



# PUBLIC MEETING

## **Utah Committee of Consumer Services**

April 14, 2015



# Welcome & Business

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# Case Updates

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## Case Updates

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- Questar Builder Tariff: settled
- Beehive Telecom: settled
- Schedule 32: Order issued
- Schedule 37: appeal schedule
- Net Metering: technical conferences scheduled
- Wexpro property: no filing to date



# 2015 Legislative Session

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## Passed Bills

- HB 31 Natural Gas Amendments
  - Increased fine authority because feds are cutting our pipeline safety program funding due to fines being too low
- SB 88 Public Utilities Amendments
  - Changed approval timeline for agreements between public utility and municipality
- SB 110 Public Utility Modifications
  - Clean up re: net metering oversight for cooperative utilities
- HB 285 Building Code Review and Adoption Amendments
  - Residential building code only reviewed every six years instead of every three
- HB 343 Utah Communication Authority Emergency Radio and 911 Amendments
  - Passed without any new fees on telephone bills



## Other Legislation

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- Industrial customer issue regarding energy taxes
  - Not released
- 3<sup>rd</sup> party PPA for rooftop solar
  - Agreement among interested parties to work on mutually acceptable solutions over the summer and before next session



## Interim Study Items

- 6. Building Code Adoption – to study whether residential building code adoption cycle should be three years or six years (HB 285)
- 138. Electrical Grid – to study what Utah has done to protect its electrical grid and examine the work that has been done in other states to see if any of these approaches should be implemented in Utah.
- 139. Energy Issues Related to Large Electric and Natural Gas Consumers – to study municipal energy sales and use to address large electric and natural gas consumers.
- 140. Financing Utilities and Infrastructure – to study alternative financing for utility development and infrastructure in ski areas
- 142. Impact of Regulations on Power Companies – to study the impact of EPA regulations on regulated power companies in Utah





## Interim Study Items

- 143. Independent Energy Producers – to study issues related to independent energy producers (HB 457)
- 145. Oversight of Broadband Expansion – to study the expansion of a broadband “super highway” and the need or advisability of Public Service Commission-like controls and oversight.
- 146. Transmission Line Regulation – to study and continue to review interstate electrical transmission line regulation.
- 147. Utility Conservation – to study incentives that can be provided to utility companies to encourage conservation by their customers.



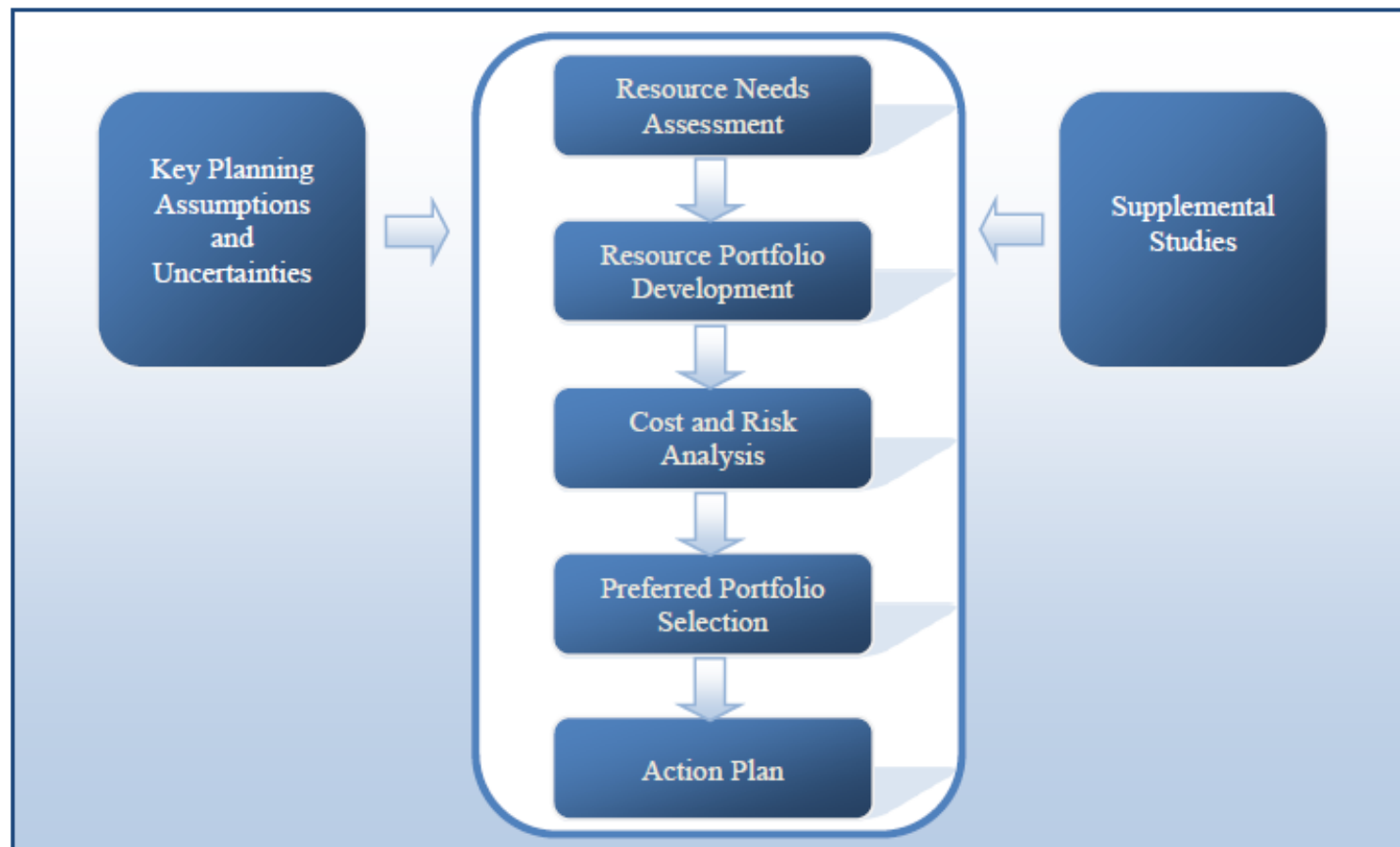
# Overview: PacifiCorp 2015 Integrated Resource Plan

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# Overview of Planning Process

**Figure 1.1 – Key Elements of PacifiCorp’s IRP Process**





# Preferred Portfolio

**Table 1.1 – 2015 IRP Preferred Portfolio Summary (MW)**

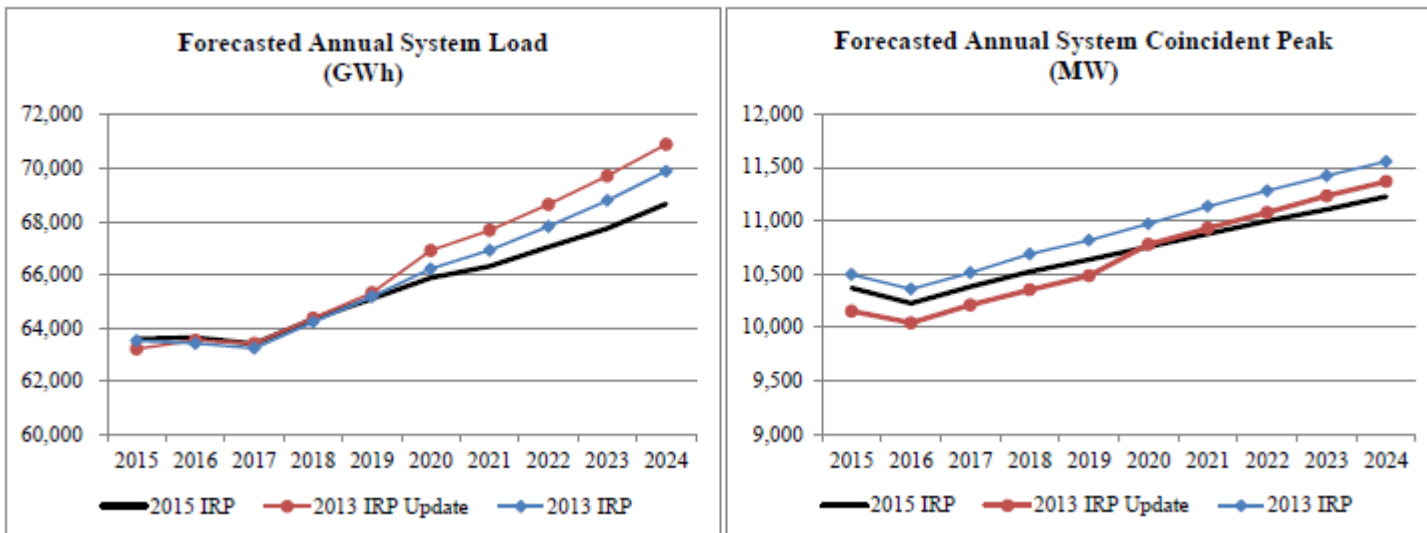
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total
<b>New Resources</b>																					
FOTs	727	937	904	870	935	979	769	791	761	754	771	792	835	1,304	1,167	1,253	1,247	1,411	1,360	1,087	n/a
DSM - Energy Efficiency	133	139	146	146	153	135	137	144	146	149	123	126	130	132	128	125	122	122	122	120	2,678
DSM - Load Control	0	0	0	0	0	0	0	5	11	0	0	11	0	0	11	0	0	0	5	0	42
Natural Gas Combined Cycle	0	0	0	0	0	0	0	0	0	0	0	0	0	423	0	1,159	0	0	635	635	2,852
OR Solar Capacity Standard	0	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7
<b>Existing Unit Changes</b>																					
Reduction in Owned Coal/Gas	(222)	0	0	(280)	0	0	0	0	0	0	(387)	0	0	(762)	0	(807)	(77)	0	(627)	0	(3,162)
Gas Conversion	0	0	0	337	0	0	0	0	0	0	387	0	0	0	0	(337)	0	0	0	0	387
<b>Total Net Change in Resources</b>	<b>638</b>	<b>1,084</b>	<b>1,050</b>	<b>1,073</b>	<b>1,088</b>	<b>1,113</b>	<b>906</b>	<b>941</b>	<b>917</b>	<b>903</b>	<b>893</b>	<b>928</b>	<b>965</b>	<b>1,097</b>	<b>1,305</b>	<b>1,393</b>	<b>1,292</b>	<b>1,533</b>	<b>1,496</b>	<b>1,841</b>	

- Resource needs can be met with DSM and low-cost short term firm market purchases (called front office transactions or FOTs on the chart)
- The next thermal resource is planned to be added in 2028, one year later than in previous plans
- By 2034 assumes that 1800 MW of existing coal generation will either be retired or converted to natural gas



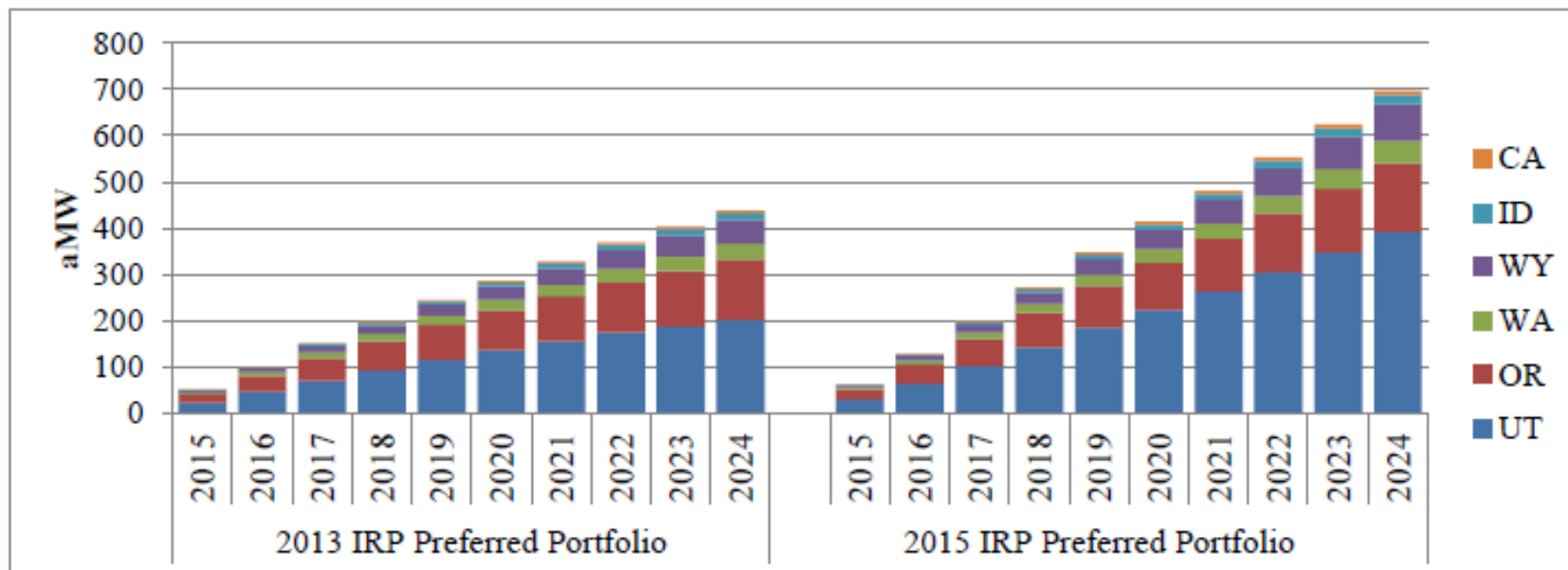
# Load Forecast Changes

Figure 1.2 – Load Forecast Comparison among Recent IRPs



# Energy Efficiency Changes

**Figure 1.3 – Comparison of Total Energy Efficiency Savings between the 2015 IRP Preferred Portfolio and the 2013 IRP Preferred Portfolio**





# Action Plan

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- Renewable Resource Actions
  - The Company will pursue unbundled REC RFPs to meet its state RPS compliance requirements
  - On a quarterly basis through 2016, issue reverse RFPs to sell vintage RECs not required to meet state RPS requirements
  - Conclude negotiations with shortlisted bids for qualifying solar to satisfy obligation under Oregon's 2020 solar capacity standard
- Front Office Transactions
  - Acquire economic short-term firm market purchases for on-peak summer deliveries from 2015 through 2017 consistent with Risk Management Policy and Front Office Procedures and Practices.
- Demand Side Management Actions
  - Pursue a west-side irrigation load control pilot beginning 2016 to test the feasibility of program design.
  - Acquire cost effective Class 2 DSM (energy efficiency) resources targeting annual system energy and capacity selections from the preferred portfolio.



# Action Plan

- Coal Resource Actions
  - Naughton Unit 3: Issue an RFP to procure gas transportation and EPC contract for the natural gas conversion in the first quarter of 2016. (May include updated economic analysis of natural gas conversion)
  - Dave Johnston Unit 3: Requirement for SCR or shut-down by 2027 is under appeal. If upheld, will shut down by 2027. If modified, will evaluate alternative compliance strategies.
  - Wyodak: Continue to pursue appeal of SCR requirement. If upheld, evaluate alternative compliance strategies.
  - Cholla Unit 4: Continue permitting efforts in support of an alternative regional haze compliance that avoids SCR with a commitment to cease operating the unit as coal fueled by the end of April 2025.
- Transmission Transactions
  - Continue permitting for the Energy Gateway transmission plan





# Process

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- Schedule will be set for comments and reply comments
- Commission will acknowledge or not acknowledge the plan
- Typically, no hearing is held



# Overview: PacifiCorp Multi- State Process

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# Background

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- PacifiCorp
  - Serves load in six states, operated as a single system (both for planning and operations)
  - Created by the merger of Utah Power and Pacific Power in 1989
- Inter-Jurisdictional Allocation
  - Different jurisdictions have different long-term goals (i.e. maintain pre-merger benefits vs. move toward fully integrated system with rolled in rates)
  - Longstanding differences of opinion across states
- Every few years, the states come together to re-negotiate the allocation of costs
  - Same fundamental issues continue



# Issues

- Should the system stay together or split back into two?
  - If the system splits, should it be a legal separation or some kind of contractual arrangement?
  - Can system benefits be maintained under a split system?
- What allocation methods should be used?
  - What percentage of generation and transmission allocated on demand vs. energy
    - 75% demand, 25% energy (current method)
    - Other percentage splits
  - Demand is measured by that state's contribution to the system peak in multiple months. How many months should be used in that measurement?
    - 12, equally weighted (current method) or with different weightings
    - Different number of months (one – total system peak only, four – three summer and one winter or just top four, other options)
- Should specific carve outs or offsets be utilized?
  - Hydro endowment (current method, except in Utah) that allows the northwest to maintain the benefits of low cost hydro



## Utah Specific Concerns

- Utah's goal has always been to move toward a fully integrated system with rolled in rates
- Utah paid about \$600 M in “fairness premiums” in the 1990s to achieve rolled in rates
- In 2004, Utah agreed through settlement to the Revised Protocol which deviated from rolled in rates
  - Projected to have higher costs in early years and lower costs in later years of agreement
  - The lower costs were never realized
- In 2010, Utah settled on a version of 2010 Protocol
  - Utah's version was rolled in rates
- The Utah PSC has required that Utah's inter-class allocations match the same method as inter-jurisdictional allocations
  - Most proposals for new allocations shift large dollars into Utah
  - Those same proposals would likely shift large dollars from larger customers to smaller customers within Utah



# Timeline

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- Current agreement expires at the end of 2016
  - Different states have different methods that will take effect after the agreement ends
- Multi-party negotiations scheduled approximately monthly through the end of the year
- Next meeting: April 29 – May 1
  - Includes two days of negotiations
  - Also includes one day Commissioner meeting



# Overview: RMP Deer Creek Mine Application

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## Overview of RMP Request

- Approve a “Transaction” to close the Deer Creek Mine
- Approve the use of deferred accounting to defer costs associated with the Transaction – i.e, set up Regulatory Assets
- Company analysis shows significant NPV benefit of the Transaction versus “Keep” Case and “Market” Case.
- Request new and stranded coal costs run through EBA without sharing bands
- Request filed under the Voluntary Resource Decision Statute (Pre-Approval)





## Components of the Transaction

- Sale of Mining Assets to Bowie
  - Preparation Plant
  - Central Warehouse
  - Trail Mountain Mine
- Sale of Fossil Rock Fuels Assets to Bowie – Cottonwood Coal Leases
- New Huntington Coal Supply Agreement (CSA) with Bowie (term ends 12/31/2019)
- Amended Hunter CSA with Bowie (term ends 12/31/2020)
- Sale of assets and Huntington CSA contingent on “obtaining all necessary regulatory approvals” by May 31, 2015



## Deferred Accounting

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- Stranded Deer Creek Mine Investment - \$86 million
- Unrecovered Investment in other Mining Assets
- UMWA 1974 Pension Trust Withdrawal – as of 6/30/3014, lump sum = \$96.7 million. Alternative is \$3 million annual payment
- Retiree Medical Obligation Settlement
- Mine closure costs including royalties to BLM for unmined coal



## Intervenor Responses

- General Agreement that the overall transaction is in the public interest.
- Areas of disagreement or concern:
  - Flowing the amortization of stranded Deer Creek Mine investment through the EBA
  - Flowing costs/benefits of the Transaction through the EBA at 100%
  - Pre-Approval of estimated costs (e.g. pension withdrawal and BLM royalties)
  - Inclusion of offsetting benefits (e.g. return on reduced coal inventory)
  - Carrying charges for EBA amounts and regulatory assets
  - Amortization periods for regulatory assets
  - Transaction costs owed by the joint owners of Hunter
  - Huntington CSA environmental provision for eliminating take-or-pay
  - Recovery of certain expenses between rate cases – CWIP, PS&I, severance pay, labor costs during mine closure



## Next Steps

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- Settlement discussions ongoing
- Sur-rebuttal testimony due April 16
- Hearings April 21 – 23
  - Public Witness Hearing April 21 5:00 pm



# Discussion: Committee Agendas and Input

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# Questions/Discussion



# Closed Session

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*Pursuant to Utah Code Section 52-4-205 (1)(c):  
Discussion of strategy in pending litigation  
before the Utah Public Service Commission*



# Other Business

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# Adjourn

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