Utah Association of Energy Users

Monthly Energy Update

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PacifiCorp Withdraws Application Related to Wildfires, Files Application on Insurance Costs

On August 22, PacifiCorp withdrew “without prejudice” its Application for a Deferred Accounting Order regarding wildfire claims the Company had filed with the Utah Public Service Commission on June 21, 2023.

The filing of the original application followed a verdict in James v. PacifiCorp, where a jury returned a verdict finding the Company liable to the plaintiffs for over $70 million in economic and non-economic damages and over $18 million in punitive damages from 2020 wildfires that occurred in Oregon.

A larger class action lawsuit is pending, which could balloon into more than $1.6 billion in costs to PacifiCorp. The utility filed an application in all of its six states that would later allow it to attempt to collect - at a later date - the “major expenses incurred by the company as a result of a state or federal emergency declaration.”

On August 11, the Division of Public Utilities (DPU), Office of Consumer Services (OCS) and the Utah Association of Energy Users (UAE) filed arguments with the Commission that the filing should be dismissed for several reasons.

In its filing to withdraw the June 21 application, PacifiCorp concludes that it will now allow the appeal process in the James proceeding to move forward, after which it can refile at a later date once the costs and impacts of the proceeding are more fully known.

The DPU, OCS and UAE notified the Commission that they do not oppose the Company's withdrawal.

The day before its withdrawal filing, PacifiCorp filed a new Application for a Deferred Accounting Order authorizing the Company to record a regulatory asset associated with the costs related to increased insurance premiums for wildfire liability risk.

PacifiCorp states that its currently approved rates include premiums for commercial insurance covering third-party liability for claims in excess of $10 million – the Company self-insures any claims under that amount.

PacifiCorp states that because the wildfire risk for utilities in the western U.S. has "radically changed" in the past few years, the premiums for such insurance have "significanly increased".

The costs identified in this application would account for the incremental cost of acquiring coverage for policy periods starting August 15, 2023, and beyond.

PacifiCorp estimates that the total company commercial insurance costs are approximately $125 million. This would result in a deferral for Utah's allocated share of approximately $115 million (total company) costs for the difference between the new costs and the amount in rates.

The Commission issued an Action Request for the DPU to review the application and make recommendations.

CAISO Files Tariff Changes With FERC to Expand EDAM

The California Independent System Operator (CAISO) filed proposed tariff changes with the Federal Energy Regulatory Commission (FERC) to expand its day-ahead market across the Western US on Aug. 22.

The submittal focused on implementing CAISO's Day-Ahead Market Enhancements (DAME) and Extended Day-Ahead Market (EDAM) initiatives "that implemented together will transform and extend its day-ahead market framework, producing significant economic, environmental, and reliability benefits," CAISO said in the filing.

"Filing the EDAM tariff with FERC is an important milestone for the CAISO and our partners across the West," CAISO President and CEO Elliot Mainzer said in an Aug. 23 statement.

"EDAM and the day-ahead market enhancements will build on the success of the Western Energy Imbalance Market and go even further in lowering costs and improving reliability for electricity customers throughout the region."

The effective date for both the DAME and EDAM would be May 1, 2025, pending FERC approval. CAISO has requested a FERC order on the proposals by December 21 and plans to go live with the EDAM in spring 2025.

The DAME will address the challenges caused by increasing system variability and uncertainty, which will improve market efficiency and reliability, according to the filing.

The EDAM would extend participation in CAISO's enhanced day-ahead market to other balancing authorities in the West, expanding access to the broad benefits of a day-ahead market.

The extension of the day-ahead market is not a regional transmission organization, which is something CAISO could consider down the line.

At this stage, PacifiCorp is the only entity to formally and publicly announce their intent to join the EDAM and have targeted 2025 for onboarding," CAISO spokeswoman Anne

Gonzales said. "There are a number of current WEIM entities that are actively going through their internal decision-making processes to consider participation in the EDAM, and we expect them to make decisions in the coming months."

The Western Power Trading Forum is very supportive of a market integration effort like EDAM, the group's executive director, Scott Miller, said.

> “We believe that expanding the ability to plan resources in the day-ahead setting along with planning of contingencies will aid reliability for whatever part of the region joins EDAM,’ Miller said. “This will improve competition and economic efficiency.”

However, Miller expressed surprise that CAISO filed the EDAM in connection with the DAME, which is intended to improve CAISO's own existing day-ahead process and dispatch.

"The CAISO has filed in such a way that EDAM cannot be approved unless FERC also approves DAME," Miller said.

The filing also proposed some changes to how transmission is handled that may be problematic for uses in the new Western Resource Adequacy Program administered by the Western Power Pool, Miller added.

PacifiCorp Coal Units Set for Conversion to Natural Gas In the Next Few Months

Starting this fall, PacifiCorp will convert units 1 and 2 of the Jim Bridger Power Plant from coal to natural gas.

The Wyoming Public Service Commission approved the Company's application Aug. 1.

NATURAL GAS PRICES

NW Index Prices	Aug 2023	July 2023	Aug 2022
Kern River	$3.98	$3.01	$8.460
Northwest Pipeline	$3.98	$2.95	$8.450
NYMEX Futures	$2.492	$2.603	$8.687

Converting units 1 and 2 to natural gas is part of a greater plan by PacifiCorp to move away from relying on coal-fired resources.

> The Jim Bridger units are two of 20 PacifiCorp coal units scheduled for retirement or conversion to natural gas by 2030 – a shift that will reduce PacifiCorp’s coal-generating capacity by more than 3,000 MW according to its 2023 integrated resource plan. Units 3 and 4 are scheduled for conversion to natural gas by 2030, and plans call for continuing operations until 2037.

Of the 22 units in PacifiCorp's coal fleet, only Dave Johnston Unit 4 and the Wyodak Power Plant, also in Wyoming, are scheduled to burn coal past 2032. The schedule is part of PacifiCorp's plan over the next two decades to shift its energy mix away from more than 50-percent coal and natural gas to largely renewable resources.

The Wyoming Department of Environmental Quality issued a permit Dec. 28, 2022, to PacifiCorp for the conversion of units 1 and 2, Company spokesman Dave Eskelsen told Clearing Up in an email. Eskelsen said preconstruction activities are already underway.

The conversion process will involve decommissioning certain coal-fired equipment, including the coal transport system, the feeders and pulverizers; removing some vertical coal transport pipes and coal igniters to make room for natural gas infrastructure; and shutting down the facilities.

New construction will include a gas pipeline and a gas regulating station. Brad Richards, PacifiCorp's vice president of thermal generation, told Wyoming regulators the Company has entered into an agreement with MountainWest Overthrust Pipeline to build a 1.2-mile natural gas pipleine to the plant and expects to sign a transport agreement with MountainWest sometime prior to commercial operation.

Conversion work is expected to begin in November on the units, which are expected to return to service in May 2024 and continue operation through 2034, Stacy Splittstoesser, PacifiCorp's regulatory affairs manager, told the Wyoming PSC on Aug. 1.

“The conversion was modeled and evaluated under several different price policy scenarios, and our IRP portfolio without the natural gas conversion resulted in an approximately $469 million higher [system] cost than the portfolio that included the gas conversion," Splittstoesser said.

PacifiCorp co-owns the Jim Bridger units with Idaho Power, giving it 354 MW of Unit 1's 531 MW nameplate capacity and 359 of Unit 2's 539 MW. PacifiCorp's share of costs for the $28 million conversion is $18.7 million, according to company filings.

Reserve-Sharing Groups Merger a ‘Significant Step in Regional Coordination’

The Northwest Power Pool Reserve Sharing Group, which is administered by the Western Power Pool (WPP), will expand next year to include its Southwest counterpart, creating a reserve-sharing program that covers the entire Western Interconnection except for parts of California and Mexico.

The 10 balancing authorities that make up the Southwest Reserve Sharing Group will join the Northwest Power Pool Reserve Sharing Group and operating committee in the spring of 2024.

Sarah Edmonds, WPP president and CEO, said the merger of the groups will make the Western Interconnection stronger.

"The fundamental premise is that there are benefits in collectively holding reserves, rather than holding them on your own," Edmonds told Clearing Up. "Pooling together resources will benefit everyone."

Under the reserve-sharing program, when a balancing authority sees its contingency reserves shrinking, it will be able to call for help from any of 32 BAs in the Western Interconnection; CAISO and the Los Angeles Department of Water and Power do not participate in the reserve-sharing programs.

Ryan Roy, director of operations and technology at WPP, told Clearing Up the expansion of the Northwest Power Pool Reserve Sharing Group "represents a significant step in regional coordination on a West-wide basis."

> "It's really the benefits of diverse generating resources and loads, that we are able to share reserves with folks that are geographically adjacent," Roy said. "It's a broad pool of available resources that are able to respond to contingency events and increase the generating pool to meet reliability obligations."

Formed in 1998 as the successor to the Inland Power Pool, the SRSG's geographic area covers the southwest United States including Arizona, New Mexico, southern Nevada, parts of southern California including the Imperial Valley, and El Paso, Texas.

The Northwest Power Pool, now known as the WPP, began a contingency reserve-sharing program in 1970.

The 10 balancing authorities joining the Northwest Power Pool Reserve Sharing Group are Arizona Public Service, Arlington Valley, El Paso Electric, Griffith Energy, Imperial Irrigation District, New Harquahala Generating Company, Public Service Company of New Mexico, Salt River Project, Tucson Electric Power and the Western Area Power Administration-Desert Southwest Region.

WY Elected Officials and Residents Blast RMP for Proposed Historic Rate Hike

Rocky Mountain Power's (RMP) proposed 29.2% rate increase would be a major blow to the state's economy and possibly force legislative action, a lawmaker said.

That was the consensus among the attendees at a public comment hearing held by the Wyoming Public Service Commission on Aug 24.

Natrona County Commission Vice Chairman Dave North said that "we are going to lose businesses in the state. I can't see any way that the citizens of Wyoming can afford to pay an additional 29-34%."

> Both residents and elected officals took aim at RMP's request to shed its risk of bearing part of the fuel-cost overruns and its proposal to earn a maximum rate of return in Wyoming of 10.3%.

The consensus among commenters was the utility's shift away from coal for generating electricity, and its spending to add renewable sources of energy, is likely the primary driver behind increasing expenses.

The shift represents a double jeopardy for Wyoming by diminishing revenues from fossil fuels while increasing the cost of electricity for residents, businesses and the government.

The Company says its continued reliance on fossil fuels is responsible for the bulk of rising expenses given the price volatility of those commodity markets.

Its shift to more renewable sources of energy — along with federal production tax credits — has saved Wyoming ratepayers an estimated $85.4 million, according to spokesman RMP Dave Eskelsen.

Representative Stith said that the Legislature is ready to take action if it becomes apparent that residents and businesses take all the risk and RMP reaps all the benefits of rising energy costs. One effort lawmakers may take up again is a proposal for deregulated energy zones, Stith said, which could allow for more independent electrical power structures within the state.

"If the result of this is that we have unacceptable rate increases, then I think for the state Legislature, everything will be on the table," Stith said.

NATIONAL NEWS

DOE: Clean Energy Will Provide Up to 81% of US Power by 2030, Rates to Drop

U.S electricity rates will drop by 8-9% between 2023 and 2030 as 725 GW of new solar and wind capacity come online over the next seven years, the US Department of Energy (DOE) projected in a new report released on the anniversary of the enactment of the Inflation Reduction ACT (IRA).

New investments arising from the 2022 IRA and the 2021 Bipartisan Infrastructure Act will help propel the proportion of electricity generated by carbon-free resources in the US from 42% in 2022 to between 72% and 81% in 2030, according to the analysis released Aug. 16. They also will drive automakers to produce 14 million new light-duty electric vehicles, the report said.

With more clean energy on the grid, households would save up to $38 billion on power bills from 2023 to 2030, and businesses would see their electricity costs drop 13-15%, the DOE said.

“These transformative investments will help ensure America's energy economy and energy security remain strong for years to come," Energy Secretary Jennifer Granholm said in a press release.

The billions in tax credits and other incentives made possible by the two laws are expected to lead to economy-wide net greenhouse gas emissions reductions of 35%-41% from 2005 levels by 2030. Without the laws, emissions would have fallen by about 27%, the report said.

Still, the IRA and bipartisan infrastructure laws alone will not cut economy-wide emissions in half by 2030 from 2005 levels as the US pledged to do under the Paris Agreement on climate change.

The DOE carbon reduction projections are consistent with other reports on the laws’ impact, including from the Rhodium Group, which has said a massive build-out of renewables is needed to narrow the gap.

Challenges aside, the IRA is already having a strong impact. In the past year, companies have announced plans for 83 new US manufacturing facilities focused on clean energy. The 45X production tax credit and 48C investment tax credit boosted under the law have helped level the playing field for US-based manufacturers and reduced risks for investors.

The IRA authorized $391 billion in energy and climate spending, according to estimates by the Congressional Budget Office, although Goldman Sachs has estimated the tax incentives alone could reach $1.2 trillion by 2032. Together with the incentives provided by the bipartisan infrastructure law, $430 billion has been earmarked for solar, battery, grid expansion and other projects needed for the energy transition.

The DOE also released data Aug. 16 showing that 95% of US counties saw an increase in energy jobs between 2021 and 2022, with jobs in energy efficiency showing the widest geographic spread.

The expected growth of renewable energy, increased building electrification, and transition to electric vehicles will, in turn, dampen the need for imported oil, the DOE report said. It projects that crude oil imports will drop 44%-59% between 2022 and 2030. In 2022, the US imported about 6.3 million barrels of crude oil per day on average, roughly two-thirds of it from Canada, according to the US Energy Information Administration.

Finally, the DOE expects at least half of all cars sold in 2030 to be zero-emission, up from about 8% today.

NERC Report Outlines Ways to Plan for Top Grid Risks and Transitions

The North American Electric Reliability Corp. (NERC) outlined five key risks for the bulk power sector in a new report aimed at guiding NERC and the industry's response to those challenges.

> One of the five "significant evolving" risks is the transformation of the electric grid away from conventional synchronous central-station generators toward more natural gas-fired generation, renewables and energy storage, demand response and other emerging technologies.

Other key risks identified by the report include physical and cybersecurity threats, severe weather and other extreme events, and critical infrastructure interdependencies, such as those between the gas and power sectors. For the first time ever, the annual report also included an "energy policy" risk profile.

NERC's reliability issues steering committee compiled the study, which the grid watchdog's board of trustees accepted at its quarterly meeting Aug. 17. The committee offered a long list of ways to address the risks highlighted in its report.

Calling current approaches for determining resource adequacy "insufficient," the report urged NERC and industry to "better understand and define" energy sufficiency amid the grid transformation."

The committee also advocated for sufficient flexible ramping/balancing capacity, further consideration of the impacts and benefits of new and emerging technologies, planning for "large and rapid load growth" from increased electrification and hydrogen production, and openness to "dramatically new grid operation approaches and platforms."

The multi-year cycles for clearing interconnection queues and updating grid management and market software platforms are becoming reliability risks," the report said.

"With the power grid becoming a central pillar of societal decarbonization, it will ... become increasingly necessary to advance software platforms and operating paradigms to encompass a much larger population of complex and interacting entities."

Despite growing concerns over extreme weather, stakeholders responding to NERC's latest emerging risks survey said a changing resource mix topped their list of potential risks to the power grid. The survey results contrasted with NERC's most recent "State of Reliability" report released in June, which said generator outages during extreme weather posed the biggest risk to grid reliability and stability.

"This information is useful for industry as a whole to prioritize and dedicate resources and budget," NERC said in its new risk priorities report.

> Looking at extreme events, the steering committee called for "special assessments" of their impacts and the creation of protocols and procedures for system recovery and resiliency. Industry and grid reliability entities must also work to accelerate the construction of new transmission, develop tools for bulk power system resiliency and improve regional coordination around major events, the committee said.

Regarding security risks, the report made a dozen mitigation recommendations. Among other actions, it called for NERC to form guidance on best practices for cloud adoption and the use of AI technologies. NERC should also continue to support planning approaches and models that could reduce the number of critical facilities, thereby limiting the impact of potential attacks on those assets.

Turning to the link between critical infrastructure sectors, the report said those interdependencies "are not fully or accurately characterized," leading to an "incomplete understanding" of their impacts on the power system.

The steering committee asked NERC to determine the percent of available generation with onsite or firm fuel capacity in each regional reliability entity. The report also recommended that the gas and power sectors jointly develop weatherization standards and that NERC and industry continue coordinating between those sectors to identify potential risks and benefits for the grid.

Cross-sector and cross-jurisdictional coordination will also be important in mitigating policy risk, the report said. The steering committee recommended that gas and electricity policymakers work together on infrastructure reliability and urged "better understanding and planning" for the impacts of aggregated distributed energy resources.

“Increased coordination and collaboration between federal, provincial, and state policymakers, regulators, owners, and operators of the [bulk power system] as well as with the critical interdependent sectors is needed," the report said.

State Regulators ask FERC to Adopt Gas Pipeline Capacity Rules

State regulatory leaders encouraged FERC to adopt a rule to prohibit pipelines from bundling highly valued natural gas pipeline capacity with undesirable and noncontiguous capacity.

The Aug. 21 filing by leaders of the gas committee at the National Association of Regulatory Utility Commissioners (NARUC) aimed to renew FERC's consideration of a request from gas shippers who were concerned about auction practices and high gas costs.

Specifically, the state regulators' filing expressed support for a June 2022 petition (RM22-17) filed by the Natural Gas Supply Association, American Gas Association, American Public Gas Association and the Process Gas Consumers Group.

The groups' petition had urged FERC to issue a rule precluding pipeline operators from aggregating bids on noncontiguous segments of pipe capacity in a way that combines "operationally unrelated capacity that would otherwise have little or no market value" into a single auction, the NARUC filing said.

“The interstate pipelines' practice of marketing tied packages of capacity together in this manner contributes to higher delivered natural gas costs," the regulators wrote. "We are concerned with the impact of this practice on the consumers we seek to protect."

The regulators said a recent NARUC meeting had surfaced several examples of this type of bundling.

“The practical result in each example was that the shippers were effectively forced to bid on undesirable and unnecessary noncontiguous segments of capacity to achieve the highest winning net present value (NPV) or lose capacity on the desired segment," the filing said, referring to discussion at a NARUC gas subcommittee staff meeting. "It appears that this is becoming an increasingly common practice."

When pipelines package the valued capacity with less desirable capacity in bidding, "it is our understanding that pipelines set an NPV calculation to award the capacity in a manner that benefits shippers bidding on both packages, thereby effectively forcing shippers to bid on both packages if they want or need to acquire the desired capacity," the state regulators wrote.

While FERC previously held that pipelines could bundle low- and high-value capacity so long as shippers did not have to bid on the low-value capacity, the shipper groups' petition asserted that the approach has failed in practice and needs to be revised.

But individual pipelines and the Interstate Natural Gas Association of America (INGAA) have disputed the need for a rule from FERC. For 23 years, FERC has repeatedly rejected arguments that aggregation of bids is anti-competitive and instead has allowed packaging of noncontiguous segments, so long as shippers are not required to bid on undesired capacity, INGAA said.

“By allowing pipelines to structure packages of capacity in a way that maximizes revenue and the use of pipeline capacity, the commission's policy benefits the entire pipeline system and the long-term firm capacity holders whose support built it," INGAA told FERC.

In their recent letter, the state regulators said, "Although suppliers have the option of filing a complaint with the commission about specific behaviors where a pipeline may be unreasonably exhibiting market power, the number of examples cited by petitioners and in additional comments filed in response to the petition suggests a rulemaking is the appropriate venue to broadly consider this structural issue that has arisen in many states."

EPA Decides Not to Revisit Trump-Era Ozone Rule

In a move criticized by clean air groups, the US Environmental Protection Agency (EPA) said it will wrap its reconsideration of a Trump-era decision to retain federal smog pollution standards into a new review that may not be completed until 2025.

EPA Administrator Michael Regan announced the agency would reconsider the Trump administration's decision in October 2021, nearly a year after the EPA finalized a rule maintaining the existing National Ambient Air Quality Standards (NAAQS) for ground-level ozone.

Clean air and public health groups argued the Trump-era rule was the product of a scientifically flawed review. Under former EPA Administrator Andrew Wheeler, the EPA disbanded a panel of independent ozone experts traditionally tasked with advising the agency's seven-member Clean Air Scientific Advisory Committee (CASAC).

The Clean Air Act requires the EPA to consult with the CASAC in reviewing the NAAQS for ozone on a rolling five-year basis.

“Given the scope of those issues and the EPA’s obligation under the Clean Air Act to conduct periodic five-year reviews of the air quality criteria and the standards, I have decided the best path forward is to initiate a new statutory review of the ozone NAAQS and the underlying air quality criteria and to wrap the EPA’s reconsideration process of the 2020 ozone NAAQS decision into that review,” Regan said.

As part of its new review, the EPA said in an Aug. 21 news release that it will soon publish a call for additional scientific information in the Federal Register. Following a public science and policy workshop in the spring of 2024, the EPA expects to release a review plan to guide the CASAC's integrated science assessment for ground-level ozone. The integrated science assessment will be used to support a final rule on the NAAQS for ozone.

DOE Plans $500M in Grants to Build New CO2 Transport Infrastructure

As part of the Biden administration's push to promote carbon capture technologies to reduce greenhouse gas emissions, the US Energy Department announced a plan to provide about $500 million in grants to help companies build CO_2 transportation infrastructure.

The DOE issued a notice of intent to fund the construction of CO_2 pipelines and other transport facilities using money available from 2021's bipartisan infrastructure law. The department said it expects to issue a funding opportunity announcement in the fourth quarter.

"Meeting the Biden-Harris administration's goal of a net-zero emissions economy by midcentury will require accelerating the responsible development and deployment of technology to capture CO_2 emissions from industrial operations and power generation and to remove CO_2 directly from the atmosphere," the DOE said in an Aug. 25 statement.

"These efforts must be supported by a safe and reliable system that can transport the captured CO_2 away, either for permanent geologic storage or for conversion to useful, durable products."

According to the notice of intent, the $500 million will be in the form of Future Growth Grants, under which the DOE will pay a CO2 transport developer a share of the cost difference required to increase the capacity of a project beyond the level for which firm offtake contracts have been agreed.

The grant money is a portion of the $2.1 billion that the infrastructure law earmarked to fund the department's CO_2 transportation infrastructure finance and innovation program for fiscal years 2022–2026.

The DOE said in the notice of intent that the goal of the Future Growth Grants is to encourage developers to build CO_2 transport capacity that may not initially be needed but will become useful as new direct air capture projects and other CO_2 storage facilities go into service.

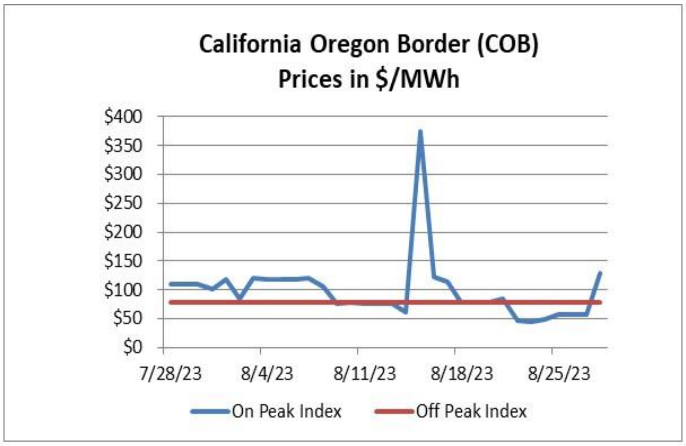
"Significant economies of scale can be achieved if additional up-front investments are made to 'oversize' CO_2 transport infrastructure capacity to accommodate potential CO_2 supplies that are not yet under contract," the DOE said.

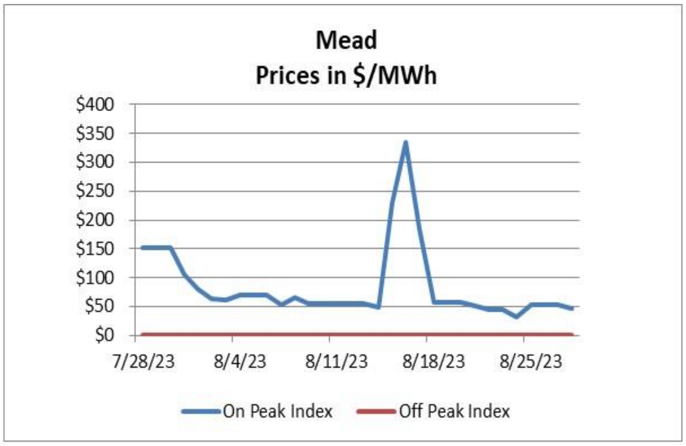
"However, financing for CO_2 transport infrastructure investments is often difficult or impossible to obtain unless firm contractual commitments are in place for both CO_2 supply and offtake," the notice of intent added. "Investments in additional capacity provided by [Future Growth Grants] could help avoid future construction of additional transport infrastructure (e.g., separate redundant transport networks) and associated environmental impacts."

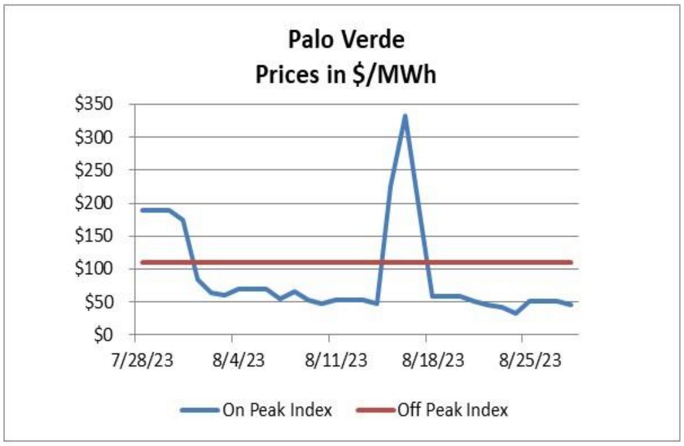
To qualify for the grants, the DOE said a CO2 transport network must be "physically connected by way of pipeline, rail, road, and/or body of water." While existing pipelines or other infrastructure currenty used to transport CO2 are not eligible for the grant, the notice of intent said the repurposing of existing infrastructure to enable new CO2 transport would qualify.

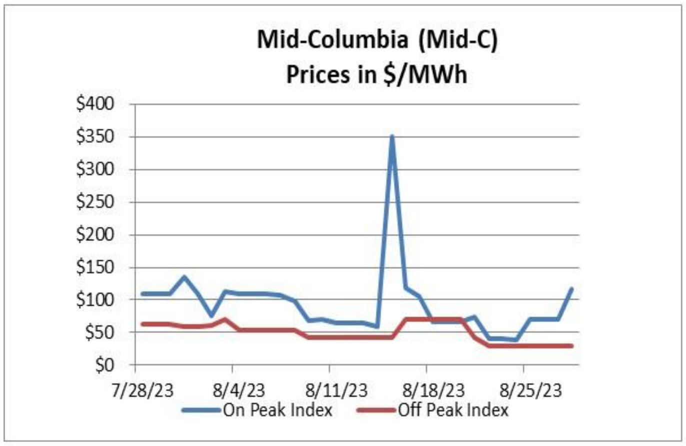
If the funding opportunity announcement is issued, the DOE said that all funded projects would have to be completed within five years of its authorization of costs, with applicants having to show that their projects "can reasonably be expected to be used" for 20 years.

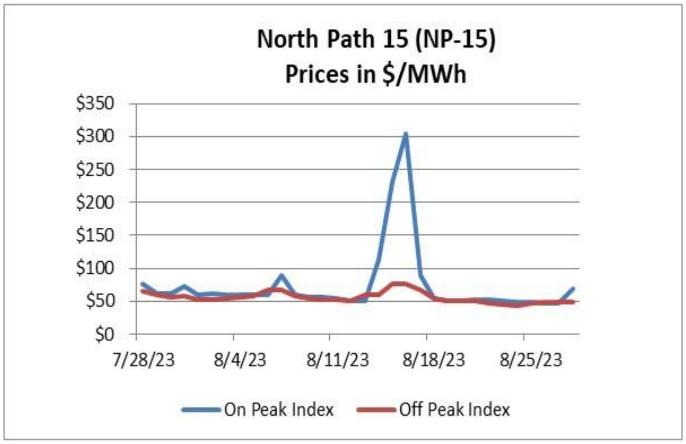
Western Electricity Market Prices

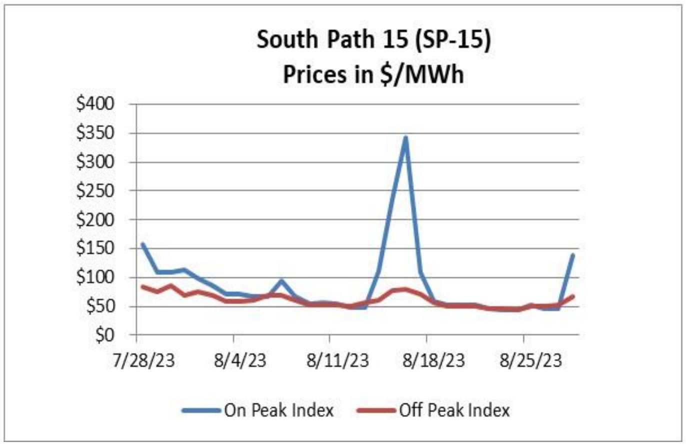












* On and off-peak prices shown are the latest reported.

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