

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE PROPOSED)
ADOPTION OF CHAPTER 2, SECTION 253)
OF THE COMMISSION PROCEDURAL RULES) Docket No. 90000-107-XO-09
AND SPECIAL REGULATIONS REGARDING) (Record No. 12032)
INTEGRATED RESOURCE PLANNING)

COMMENTS OF INTERWEST ENERGY ALLIANCE

I. INTRODUCTION

Interwest Energy Alliance ("Interwest") is a trade association representing the nation's leading wind and utility-scale solar energy companies doing business in the western United States. Interwest was founded in 2002. Interwest works with non-governmental organizations, particularly renewable energy advocates, conservationists, and public lands and wildlife advocates, and leading companies in the renewable energy business, particularly wind and utility-scale solar power producers, to achieve broad-based, consensus approaches to project and transmission development and siting issues throughout the states in which we work. In addition to Wyoming, Interwest works in Arizona, Colorado, Nevada, New Mexico, and Utah.

II. GOALS OF RESOURCE PLANNING

Interwest joins utilities and other stakeholders to encourage the Commission to adopt integrated resource planning ("IRP") rules for electric utilities in Wyoming. IRP rules are appropriate in Wyoming for several reasons. First, electric utilities serving ratepayers or cooperative members in adjacent states are subject to IRP requirements in those states. In the absence of IRP guidelines in Wyoming, Wyoming consumers are subject to the policy preferences of the neighboring states' IRP requirements by default. Resource planning allows

the Wyoming Commission to establish guidelines which serve Wyoming's unique political, economic, and social environment. These rules will enable Wyoming to develop its valuable energy resources for the long-term benefit of its citizens.

Interwest makes particular note of Wyoming's rich natural resources, including its wind resources. As the Commission is well aware, Wyoming is the largest energy exporting state in the United States, producing over ten percent (10%) of our energy supplies. Wyoming has more developable Class 5, 6 and 7 wind resources than all of the Western States combined. These resources will benefit Wyoming ratepayers and its citizens overall as an exported commodity only to the extent they can be developed in an orderly manner. Development of wind requires backbone distribution and transmission capacity not yet available in Wyoming (or much of the West). Therefore, Interwest suggests that the Commission include requirements that transmission planning be incorporated into its IRP requirements. Transmission should be incorporated into the resource planning process so that it is built in a timely and coordinated manner. There are a number of transmission proposals in Wyoming, but a rational approach would combine many of these proposals to make efficient use of a few logical rights of way, rather than spreading new transmission routes across the landscape. Wyoming can avoid the logjams which are preventing stable-priced renewable resources from reaching ratepayers in other parts of the West.

The resources that a public utility chooses have significant, direct impacts on its customers. These choices also affect a wide range of public interests, including economic development, a clean environment, the implementation of state and national energy policy and public health. These broader impacts transcend the service areas of public utilities whose

resource choices are at issue. Indeed, they affect all Wyoming residents, those who live here now and those who will live here in the future.

Integrated resource planning and regulation involve a comprehensive evaluation of all viable supply-and demand-side resources to produce a portfolio that meets a number of policy goals, since Colorado represents a significant market for Wyoming's wind energy resources.

They include:

- Integration of the public interest into utility resource acquisition, especially for the purpose of promoting consistency of utility resource plans with Colorado energy policy;
- minimization of utility revenue requirements;
- fostering reliable electric service;
- promoting financial stability for utilities;
- protecting ratepayers;
- hedging the many risks of an uncertain future;
- bolstering resource diversity;
- coordinating siting decisions in a manner which protects the environment and wildlife, and allows local jurisdictions to provide input;
- coordination of generation and transmission planning across utilities and equitable treatment for utilities across the state;
- promoting competition for the development of new resources;
- establishment of a rational basis for the Commission to implement its CPCN authority;
- and
- providing a framework for prudent utility investments.

Commission review of utility resource plans provides the best forum for review of utility resource choices to attain these goals. The Commission has the perspective to ensure that utility resource plans reflect broad public interests, but always in the context of how resource choices

directly affect utility customers. The Wyoming legislative backdrop related to energy production is undergoing scrutiny and changes, so this is a compelling opportunity for Wyoming citizens to find their voice as expressed through the Commission's new rules.

III. MINIMUM RESOURCE PLANNING REQUIREMENTS

A. Interwest encourages the Commission to require the following minimum requirements:

1. Any utility serving in Wyoming shall prepare and file an Integrated Resource Plan ("Plan" or "IRP") every four years. The Plan shall be published and a public comment period shall be established by the Commission. The public should be allowed to have the opportunity for comment and to provide testimony at hearing.

2. The Plan filed by any utility should include proposed generation resources and transmission capacity to serve the ratepayers and the citizens of Wyoming.

3. The Commission should require that competitive bidding be used to acquire any of the generation or transmission resources in the Plan, unless exempted by explicit rule. An example of successful competitive bidding rule requirements is set forth on **Exhibit A**, attached hereto and incorporated herein. Other states have mechanisms which work effectively when consistently applied.

4. The Plan should include, at a minimum, the following:

a) a description of the public comment process employed in the development of the plan;

b) the utility's strategic goals and resource planning goals and preferred resource portfolio;

c) the utility's illustration of resource need over the near-term and long-term planning horizons;

d) the types of resources considered;

e) changes in the expected resource acquisitions and load growth from that presented in the utility's previous Plan presented to the Commission;

f) the environmental impacts, and efforts to minimize, mitigate or avoid such impacts;

- g) market purchases evaluation;
- h) reserve margin analysis;
- i) demand side management and conservation options.

B. Interwest suggests that the Commission adopt a policy that a competitive acquisition process will normally be used to acquire new utility generation and transmission resources. Competitive bidding provides cost-effective resource portfolios, projected load and system requirements, beneficial contributions of clean energy and energy-efficient technologies, expected generation loading characteristics and various risk factors. If all types of resource generators have an opportunity to bid, they can be compared with one another to determine the most cost-effective resource portfolio available.

C. Interwest recommends that the Commission describe optimum resource plans as "cost-effective" rather than "lowest cost". Wyoming has shown its desire to pursue DSM and energy efficiency measures as part of its public policy related to development of energy resources for the benefit of its citizens.¹ Therefore, Interwest recommends against using "lowest cost" in the definition of the integrated resource plan, and instead recommends "cost-effective" because this term is read to include other goals. That is not to say that the least cost plan would not or should not be adopted, simply that its mandate would require parties to set aside other values which may result in savings to the consumers over the longer term.² Renewable resources such as wind and utility-scale solar power are "naturally variable". Naturally variable renewable

¹ See, e.g., Docket No. 20000-264-EA-06 the docket in which a DSM program was adopted upon agreement between PacifiCorp and stakeholders, and adopted by the Commission. In addition, federal mandates will require these programs, as evidenced in 900000-106-XO-08 (Record No. 11992)(the "EISA Docket") opened in response to the PURPA amendments and the Energy Independence and Security Act of 2007 ("EISA").

² Western Area Power Administration spoke similarly in its *Resource Planning Approval Criteria Federal Reg., Notice 10 CFR Part 905, May, 2000* discussing IRP guidelines. See H. *Discussion of Comments*, 3 §905.2.B.

resources are sometimes initially be more expensive to build than fossil-fuel fired facilities. However, naturally variable renewable energy resources provide stable rates and save customers money over the longer run, because long-term power purchase rates are contractually set for the duration of power purchase agreements.

D. Interwest does not take a position on whether the Commission should adopt a docket where hearings are held and witnesses are sworn and subject to cross-examination, rather than a simpler docket with opportunity for several rounds of public comments. However, Interwest urges the Commission to incorporate the following elements into its resource planning rules:³

1. Regular submission of a new resource plan every three or four years that includes a discussion of both supply-side resources and energy efficiency investments;
2. Opportunity for meaningful participation by the public and all interested parties;
3. Competitive solicitation of new resources that requires the utility to compete with independent power producers if the utility wishes to self-build a resource;
4. An independent evaluator reviews the effectiveness and fairness of the competitive bidding process for all new resources;
5. Opportunity for full discovery of the utility's assumptions, models and inputs in creating its proposed IRP and preferred new resource portfolio; and
6. Opportunity for post-construction prudence challenges regarding cost overruns or technical performance or other operational problems that could not be addressed at the time of resource selection.
7. Since forecasting the long term costs for fuels is likely to provide incorrect values, the Commission should consider whether, in the presence of fuel pass through mechanisms, consumers are better off if fuel price projections are likely to be too high or too low. If too low, consumers are likely to suffer. If too high, consumers might pay more than necessary, but be protected against fuel price spikes.

³ Interwest acknowledges Wyoming Industrial Energy Consumers and its counsel Thor Nelson of Holland & Hart for this cogent list of the vital points necessary to effective integrated resource planning, as indicated in their comments submitted into the EISA Docket.

E. The Commission can encourage public input while promoting collaboration and resolution by agreement. Collaboration between independent power producers, utilities, governmental and non-governmental conservation agencies can be quite effective to resolve many of the issues facing regulators today. Interwest speaks from experience, because it has a strong background in coordinating collaborative processes between utilities and stakeholders about many issues, including siting and environmental protections. For example, Interwest is a founding member of the Colorado Renewables Conservation Collaborative which is a collaboration of conservation NGOs and of Colorado Renewables Conservation Collaborative (“CRCC”), an informal collaboration between industry and NGO public lands, conservation and wildlife advocates. CRCC has helped facilitate dialogue between the various parties, and its work has resulted in increased mutual understanding on all sides. As a result of the CRCC's work, several conservation groups and wind developers are now working together under non-disclosure agreements which protect all parties to resolve siting issues within several jurisdictions.

IV. TRANSMISSION PLANNING

A. We also encourage the Commission to adopt transmission planning rules to be incorporated into its resource planning rules. The Commission should take whatever action it can to compel the coordinated transmission planning and expansion that will be needed for greatly increased export of power from Wyoming. The Commission and its staff members could participate in, help coordinate and oversee the progress of the relevant transmission planning groups in the state. The rules should define the state's role in the Colorado-Wyoming Coordinated Planning Group and give useful guidance about what transmission is "needed"

within Wyoming, including considerations that define what might be "needed" in Wyoming to benefit Wyoming consumers at the sub-regional or regional level. Several of these policies we suggest would allow local jurisdictions to have input which would be coordinated with state-wide concerns and regional planning mechanisms. The Wyoming Infrastructure Authority has and will continue to play an important role to coordinate transmission planning and to educate all stakeholders about impediments to transmission development. Fulfillment of their mandate to plan, finance, build, maintain and operate electric transmission will be vital to Wyoming's economic future.

B. Interstate transmission infrastructure development requires funding. To accelerate transmission investment, alternative cost allocation methodologies must be explored. An appropriate goal would be to encourage and facilitate the functionalities of a fully-operational and robust regional transmission organization ("RTO") with attendant regional tariff opportunities to avoid pancaking of transmission rates. The RTO's authority and activities should encompass both Wyoming and neighboring states. This will help Wyoming become a liquid trading hub to reach markets for Wyoming energy exports.

C. Interwest encourages the PSC to establish rules requiring that the following elements be incorporated into transmission plans:

1. The Commission should encourage and enable legislation to encourage involvement and participation in power exports by independent transmission companies.

2. Transmission must be built in advance of the need to renewable resource production areas, thus allowing development of generation based on those valuable resources.

3. Adequate transmission plans should include long-term plans that cover the period over which transmission facilities are depreciated for accounting purposes.

4. Transmission plans should be coordinated among Wyoming utilities and private stakeholders to achieve a "one-utility" transmission plan that includes both near-term and long-term transmission for all utilities that serve Wyoming ratepayers as well as those which export

Wyoming resources. A single, state-wide transmission plan should support and be coordinated with individual utility resource plans, so Wyoming utilities have a full set of generation options to achieve a robust competitive generation acquisition results and geographic and timing diversity to manage risks and achieve the least integration costs. The Commission should establish a deadline for submission of the coordinated "one-utility" transmission plan for approval.

5. Long-term plans (ten and twenty years in length) should be based on scenarios that define and describe alternative futures and potentially disruptive events. Plans should include phasing transmission additions to maintain and create transmission options for the future, and should be meet customer needs in a cost-efficient manner, consistent with sustained, orderly development of wind resources.

6. Transmission plans should address each TOT constraint and each limited transmission path within Wyoming and between Wyoming and adjoining electric resource areas, loads, and markets in aid of identifying why such constraints exist, what benefits might flow to Wyoming consumers from investment to lessen or limit constraint, and what transmission planning solutions might apply.

7. Transmission plans should include considerations that minimize environmental and siting conflicts and take advantage of coordinated build out over limited rights of way.

8. Transmission plans should require pricing across multiple utilities ("postage stamp" rates vs. "pancake rates"), improvements to the transmission interconnection queue process; expansion of control areas; and full compliance with FERC Open Access, Order 890, and Order 2003 policies.

9. Transmission plans should require regional cooperation in cost allocation, as well as siting and permitting.

10. Transmission plans should comply with the policies set forth in other Commission dockets and legislative requirements related to DSM goals, resource planning requirements and coordination with other western states.

11. Transmission plans should protect Wyoming citizens' quality of life by minimizing the effects resulting from expansion of the transmission infrastructure.;

12. Appropriate planning horizons (short term and long term) for incremental additions of generation resources and transmission facilities and the coordination of generation planning with transmission planning to ensure that an optimized electric system results.

13. The Commission's rules should require adequate transmission planning as a prerequisite to filing or approval of a CPCN.

14. The plans should include appropriate incentives, a reasonable system of cost recovery, and an equitable cost allocation mechanism to treat the incremental expansion of the transmission system.

15. Commission rules should clearly state that CPCNs will be required for transmission projects wholly within cooperative territories. Every transmission addition has impacts that can be traced beyond a particular utility's service territory and the Commission's rules should acknowledge and regulation these system impacts.

16. The Commission should consider a coordinated, joint review process for CPCN filings in which the Commission and affected local land use jurisdictions require a coordinated filing, create one record, and hold one hearing, from which the respective Commission and local land use decisions can be made.

17. The Commission should give preference by offering expedited review to CPCN filings that are produced in procedures that employ independent transmission planners.

18. The transmission rules should clearly state what needs to be in each CPCN filing, beyond the useful concept of "prudent avoidance" for noise and EMF.

V. SUMMARY

Interwest applauds the Commission for opening this rulemaking docket to develop integrated resource planning rules. Interwest encourages the Commission to develop requirements consistent with its policies to encourage energy generation while continuing to diversify the energy portfolios of utilities operating in Wyoming. Interwest encourages the Commission to require competitive bidding for energy generation and transmission. Interwest urges the Commission to adopt rules which will encourage and promote the production of renewable energy resources, to allow Wyoming citizens to benefit from these valuable resources and avoid future penalties associated with the assessment of the costs of climate change. As with the other issues which we propose the Commission address in its rulemaking, collaboration between all stakeholders including utilities will be vital to bring about prompt, cost-effective results in an open and transparent manner in order to serve public interest. This Commission can help set the stage for resolution by these resource planning requirements.

We sincerely appreciate the opportunity to provide comments.

Respectfully submitted,

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