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January 12, 2018

Diane Hanian, Commission Secretary
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Re: IPUC Case No. PAC-E-17-03

Dear Ms. Hanian:

Enclosed you will find the original and seven (7) copies of *Comments of Monsanto Company*. Please file the same with the Commission's records. If you have any questions, please don't hesitate to call.

Thank you.

Sincerely,

Randall C. Budge
RANDALL C. BUDGE

RCB:ts
Enclosure

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY PACIFICORP DBA ROCKY MOUNTAIN POWER OF ITS 2017 INTEGRATED RESOURCE PLAN	**CASE NO. PAC-E-17-03** **COMMENTS OF MONSANTO COMPANY**

Monsanto Company ("Monsanto"), respectfully submits the following comments to the Idaho Public Utilities Commission ("Commission") regarding PacifiCorp d/b/a Rocky Mountain Power's ("PacifiCorp" or the "Company") 2017 Integrated Resource Plan. The Company's Integrated Resource Plan filings consists of its original filing on April 4, 2017 and supplemental filing August 2, 2017 relating to a new repower of existing wind facilities and construction of new wind generation and transmission (collectively the "2017 IRP"). The Commission's Order No. 33930 dated November 3, 2017 set a comment deadline of January 12, 2017.

INTRODUCTION

PacifiCorp's 2017 IRP presents a plan to invest approximately $3.5 billion to repower existing wind facilities, construct new wind generation facilities and construct a 140 mile, 500 kV transmission line in Wyoming (collectively, the "Energy Vision 2020 Projects"). Since the 2017 IRP was filed, PacifiCorp has filed proceedings in Idaho and other states seeking binding regulatory approval of the Energy Vision 2020 Projects[1]. Since the details and prudency of PacifiCorp's $3.5 billion spending plan are being addressed in the pending proceedings, they will not be addressed by Monsanto's comments here.

PacifiCorp's investment in the Energy Vision 2020 Projects is not driven by any need for new resources, instead the Company's desire to preserve time sensitive federal wind production tax credits and to comply with renewable energy policies in other states.

COMMENTS

1. The IRP reflects a change in PacifiCorp's resource planning objectives.

PacifiCorp's 2015 IRP included the following description of the Company's selection of a preferred portfolio:

> Using a range of cost and risk metrics to evaluate a wide range of resource portfolios, PacifiCorp selected a preferred portfolio ***meeting its energy and capacity needs*** with cost effective energy efficiency resources and short term firm market purchases through the front ten years of the 20-year planning horizon.[2]

By contrast, the 2017 IRP states:

> Using a range of cost and risk metrics to evaluate a wide range of resource portfolios, PacifiCorp selected a preferred portfolio reflecting a cost-conscious ***plan to transition to a cleaner energy future with near-term investments*** in both existing and new renewable resources, new transmission infrastructure, and energy efficiency programs.[3]

Both the 2015 and 2017 IRP's use a range of cost and risk metrics to evaluate various resource portfolios. In contrast with the 2015 IRP where the Company focused on meeting its capacity and energy ***needs*** with cost effective energy efficiency resources and short-term market purchases consistent with the goal of providing reliable and least-cost electric service to customers, the 2017 IRP instead presents a new "*plan* to transition to a cleaner energy future

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[1] PAC-E-17-06, PAC-E-17-07
[2] 2015 IRP at p. 173 (emphasis added)
[3] 2017 IRP at p. 179 (emphasis added)

with near-term investments." In the past, PacifiCorp's IRP limited its focus to the front-term years of the 20-year planning horizon. By contrast, the 2017 IRP relies, in part, on speculative future "benefits" associated with the Energy Vision 2020 Projects fourteen years *beyond* the 20-year IRP planning.[4]

The Company's 2017 IRP abandons the prior focus on least cost and least risk resources when actually needed to meet the Company's energy and capacity needs, in favor of a new strategy of massive near-term capital investment plans driven by green energy policies of other states and/or PacifiCorp's own business strategy to redesign future generation from exiting coal resources to renewables.

The 2017 IRP does not identify any Idaho, Wyoming or Utah state policy supporting the Company's proposed "transition to a cleaner energy future." In any case, Idaho ratepayers should not be forced to subsidize through current rates unneeded and expensive renewable resources while abandoning the historic principles of least-cost and least risks resources.

The Commission should be vigilant in protecting Idaho customers against rate increases resulting from the acquisition of new renewable resources before they are needed in order to meet PacifiCorp's corporate goal driven by other state policies. If the Company chooses to pursue additional resources at this time, Idaho rate payers should be protected from subsidizing these investments.

2. PacifiCorp's past resource planning has not accurately predicted the future.

Monsanto recognizes that predictions and uncertainties are inherent components of long-range resource planning, which is based on a point and time evaluation of the Company's future energy and capacity needs. Notwithstanding, the best way to evaluate the accuracy of the

[4] *See e.g.*, 2017 IRP at p. 210. ("The results for the OP-REP and OP-GW4 cases include benefits for the wind repower project through 2050, accounting for the significant incremental energy benefits beyond the IRP planning period when the life of repowered wind resources is extended.")

Company's predictions is to view them over the passage of time. History clearly demonstrates that PacifiCorp has consistently overestimated load growth and future gas and power prices.

The Company's 2007 IRP predicted that the Rocky Mountain sub-region could face a resource deficit by 2010.[5] PacifiCorp also identified "the prospect for long-term natural gas commodity price escalation and continued high volatility"[6] as well as noting that natural gas markets have demonstrated "unprecedented price escalation and volatility."[7] The 2007 IRP also forecasted the annual load growth in megawatt-hours to range between 2.0% and 2.4% with forecasted coincident peak growth ranging between 2.2% and 2.6%.[8] Based upon these forecasts, PacifiCorp's preferred portfolio included the need for 2,000 MWs of renewables by 2013, a west-side combined cycle combustion turbine ("CCCT") in 2011, high capacity-factor baseload resources in the east in 2012 and 2014, east-side CCCTs in 2012 and 2016, with the balance of system needs being fulfilled by front office transactions beginning in 2010.[9]

The next year in the 2008 IRP, the Company projected a decrease in resource need, with the system becoming short on capacity in 2011 rather than 2010 due to lowered forecasted loads and new resource additions.[10] The Company also acknowledged a "planning challenge" associated with responding to and predicting "the demand response impacts of the economic recession and financial crisis."[11]

Next, with the 2011 IRP came further decreases in projected natural gas and wholesale electricity prices which favored natural gas fueled resources and market purchases.[12] The Company also included "expectations for a more favorable economic environment than assumed

[5] 2007 IRP at p. 2.
[6] *Id.*
[7] *Id.* at p. 30.
[8] *Id.* at pp. 63-65.
[9] *Id.* at p. 139.
[10] 2008 IRP at p. 1.
[11] *Id.*
[12] 2011 IRP at p. 1.

in 2009 accompanied by load growth in such areas as data centers and natural resource extraction."[13]

Contrary to PacifiCorp's optimistic predictions of load growth in 2011, the 2013 IRP contained a load forecast which was "down in relation to projected loads used in the 2011 IRP and the 2011 IRP Update."[14] This reduced load forecast in the 2013 IRP "greatly mitigated" the need for resources in the front ten years of the planning horizon at the time."[15] Additionally, the "base case wholesale power prices and natural gas prices used in the 2013 IRP were significantly lower than the base case markets prices used in the 2011 IRP and 2011 IRP Update."[16] Beyond Lakeside 2, which was under construction at the time, the preferred portfolio in the 2013 IRP did not show a need for a natural gas thermal resource until 2024, and only 650 MWs of new wind generation was projected to be added to the system between 2013 and 2032.[17]

The analysis in PacifiCorp's 2015 IRP again showed that its resource needs could be met with demand-side management and low cost short-term market purchases through 2027.[18] The first new thermal resource in the 2015 IRP preferred portfolio was added in 2028, one year later than when compared to the 2013 IRP Update and four years later relative to the preferred portfolio in the 2013 IRP.[19] Again, the Company's load forecast had to be revised downward relative to the projected loads forecasted in the 2013 IRP.[20] Similarly, base case wholesale power prices and natural gas prices used in the 2015 IRP were "significantly lower" than the

[13] *Id.* at p. 2.
[14] 2013 IRP at p. 1.
[15] *Id.*
[16] *Id.* at p. 2.
[17] *Id.* at p. 201.
[18] 2015 IRP at p. 2.
[19] *Id.*
[20] *Id.*

prices used in the 2013 IRP.[21] Significantly, the preferred portfolio in the 2015 IRP included no new wind generation on the system through 2034.[22]

The 2017 IRP contains base case forecasted wholesale power prices and natural gas prices that "are significantly lower than the base case market prices used in the 2015 IRP."[23] Furthermore, the 2017 IRP states that "while market conditions for firm wholesale power purchase are favorable, reduced loads and continued investment in energy efficiency programs reduce the needs for wholesale power purchases through 2027 relative to the 2015 IRP Update."[24] Before any incremental investment in new energy efficiency programs, the load forecast in the 2017 IRP once again "has decreased relative to projected loads used during the 2015 IRP and 2015 IRP Update."[25] Indeed, forecasted system load is down 5.3% and forecasted coincident peek is down 3.5% when compared to the 2015 IRP Update,[26] consistent with the long-term trend. Similarly, the first natural gas resource is added to the preferred portfolio in 2028, one year later than the first natural gas resource in the 2015 IRP (which was four years later than the 2013 IRP).[27]

This history shows the real difficulty PacifiCorp has with trying to predict the future, particularly regarding future gas and market power prices. The test of time has demonstrated that PacifiCorp has consistently overestimated its likely load growth and future gas and power prices.

The company's 2017 IRP predictions and projections warrant extra scrutiny now that PacifiCorp proposes to invest $3.5 billion almost immediately to acquire new wind resources to

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[21] *Id.* at p. 3.
[22] *Id.* at p. 2.
[23] 2017 IRP p. 5.
[24] *Id.*
[25] *Id.* at p. 3.
[26] *Id.*
[27] *Id.* at p. 7.

capitalize on time-sensitive opportunity to harvest federal production tax credits. This is particularly true when the proposed investment is supported by claimed savings based on estimated avoided energy costs and assumptions regarding future gas, carbon, and power market prices, which have all proven to be difficult for PacifiCorp to accurately forecast in the last ten years of resource planning, with gas and power prices usually lower than what PacifiCorp has predicted. This suggests customers would be better off if the Company took advantage of existing favorable market conditions rather than requiring customers to fund any new infrastructure investments in the near term.[28]

Importantly, the new federal tax reform law which went into effect in December 2017 reduced the corporate tax rate from 35% to 21% and made significant other tax changes. These tax law changes are too new to be fully understood and have yet to be evaluated by the Company, but are expected to significantly reduce the production tax credits relied upon to support the cost/benefit analysis of the Energy Visions 2020 Projects.

3. Concerns about the IRP planning process.

Idaho is a vertically-integrated state with electric utilities involved in generation, transmission, and distribution. Because capital investments are paid by rate payers for decades, customers have a very real financial interest in ensuring that the best resources are considered and ultimately procured. "Best" means that the least cost, least risk principles must guide utility resource decision-making.

The 2017 IRP indicates that PacifiCorp purchased wind turbine generator equipment in December 2016 to enable the wind repower proposed in the IRP.[29] However, it wasn't until the

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[28] *See* 2017 IRP at pp. 15, 27 ("PacifiCorp's review of regional resource adequacy continues to support the use of wholesale power market purchases as a resource in the IRP planning process").
[29] PacifiCorp 2017 IRP (April 4. 2017) at p. 3.

Energy Vision 2020 Update dated August 2, 2017, nearly eight months later, that wind repowering was discussed as a resource.

There is concern that PacifiCorp runs two planning processes. There is a public process that stakeholders are invited to participate in. Then there is a private process where the real planning and decision making is happening. Only after the private planning process reaches its conclusion, are elements shared in the public process.

4. Concerns about new transmission and new wind.

Monsanto has several concerns with PacifiCorp's proposal to build new transmission from Aeolus to Bridge and invest in new additional wind turbines in Wyoming.

First, PacifiCorp combined the new transmission and new wind with its proposal to repower 905 MW of existing wind resources, thereby overstating the benefits using the traditional 20-year IRP view. This new investment only provides benefits in the future with high gas prices. To make the project look beneficial in its IRP, PacifiCorp artificially extended the planning life to 2050, creating a 33-year IRP view. This has the effect of bringing the extended life benefits of the wind repowering and making the new wind and transmission investment cost effective based upon the medium gas price projections. As a result, Monsanto believes that benefits derived from extending the analysis beyond a 20-year planning horizon are speculative and should be given lesser weight in the IRP context. Since the original wind investments are being abandoned early by reason of the repowering, the same thing may happen to the new repower and new wind investment. Wind turbine technology may likely continue to improve rendering obsolete the proposed investments sooner than the 33-year IRP view.

Second, there has not been an opportunity to explore alternatives that might have been lower cost or lower risk. The basis of this investment is not the need for new wind generation, instead the benefit that adding PTC eligibility wind brings.

Third, PacifiCorp is in a state of transitioning away from coal. The preferred portfolio reflects the early retirement of Craig Unit 1 in 2028, Jim Bridger Unit 1 in 2028, and Jim Bridger Unit 2 in 2032.[30] In addition, the 2017 IRP anticipates retirements at Dave Johnston Units 1-4, Naughton Units 1 and 2, Hayden, Craig Unit 2, and Huntington Unit 1 and 2.[31] Much of PacifiCorp's current transmission was built to move coal power to its load centers. As coal plants are retired, transmission is freed up for other uses, including delivering wind. Before PacifiCorp commits to spending significant dollars on new transmission, it should identify how the transmission away from coal will affect its transmission needs.

Fourth, while PacifiCorp's action plan calls for a Request For Proposal ("RFP") for the new wind resource in Wyoming, it does not propose an RFP for the new transmission project. As transmission projects, like power plants, are capital intensive, an RFP process provides the opportunity to compare PacifiCorp's self-build option to the market to ensure that the project is being acquired at least-cost.

CONCLUSION

The 2017 IRP sets PacifiCorp and its ratepayers on an entirely new path. Rather than planning investments to meet the Company's energy and capacity needs based upon least-cost and least-risk resources, PacifiCorp's strategy is now proposing to acquire 1,100 MWs of new wind resources in Wyoming by the end of 2020 in order to fulfill its corporate mission to transition to a cleaner energy future before 2020. It also reverses years of resource planning

[30] 2017 IRP at 7.
[31] *Id.* at 7.

momentum that delayed new generation additions until 2028. This investment is supported by claimed "benefits" that are sensitive to a variety of assumptions, including predictions regarding projected gas, power, and carbon prices, capacity factors and production rates. The last ten years of PacifiCorp's resource planning activities should give the Commission little confidence in the long-term accuracy of the Company's predictions as a basis for any near-term investments. Therefore, these assumptions require careful review and scrutiny, with the rigorous focus on determining whether this enormous new investment is truly necessary to meet customers needs and at least-cost and least- risk.

Respectfully submitted this 12th day of January, 2018.

RACINE, OLSON, NYE & BUDGE, Chartered

By: Randall C. Budge

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Attorneys for Monsanto Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 12th day of January, 2018, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

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