State IRP Requirements and Issues

Authority

British Columbia

- The BC Utilities Commission has had limited authority for IRP since a Court of appeal ruling in 1996. Its review of Utility resource planning since then has been done in conjunction with Applications for "Certificates of Public Convenience and Necessity" (CPCNs") for approval of resource additions. Amendments to the Utilities Commission Act currently before the B.C. legislature would add requirements for utilities to file integrated resource plans.

Idaho

- General state statutory authority and Commission Order

Oregon

- Order 89-507 (issued in 1989) established LCP requirements for electric (and natural gas) utilities
- Some issues (e.g., discount rates) addressed in orders on individual utility filings
- Treatment of external environmental costs addressed in 1993 (Order 93-695)

Montana

- §§ 69-3-1201-1206, Montana Code Annotated enacted in 1993 established Montana's Integrated Least-Cost Resource Planning and Acquisition Act.
- Administrative Rules of Montana 38.5.2001-2016, adopted by the Montana PSC in December 1992, established the policy of the Montana PSC concerning integrated least-cost resource planning and acquisition. These rules apply to traditional utilities that have not restructured.
- Administrative Rules of Montana 38.5.8201-8227, adopted by the Montana PSC in March 2003 concerning long-term default electricity supply resource planning and procurement. These rules apply to restructured utilities.
- SB 247 enacted by 2003 Montana Legislature (not yet codified).

Washington

- WAC 480 100 238 and WAC 480 90 238
- In the case of the merger of Puget Electric and WNG into PSE(UE 000951270, UE960195), an order required a combined gas and electric filing.

Utah

- By Order [Docket No. 90-2035-01] on June 18, 1992, the Utah Public Service Commission ("UPSC") established Standards and Guidelines governing Integrated Resource Planning for PacifiCorp.
- The authority to do so is restricted to the regulation of public utilities as stated in Utah Code. Relevant sections of the Utah Code are: 54-1-10, 54-4-1, 54-4-4, 54-3-1. [Docket No. 90-2035-01, Order dated September 3, 1991.]

Frequency of filing

British Columbia

- Currently not required. Under the proposed amendments the filing of resource plans would be in a form and at the times required by the Commission.

Idaho

- Every two years

Oregon

- Every 2-3 years

Montana

- Every 2 years for traditional utilities
- Restructured utilities must file three year action plans on an annual basis. PSC has not yet established frequency for filing comprehensive long-term plans.

Washington

- In concept every 24 months, but due to ambiguities and justified waivers, the frequency has varied.

Utah

- Biennially (once every two years)

Planning horizon

British Columbia

- Not currently specified, but under the Commission's former IRP Guidelines (prior to the Court of Appeal ruling) indicated that the forecasts and the resource plans should be over the same timeframe, generally 15 to 20 years into the future

Idaho

- Minimum of 10 years -- up to 20 years

Oregon

- 20 years
- Focus on 2-year action plan

Montana

- Not explicit in rules that apply to traditional utilities, but focus is long-term.
- For restructured utilities the planning horizon is the longer of: 1) longest remaining contract term in current supply portfolio, 2) longest contract term being considered for a new resource acquisition, or 3) 10 years.

Washington

- This is up to the utility but 20 years is the example offered. Plan recommends long-run and short-run components.

Utah

- A 20-year planning horizon
- An action plan with four-year horizon describes specific actions to be taken in the first two years and outlines actions anticipated in the last two years.

Commission action

British Columbia

- Prior to 1996 the Commission would approve the IRP and/or give recommendations or directions to the utility concerning specific actions of its plan. After1996, the Commission would either approve or deny a CPCN application, again possibly with specific directions or recommendations to the utility

Idaho

- Acknowledges and accepts the plan as filed or with relatively minor modifications/suggestions

Oregon

- Commission can acknowledge some or all of the plan
- Acknowledgement means that planned actions seem reasonable to the Commission at the time
- Acknowledgement does not guarantee favorable ratemaking treatment of actions consistent with the plan, but does have some evidentiary value

Montana

- PSC may comment on whether plans filed by traditional utilities conform to the rules. PSC comments do not bind the commission with respect to future ratemaking decisions.
- SB 247 requires PSC comment on plans filed by restructured utilities. PSC must identify any concerns it has regarding the utility's compliance with PSC rules and identify ways to remedy the concerns.

Washington

- Commission issues a letter acknowledging the filing as consistent with its rule. Period. No other act is envisioned or specifically supported in rule or statute. All powers of the Commission remain undiminished, however.   Thus, no implication of Commission view of a plan's "reasonableness" can be made. In short, the plan alone does not reduce regulatory risk.

Utah

- PacifiCorp submits its IRP for public comment, review and Commission acknowledgement.
- Acknowledgement of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions.

Other key provisions

British Columbia

- The proposed legislation requires that the Commission review the way the utility intends to acquire resources and the way it intends to reduce the demand for resources

Idaho

- Must include evaluation and integration of demand side resource options

Oregon

- Emphasis on public involvement opportunities
- Demand- and supply-side resources must be evaluated on a consistent and comparable basis
- Uncertainty must be addessed (usually done through sensitivity analysis)

- Primary objective is lowest cost, not lowest rates
- External environmental costs treated as possible taxes (internal costs) in the future

Montana

- Traditional utilities are encouraged to explicitly analyze external costs associated with alternative resource options.
- Restructured utilities must balance environmental responsibility with other portfolio objectives including lowest-long term total cost, reliability and price stability.
- Risk and uncertainty must be addressed by both traditional and restructured utilities.
- Both traditional and restructured utilities are encouraged to involve the public and use stakeholder advisory committees.

Washington

- No pre-approval of any action is offered in this process. The action-plan component is scrutinized but prudence of acts taken and not taken are reserved for rate cases.
- Public involvement is required, but the input is advisory, not binding. No coalition or supporting groups can share responsibility for the plan and any later claim of prudence depending upon it.
- A balanced approach and fair comparison of supply side and demand side options is required.

Utah

- The planning process should result in the selection of the optimal set of resources given the expected combination of costs, risks and uncertainty
- The planning standards and guidelines must meet the needs of the Utah service area, but must not ignore the rules governing the planning process already in place in other jurisdictions
- The Company will include in its [demand] forecasts all on-system loads and those off-system loads for which they have a contractual obligation to fulfill. The Plan must also have some analysis of the off-system sales market to assess the impacts such markets will have on risks associated with different acquisition strategies.
- An evaluation of all present and future resources, (both demand-side and supply-side), on a consistent and comparable basis

Current activity

British Columbia

- The Commission is currently reviewing a CPCN application by a BC Hydro subsidiary for a proposed gas-fired generation plant on Vancouver Island

Idaho

- Review and comment has been completed for PacifiCorp IRP, final Order pending. Avista IRP filed, schedule for review and comment pending.

Oregon

- Plans for PGE, PacifiCorp, and Idaho Power under review
- Docket to address LCP requirements (UM 1056) on hold while the Commission considers ratemaking treatment for new resources (UM 1066)

Montana

- NorthWestern Energy will file its first electric default supply portfolio plan in December 2003.

Washington

- Six utilities fall under the requirements of the planning rules.
- Four plans (PSE e, PSE g, AVA e, PacifiCorp) are at the Commission in final form and one is here in draft (AVA g). A sixth one (NWNG) is in progress.
- Rule makings for the electric Least Cost Plan rule and the gas Least-Cost plan rule are in progress (Dockets UE-030311 and UG-030312). Also the rules for bidding for generation resources have been opened for a rule making process. (Docket UE-030423).

Utah

- PacifiCorp filed its IRP 2003 on January 24, 2003; it is currently under Commission review.
- November 5, 2001, PacifiCorp filed a request for review of the existing standards and guidelines in Docket No. 01-035-35. The Commission established Docket No. 02-035-03 by order on May 8, 2002 and moved investigation of this issue from Docket No. 01-035-35 to this new docket. On August 27, 2002, PacifiCorp requested suspension of the docket pending completion of IRP 2003 and discussions in Docket No. 02-035-04 (the Multi-state Process case).

Issues -- Given the changes in the electric utility industry, what are the overriding purposes and objectives of least cost planning?

British Columbia

- The Commission will likely review its guidelines and related questions such as this once the new legislation is passed. That legislation suggests that that lowest long-term cost to ratepayers for meeting prospective energy demand and incorporation of cost effective DSM are key objectives.

Idaho

- Evaluate and identify least cost options to meet load obligations
- Evaluate and integrate demand side management alternatives
- Identify and evaluate price risks

Oregon

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Montana

- Objectives established by the Montana PSC for restructured utilities operating in an evolving industry are:
  - provision of adequate, reliable default supply services, stably and reasonably priced, at the lowest-long term total cost
  - pricing that is both equitable and promotes rational, economically efficient consumption and retail choice decisions
  - balanced, environmentally responsible portfolio of power supply and demand-side management resources, coordinated with economically efficient cost allocation and rate design
  - diversity with respect to resource types and contract durations

- dissemination of information to customers regarding the mix of resources in the supply portfolio and corresponding level of emissions and other environmental impacts

Washington

- The driving value is collection of technically useful information in detail enough to build a foundation for decision making at the company and for informed review at the Commission.

Utah

- In Utah, the purpose remains: "Integrated resource planning is a utility planning process which evaluates all known resources on a consistent and comparable basis, in order to meet current and future customer electric energy services needs at the lowest total cost to the utility and its customers, and in a manner consistent with the long-run public interest. The process should result in the selection of the optimal set of resources given the expected combination of costs, risk and uncertainty." [Order, page 16]

Issues -- Should least-cost plans explicitly measure and consider the cost-risk tradeoff?

British Columbia

- Yes

Idaho

- Yes

Oregon

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Montana

- Montana PSC rules require both restructured utilities and traditional utilities to assess the trade-offs between risk and cost. Restructured utilities are required to assess each of the following risk factors:
    - Fuel prices and price volatility
    - Environmental regulations & taxes
    - Default supply rates
    - Competitive suppliers' prices
    - Transmission constraints
    - Weather
    - Supplier capabilities
    - Supplier creditworthiness
    - Contract terms and conditions
- Restructured utilities are directed to apply cost-effective resource planning and acquisition techniques to manage and mitigate risks associated with these risk factors. Such techniques include computer modeling and analysis, contingency planning, portfolio diversification and conducting a transparent planning and procurement process.

Washington

- Recent LCPs (2003) have addressed risk and uncertainty. This has been qualitative and also a matter of statistical simulation. Thus, the present value of revenue requirements is computed in many trials, and the mean and standard deviation are reported.
- The trade off between mean and standard deviation is a matter of business decisions made by the company and later defended in its prudence reviews. Commissioners cannot make such a determination. The risk of decision is borne by the company.

Utah

- Yes; Order pages 36 through 39.

Issues -- How much weight should the Commission put on acknowledgment of approved integrated resource plan action plans in any subsequent prudence hearing or rate case regarding investments or purchases made implementing such plan?

British Columbia

- In the past, IRPs were seen as a way to resolve larger questions in advance of more specific revenue requirements or CPCN applications. If an IRP had been filed and approved, it would reduce the time necessary to review the more specific application, but did not necessarily reduce the need for the utility to get specific approval for major expenditures

Idaho

- The prudence of resource acquisition should always be evaluated based on conditions at the time resources are actually acquired. The Companies should also be prepared to justify significant resource acquisition deviations from the acknowledged plan or deviations that did not occur when conditions change.

Oregon

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Montana

- The Montana PSC is not required to explicitly "approve" resource plans filed by restructured or traditional utilities. Under SB 247 the PSC is required to develop a process for considering advanced approval of power purchase contracts proposed by restructured utilities. The PSC has not yet answered the question of how much weight to give to prior comments on a restructured utility's resource plans.

Washington

- The Commission has viewed the LCP as necessary but not sufficient for favorable prudence review. Acknowledgement in WA is recognition of the existence of the filing as required under a rule. See Docket UE 920433, UE 920499, UE 921262 order 9/27/94).

Utah

- The degree of weight should be consistent with the degree of formality of the regulatory process adopted for IRP. To the degree an "information exchange" and "acknowledgment" process is adopted, prudence of management decisions should occur in rate cases; IRP results could be used as evidence in support of utility or intervener testimony. To the degree a "decision/approval" process is adopted, regulatory involvement in the plan increases and due process would require litigation on plan approval and therefore greater weight on IRP regulatory acceptance of the plan in subsequent rate proceedings.

Issues -- Should distributed generation and transmission and distribution investments/costs be incorporated into least cost planning?

British Columbia
- Yes

Idaho
- Significant differences in transmission and distribution costs should certainly be identified for diverse resource alternatives at least in a general way absent detailed size and siting information. The cost of various types of distributed generation should be evaluated as a resource alternative with the opportunity for T&D cost savings.

Oregon
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Montana
- To the extent choices between alternative supply resource strategies affect transmission and/or distribution costs differently, yes. The PSC's integrated resource planning rules for traditional utilities explicitly require that the opportunity cost of new or existing transmission capacity necessary to deliver the power from a potential new resource be imputed into the total resource cost.

Washington
- Any investment or conservation action that reduces the cost of delivered service by changing the requirements for supply or conservation investment is currently within the scope of the WA rule. It should be. Rules should be stated in general enough form to allow for interpretation and growth as time goes on.

Utah
- Yes; Order at page 37. Order states objective is to minimize cost of energy service. Distribution investment planning is currently done separately but some coordination with generation and transmission planning occurs.

Issues -- Do the costs of developing the least cost plans outweigh their benefits?

British Columbia
- It depends on the circumstances such as the size of the utility and the stability of its load (i.e. is there any growth expected)

Idaho
- I don't believe so. Least cost plans are a necessary planning function that companies should undertake as part of their obligation to serve at a reasonable price.

Oregon
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Montana
- The PSC has not quantitatively analyzed the costs and benefits of implementing Montana's integrated resource planning policies.

Washington

- They should not. If so, then great inefficiency of organization, software acquisition and management are present. The companies have reported finding the LCP useful for budget, internal communications, and finance purposes.

Utah

- This issue has not been raised in Utah; we have not conducted a net benefit study of IRP and its alternatives.

Issues -- Other?

British Columbia

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Idaho

- Important issues include:
  - Planning criteria for load variability and water conditions
  - Planning reserve criteria
  - The use of RFPs to meet future needs
  - Risk assessment methodologies

Oregon

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Montana

- The issues addressed in CREPC's resource adequacy survey are relevant to a discussion on IRP in today's environment. Attached is the Montana PSC's response to the CREPC survey. [Not attached to this document.]

Washington

- The role of the regional bodies in planning in the light of LCP for state-supervised vertically integrated load-serving entities.
- The resource adequacy standard for load-serving entities in the WECC should be reviewed: Loss of load probability (LOLP) in 1 x 8,760 form, or single peak reserve margin?
- Should the LCP be as useful for a foundation for resource acquisitions as for DSM program approval-----should the standards of analysis and rigor be the same for both types?
- Are LCPs necessary for helping to determine avoided cost when no RFP is done? Or is an RFP, even for a 0 kwh block, always required (or should always be required)?

Utah

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