Agency: Public Service Commission of Utah (PSC)

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Policies

1. Is any form of long-range electrical resource and/or investment planning required?
 Yes No

2. If yes, what planning processes are going on?

Integrated Resource Planning is done. The process incorporates least cost planning, portfolio management, T & D planning, generation planning, and site planning.

3. Please describe the IRP process.

Utah's PSC requires PacifiCorp ("the Company"), which operates throughout the Western states, to perform Integrated Resource Planning. Because of the regional nature of the company, Utah's IRP process is designed to be consistent with other states in the region. Every 2 years the Company is required to file an IRP and an Action Plan. The Company's process includes holding workshops and soliciting written comments from a variety of parties, including state agencies, trade groups, environmental groups, wind development interests and parties from other states. After a period of public comment, the plan is submitted to the PSC. The PSC solicits written comments from the public about acknowledgement of the plans. While not required, public hearings could be conducted, although this has never happened. Acceptance of the plans occurs through a docketed acknowledgement process, which indicates that the Company has complied with the IRP Standards & Guidelines.² The plans are used primarily for information purposes, and to keep regulators informed of the company's plans. Plans are also used as supporting evidence in other processes (such as the Certificate process).

¹ All responses written from notes compiled and edited by Liz Baldwin, RAP researcher. Corrections to the draft document, suggested by the contact person(s), have been incorporated.

² Docket No. 90-2035-01 established Utah's IRP process and set forth the required elements of the plan. This document is referred to as the "Standards and Guidelines".

4. Is it statewide or utility-specific planning? What types of entities are required to participate?

The process is utility-specific, but because the Company operates in six different states, planning is also done on an integrated system basis that seeks to determine the least-cost way to serve the entire system. For example, the IRP analyzes overall DSM potential on a region-wide basis and establishes DSM savings goals, while specific DSM programs are tailored to each state's load and approved in a separate process. PacifiCorp files the same IRP in each state it serves.

5. Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?

There is an informal relationship. The IRP is used to inform other decisions, but appearance in the IRP does not confer preapproval in rates.

6. This form of planning has been required since what date?

The Standards and Guidelines informing the PacifiCorp IRP have been required since the June 18, 1992 Report and Order in Docket 90-2035-01.

7. How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?

Enforcement of the process occurs in other decisions, particularly in rate cases. The IRP Standards and Guidelines give good guidance about what the PSC considers to be in the public interest. If the Company's actions are not in the public interest and fail to comply with the Standards and Guidelines, the company would have to explain itself and would be potentially vulnerable in the rate case. In the past, the PSC has failed to acknowledge plans that were not compliant with the Standards and Guidelines.

Ultimately, the Company needs to show that its actions are least-cost and in the public interest. If this is not shown, the Company is vulnerable in its rate case.

8. Is anything similar required for non-electric natural gas-related planning? Yes
 No

If yes, what is that process called? Integrated Resource Planning

Required Elements

9. Back to IRP. Which of the following resources must be explicitly evaluated/included:

Generation
Transmission
Distribution
Energy efficiency
Load Management
Other demand side measures
Specific generation (e.g. renewable, distributed)
Others

Explicit consideration of distribution is not a requirement of the IRP, but it may be considered in some fashion, often indirectly and in the context of distribution-related DSM savings. Renewables and distributed generation are both considered, as are demand response programs. At the IRP level, distributed generation, demand response, and DSM programs are used to decrement load, rather than to build supply curves. DSM potential from new programs is considered when determining cost-effective methods to modify load profiles; specific programs are selected at a later date and in a separate process. Where programs already exist, savings due to DSM and demand response are included in the demand forecasting process.

What tests must be included/utilized?

For DSM programs, a wide variety of tests are considered, but all DSM programs must meet the Total Resource Cost (TRC) and Utility Cost tests.

For all resources, the primary test is the present value revenue requirement (or utility cost) test, calculated under a variety of scenarios.

10. Describe the analysis required by the regulatory body (what is compared to what to make decisions? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

The Standards and Guidelines require that demand side and supply side resources be compared to each other in order to determine the least cost plan. They also require that a range of different demand forecasts and scenarios be used, factoring in a variety of uncertainties. The Company must perform sensitivity analysis to make sure that the chosen plan is robust under different circumstances.

The Standards and Guidelines don't dictate the analytic methodology the Company should use, and methods have changed over the years as technology has changed. The analysis can be done by spreadsheet, by optimizer programs, or by other methods the Company chooses. Currently, this is done by manually creating portfolios and then

subjecting a handful of these to stochastic analysis³, under a wide range of different scenarios. The end result should be the plan that is the least cost/least risk plan.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

The Standards and Guidelines specify that risk analysis should be done, but they don't dictate what techniques should be used. This process is evolving and is the subject of public input, with different parties advising the Company on ways to perform risk analysis. Technology has changed the process, particularly with the introduction of stochastic methods. For uncertainties where this method is inappropriate, scenario analysis is done.

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No

The basic requirement is that all supply side and demand side resources must be considered on a consistent and comparable basis. All three resources (supply, T & D, and DSM) should be considered as equal and viable alternatives, although the degree to which the Company does this tends to vary from year to year.

13. The plan's objectives, from the regulatory perspective:

To ensure that the Company has adequate and low cost supply available for customers. The Standards and Guidelines state that IRP will require the Company to "pursue the least cost alternative for the provision of energy services to its present and future ratepayers that is consistent with safe and reliable service, the fiscal requirements of a financially healthy utility, and the long-run public interest."⁴

14. The plan's objectives, from the utility perspective:

PacifiCorp's states that its IRP is a "comprehensive decision support tool for meeting the Company's objective of providing reliable and least cost electric service to all of its customers while minimizing the substantial risks inherent in the electric utility business."⁵

15. Are alternative scenarios analyzed as part of the plan? Yes No

The Standards and Guidelines require the Company to consider a range of demand forecasts as well as future uncertainties, including the risk of future internalization of

³ Method of risk analysis used when uncertainties exist

⁴ DOCKET NO. 90-2035-01, p.1

⁵ From PacifiCorp's website at <http://www.pacificorp.com/Navigation/Navigation23807.html>, accessed on August 2, 2005

environmental costs. The Company must also identify who bears the risks under each scenario -- the shareholders or the ratepayers.

Are externalities considered? If so, which ones and how are they considered?

This topic has been brought up by different public groups, and the Commission has directed the Company to include a consideration of the financial risks associated with environmental externalities (see above); i.e., the financial risks associated with potential future environmental regulation compliance.

16. What is the planning horizon?

20 years

Length of Energy and Demand forecasts

20 years

Length of Short-term Action Plan

4 years, with a 2 year specific action plan.

17. How often do utilities have to file plans? Update plans? What actually happens?

Plans are submitted biennially.

18. What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?

Consistency is reviewed in the context of rate cases or Certificate of Need and Necessity proceedings. See also Question 7, above.

19. Are environmental issues considered in the planning process? Yes No
If yes, please describe.

The cost of complying with current environmental laws is considered, and the potential cost of future environmental laws is also considered. For example, the Company might consider what the impact of future climate change policy would have on its investments, and what impact such regulation would have on its least-cost plan.

20. Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?

Carbon emissions are dealt with by considering the potential financial risk from carbon regulation.

Agency Process

21. Is there a formal acceptance and/or acknowledgement process used for the resource filing? Yes No

A docket is filed, stating whether the plan is acknowledged, and written comments are taken, but hearings have never been held as part of this process.

22. Does the agency hold public hearings on draft/final utility plans? Yes No
If not, describe what does happen.

The public can file written comments on the plans.

If yes, what is the duration of the public hearing process?

The duration varies, but typically 60-90 days are allowed, to allow parties time to examine the plans and file their comments. Extensions can be given if necessary.

23. Other ways the public participates and comments on plans are:
(Prompts if needed: email or mailing lists, interactive web sites)

The public can participate in Company workshops and hearings as the plans are being formed. The public can also comment during rate hearings or any other formal proceeding where the IRP appears.

24. What action can the Commission take on the plan(s)?

Review it

Accept it

Approve it

Reject it

Acknowledge it

Require utility to modify and resubmit it

Other They can decline to acknowledge it.

25. Have resource acquisition decisions changed as a result of the planning process?
 Yes No Not Sure

Answer unknown.

26. Are competitive processes used to acquire new resources? Yes No

27. If yes, do you require regulatory review and approval of the competitive solicitations used?

The Standards and Guidelines require the Company to address their use of competitive solicitations, but does not require that any competitive RFPs are used. However, Utah recently enacted a law, separate from IRP, which states that if a company seeks a new resource of 100 MW or more, or for 10 years duration or greater, they must either use competitive bidding or request a waiver. The new law also requires that the PSC review and approve the solicitations, and that the resulting bid will go through a hearing process and PSC approval. (Prior to the new law, the Company had to wait until the next rate case for PSC approval.)

28. Do utilities file an energy efficiency or DSM plan? Yes No
If so, is it separate or integrated with other plans?

Both. Overall DSM goals are included in IRP process, and specific programs may be included to the degree that they are known when the IRP is filed. Separate plans are filed with more specific program information.

29. Is competitive bidding used to acquire EE resources? Yes No

Competitive bidding is used, but not required. The Standards and Guidelines require the Company to explain how competitive bidding will be used, with no further requirement; but competitive bidding for DSM has been successful and continues to be done by the Company.

30. Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments? Yes No

31. Citation and description:

There is an RFP process open right now, where the Company is proposing to obtain supply side resources in 2009. The docket number is 05-035-47.

32. Are utility plans available on-line? Yes No If so, what is the address?

The plans can be found at www.pacificorp.com/Navigation/Navigation23807.html

Is on-line publication voluntary or mandatory? voluntary

33. Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:

June 18, 1992 Order in Docket 90-2035-01 promulgated the current standards and guidelines for PacifiCorp's IRP. These can be seen in Attachment A to the February 28, 2002 Order in Docket 98-2035-05 at www.psc.state.ut.us/elec/02orders/Feb/98203505ro.htm

34. Do you anticipate any changes to this process in the near future? Yes No
If yes, please describe.

Changes are not expected, but are possible as the new legislation changes the relationships between the Company and the PSC concerning resource procurement.

35. Have there been any recent settlements or orders in rate cases or other dockets that may affect resource procurement or investment incentives? Yes No

36. Does your state do performance-based regulation? Yes No
If so, please describe briefly.

35. Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? Yes No (Examples: lost revenue recovery, shared savings, bonus rate of return) If so, please describe briefly.

Utah doesn't have incentives per se, but has worked to remove disincentives by use of a tariff rider to allow the Company to recover costs associated with DSM. Lost revenue recovery is not used.

36. Do any tariffs include a fuel/purchased power clause? Yes No
If so, how does it work?

37. Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)? Yes No

Can EE or DSM savings be credited toward a utility's renewable mandate?
If so, please describe, including how the mandate relates to power vs. RECs.

State Energy Plan

38. Is there a State Energy Plan? Yes No
39. Is it connected to the planning described above? Yes No
40. If yes, who is responsible for the Plan?

The legislature and the governor are working to develop the State Energy Policy. Information can be found at: <http://www.energy.utah.gov/sep/energyplan.htm>

41. What is included in the Plan, apropos of long-range electrical planning?

The Plan doesn't address long-range electrical planning.