

DAYN HARDIE
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0312
IDAHO BAR NO. 9917

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Street Address for Express Mail:
11331 W CHINDEN BVLD, BLDG 8, SUITE 201-A
BOISE, ID 83714

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE JOINT)	
APPLICATION BETWEEN ROCKY)	CASE NO. PAC-E-21-08
MOUNTAIN POWER AND P4 PRODUCTION,)	
LLC REQUESTING APPROVAL OF AN)	COMMENTS OF THE
AGREEMENT TO RETIRE RECS)	COMMISSION STAFF
_____)	

STAFF OF the Idaho Public Utilities Commission, by and through its Attorney of record, Dayn Hardie, Deputy Attorney General, submits the following comments.

BACKGROUND

On March 29, 2021, PacifiCorp dba Rocky Mountain Power (“PacifiCorp”) and P4 Production LLC. (“P4”) jointly requested the Commission approve the P4 System Renewable Energy Certificate Retirement Agreement (“Agreement”).

P4 and its predecessor in interest Monsanto have operated the Soda Springs phosphate plant continuously since 1951. P4 owns the Soda Springs plant and mines as a wholly owned subsidiary of Monsanto. In October 2018, Bayer acquired all assets of Monsanto.

P4’s Soda Springs plant is the largest single user of electricity in PacifiCorp’s six-state system, with a load of approximately 200 MW and 1.5 million MWh per year.

In December 2019, Bayer announced a corporate goal to achieve 100% of its global electricity purchase with renewable electricity by 2030. Bayer’s initial strategy to achieve this goal

includes retirement of its share of PacifiCorp's system renewable energy certificates ("RECs") allocated to Idaho and possible purchase of additional RECs on the market beginning in 2021.

On March 24, 2021, P4 and PacifiCorp entered into the Agreement, under which PacifiCorp would retire, rather than sell, P4's allocated share of RECs generated from PacifiCorp's system resources. If approved, the Agreement would be effective starting January 2021 and would automatically renew unless a party elects to terminate the Agreement.

RECs from PacifiCorp's generation facilities and purchase power agreements are allocated to states under the Commission-approved 2020 Protocol cost allocation method. System RECs are allocated to Idaho based on the System Generation factor. Under the Agreement, P4's share of RECs allocated to Idaho will be proportional to P4's System Generation factor compared to Idaho's System Generation factor. In 2019, P4 represented approximately 30% of Idaho's System Generation factor.

The treatment of Idaho's remaining share of RECs would be unchanged by this Agreement. The Applicants state that the Agreement will not impact other customers because revenue from the sale of P4's share of system RECs was previously passed back to P4 and not to other customers. P4 will pay PacifiCorp annually to cover PacifiCorp's costs to administer the Agreement. Initially, P4 will pay PacifiCorp \$15,000 per year to administer the Agreement.

STAFF ANALYSIS

Conclusion

Staff believes the agreement as presented in the Application would not increase costs for the body of the ratepayers and should be approved by the Commission.

Reasonableness of Percentage allocated to P4

Staff reviewed PacifiCorp's proposed method to allocate RECs between PacifiCorp and P4. PacifiCorp allocates RECs to Idaho based on the System Generation ("SG") factor, which is updated annually. PacifiCorp proposes to have P4's share of RECs be proportional to P4's Idaho load for that Reporting Year. Attachment A at 2. PacifiCorp will then retire P4's share of RECs rather than sell them. Based on its review of the proposed REC allocation methodology for P4's share of RECs, Staff finds the proposal to be reasonable and recommends the Commission approve the proposed method.

Staff reviewed other allocation methods including the System Energy (“SE”) factor. Using the SG factor provided a favorable outcome for Idaho ratepayers versus using the SE factor. In order to maintain that Idaho ratepayers are not harmed by this transaction, Staff will closely examine the allocation factors each year when PacifiCorp files its energy cost adjustment mechanism (“ECAM”) and recommend any necessary adjustments.

Compliance with Idaho Code § 61-328

This proposal does not fall under the statutory requirements of *Idaho Code* § 61-328 governing the sale of electric utility property used in generation, transmission, distribution, or supply of electric power. While this Statute does not govern this sale, it provides a useful framework for Staff’s analysis. *Idaho Code* § 61-328(3) requires PacifiCorp to obtain Commission authorization, showing: (a) that the transaction is consistent with the public interest; (b) that the cost of and rates for supplying service will not be increased by reason of such transaction; and (c) that the applicant for such acquisition or transfer has the bona fide intent and financial ability to operate and maintain said property in the public service. After review of the proposal under each criteria, Staff believes that the proposal complies with the Statute.

The transaction is consistent with the public interest.

Staff believes Idaho customers would not be harmed by these transactions. Additionally, the transaction would be consistent with public interest in that P4 has requested PacifiCorp retire, rather than sell their allocation of RECs, thereby supporting its clean energy goals without impacting other customers.

The cost of and rates for supplying service will not be increased by reason of such transaction.

Since Idaho’s allocation of RECs from PacifiCorp’s system will not change under the Agreement, Idaho customer net benefit from RECs as a whole will not be impacted. Based on Staff’s earlier analysis, all other customers besides P4 should receive a greater share of Idaho’s allocation of REC revenue under PacifiCorp’s proposal. Staff determined this by comparing the amount of revenue received and the amounts customers would have received through PacifiCorp’s proposal in the last three ECAM’s. P4 will likely see an increase in rates in future ECAMs since it is receiving a smaller share of equivalent REC revenue and retiring its allocation of RECs.

However, P4 has agreed to these terms in the Agreement so it can achieve its corporate clean energy goals.

The applicant has the bona fide intent and financial ability to operate and maintain said property in the public service.

PacifiCorp is a multi-billion dollar company with financial resources to efficiently and effectively manage the acquisition, sale, and retirement of RECs for customer benefit and has been doing so since RECs were first introduced several decades ago. The proposed changes will affect how P4's allocation of RECs are processed, but fall within PacifiCorp's business process regarding RECs in its other jurisdictions. This change should have negligible impact on PacifiCorp's operation and financial structure. The Agreement will include payments to the Company of \$15,000 per year to cover administrative costs.

Requested Tracking/Reporting Requirements

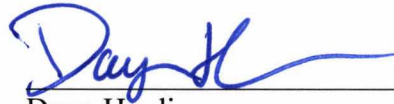
Since REC revenues are tracked through the ECAM, Staff recommends PacifiCorp mention any RECs reserved to be retired for P4 in its quarterly ECAM reports filed with the Commission. The Agreement states that PacifiCorp will provide two reports to P4 in October. The first is the Position Report. The second is the Retirement Report. Because of the relation to the ECAM, Staff recommends that PacifiCorp include copies of these reports with the 3rd Quarter ECAM report generally filed in late November.

Staff will review the impact of the Agreement when it receives these reports as well as in each annual ECAM filing. Should the environment change altering the effect of this Agreement on other Idaho ratepayers, Staff may reevaluate and propose changes at that time.

STAFF RECOMMENDATION

Staff recommends the Commission approve the Agreement with the reporting requirements mentioned above.

Respectfully submitted this 15th day of June 2021.



Dayn Hardie
Deputy Attorney General

Technical Staff: Joseph Terry
Taylor Thomas
Rick Keller

i:umisc/comments/pace21.8dhjttrk comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 15th DAY OF JUNE 2021, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. PAC-E-21-08, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:


TED WESTON
ROCKY MOUNTAIN POWER
1407 WEST NORTH TEMPLE STE 330
SALT LAKE CITY UT 84116
E-MAIL: ted.weston@pacificorp.com
idahodockets@pacificorp.com

EMILY WEGENER
ROCKY MOUNTAIN POWER
1407 WN TEMPLE STE 320
SALT LAKE CITY UT 84116
E-MAIL: emily.wegener@pacificorp.com

DATA REQUEST RESPONSE CENTER
E-MAIL ONLY:
datarequest@pacificorp.com

RANDY BUDGE
RACINE OLSON, PLLC
201 EAST CENTER
POCATELLO ID 83204
E-MAIL: rcb@racinelaw.net

ADAM LONEY
MCDOWELL RACKNER GIBSON PC
419 SW 11th AVE., SUITE 400
PORTLAND OR 97205
E-MAIL: adam@mrg-law.com



SECRETARY