



September 7, 2020

Regulatory Commission of Alaska  
701 W. 8<sup>th</sup> Avenue, Suite 300  
Anchorage, AK 99501

**Re: R-20-002**

Dear Commissioners:

Renewable Energy Alaska Project (REAP) respectfully submits the following comments in response to the Commission's Order dated August 24, 2020 seeking topics to be discussed at an upcoming technical conference in R-20-002. These comments roughly follow the sequence of the questions that the Commission posed in that Order.

## **I PLAN CONTENT/FREQUENCY OF FILING**

### ***1) What minimum set of elements and information should be required for an IRP in order to avoid rejection as being incomplete?***

REAP believes that an IRP should be rejected if it does not “substantially” address a list of minimum elements, as laid out in regulation. REAP believes that the required elements listed in CIRI's comments in this docket filed on September 4, 2020 provide an excellent list of elements that should be required in an IRP. To that list, REAP would:

- 1) Add “Evaluation of loads that can also act as resources” to Load and Resource Balance.<sup>1</sup>
- 2) Add “List of Data Sources” in Description of the Planning Environment”.<sup>2</sup>
- 3) Add “Scenario modeling of different possible future resource mixes, including sensitivity analyses” to “Modeling and portfolio evaluation of resource options”.<sup>3</sup>
- 4) Add “detailed consideration of load forecasts; reserves and reliability; demand-side management; supply and energy storage options; short and long-term fuel forecasts; environmental costs and constraints including the possibility of higher future costs associated with greenhouse gases; evaluation of existing resources; integrated analysis of all six Railbelt service areas and uncertainty analysis” to “Identification of Resource options”.<sup>4</sup>
- 5) Add “criteria for determining cost-effectiveness and greatest value” to “Identification of Preferred Resource Portfolio (PRP)”.<sup>5</sup>
- 6) Add “Minority views of the ERO” under “Modeling and Portfolio Evaluation of Resource Options”.<sup>6</sup>

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<sup>1</sup> CIRI Comments in R-20-002 filed September 4, 2020, page 4, (5)

<sup>2</sup> CIRI Comments in R-20-002 filed September 4, 2020, page 4, (3)

<sup>3</sup> CIRI Comments in R-20-002 filed September 4, 2020, page 4, (7)

<sup>4</sup> CIRI Comments in R-20-002 filed September 4, 2020, page 4, (6)

<sup>5</sup> CIRI Comments in R-20-002 filed September 4, 2020, page 4, (8)

**2) *How frequently should IRPs be filed and what time horizon should they cover?***

REAP believes that IRPs should be filed every two to three years and cover a time horizon of 25 years. Every two to three years is appropriate given the pace of technology innovation, in particular in the area of renewable energy and energy storage. It is also appropriate given the likelihood that new energy policies may be adopted to address the threat that greenhouse gas emissions pose to society. A 25-year time horizon is appropriate given that it matches the expected life expectancy of many generation resources that might be considered in a plan.

**3) *What level of specifics should be in the regulations addressing IRP resource requirements?***

REAP believes that regulations should provide guidance to the IRP process by including specific criteria to measure a given resource's value and consistency with a load-serving entity's obligations.

For example, if one of the obligations of a load-serving entity is reliable service, there must be a guide as to what level of reliability is acceptable. REAP understands that this will largely be covered by reliability standards that are adopted and enforced by the ERO. However, an unusually high level of required reliability could increase costs to the point where the capital expenditures necessary to meet that reliability standard would have a diminishing value for consumers. Put another way, does the average consumer expect a "Cadillac" level of service or a "Volkswagen" level of service?

There are also "values" that may not easily be measured by dollars. For example, what is the value of reducing greenhouse gas emissions by building generation and energy storage facilities that enable a utility to decrease the amount of fossil fuels it must burn to meet its obligations as a load serving utility? At what point do the obligations of a load serving utility clash with the obligation to future generations? Fortunately, today the drastically falling price of utility-scale solar and wind technology allow utilities to provide both an economic value to consumers *and* reduce greenhouse gas emissions that exacerbate climate change. However, those resources may require the expansion of transmission resources, the cost of which must be recovered in a manner that is equitable for all entities that benefit from their construction. Therefore, the cost recovery mechanisms required to be in the ERO's tariff by SB 123<sup>7</sup> will have a direct impact on decisions about what resources are considered in the IRP process.

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<sup>6</sup> CIRC Comments in R-20-002 filed September 4, 2020, page 4, (7)

<sup>7</sup> AS 42.05.770 (1)(B)

It is clear from the statute that the IRP must look at “all customers”<sup>8</sup> and “customers’ collective needs”,<sup>9</sup> meaning the region as a whole. How is this “public interest”<sup>10</sup> to be reconciled with the obligations of individual utilities within the interconnected network?

Since many of these “values” and “obligations” interact with each other, REAP believes that any guidance that the RCA can provide in regulation for the ERO will benefit the IRP process.

***a) Should regulations address how demand side management measures, which depend on uncertain customer responses, should be compared with supply side measures for meeting load?***

REAP urges the Commission to consider regulations that require that all rate design mechanisms that could decrease consumer demand be at least considered in the IRP process. This includes time-of-use pricing as well as demand side management programs that allow utilities to charge customers less if they are willing to allow the utility to shut off an interruptible load. Despite any utility desire to sell more kilowatt hours, REAP believes that no electricity that is generated should be unnecessarily wasted, especially electricity that is generated with fossil fuels. For that reason, REAP believes that the adequacy of integrated resource plans should be judged in part on whether those plans utilize all reasonable means to curb consumer demand. In addition to the rate mechanisms described above, those means should also include efforts by utilities to educate consumers about energy efficient lighting and appliances and to offer rebates and other incentives for customers to reduce electricity use.

At the same time that the ERO should be required to consider the kinds of demand side management programs that are successfully reducing electricity demand in other jurisdictions, utilities will still be able to *increase* demand through new lines of electricity sales, such as the electrification of transportation. Electric car sales will continue to increase as technology innovation, policy and the business case for electric vehicles continues to accelerate. Thus, utilities should reasonably be able to offset decreases in demand that are caused by demand side management programs without decreasing overall sales.

***b) Should regulations require that the methods for estimating future demand be uniform across all load serving entities in an interconnected electrical network?***

REAP believes that the methods for estimating future demand should be uniform across all load serving utilities in an interconnected network, and this should be contained in regulation. Without a consistent methodology within an interconnected network, demand forecasts will likely be less reliable.

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<sup>8</sup>AS 42.05.780 (a)

<sup>9</sup> Ibid

<sup>10</sup> Ibid

For example, if one utility recognizes the fact that a “load” such as an electric vehicle can also be considered a “resource” that can deliver electricity back into the grid when needed while another utility in the same interconnected network does not recognize this controllable load, it will be difficult to make a determination that the demand forecast for an entire region is accurate.

***c) Should regulations require that distributed energy resources be addressed in an IRP and, if so, how?***

REAP believes that regulations should require IRPs to address the impact of distributed energy resources (DERs) on the interconnected network. Solar PV prices have come down 82% in the last decade and are still falling. More and more consumers are going to be making a financial decision to add rooftop solar. Though the business case for residential solar will clearly be impacted by limits on net metering in each service district, the recent petition by Homer Electric Association to increase its net metering cap to 10% of its load demonstrates that the demand for DERs is increasing in the Railbelt. If DERs are not required to be considered, what has become a major influence on grids in other jurisdictions could be ignored, with expensive repercussions. If, on the other hand, DERs are encouraged in ways that decrease future capital expenditures for generation by utilities without causing transmission and distribution upgrades that are too expensive, the benefit to utilities could be sizable given that current net metering regulations only require a utility to pay the owner of a DER the utility’s avoided cost.

***Should regulations specify the phrase “greatest value, consistent with the load-serving entities’ obligations”? If not, then why not? If so, then what aspects of “value” should regulations specifically accommodate? Should regulations delineate a load-serving entity’s obligations?***

REAP believes that regulations should provide guidance as to what “greatest value, consistent with a load-serving entities’ obligations” means, particularly in light of the fact that integrated resource planning is for the *region*, not any one individual load-serving entity.

REAP also believes regulations should specify the content or process by the phrase “full range of cost effective means” to provide guidance to the IRP process.

### ***IRP APPROVAL PROCESS***

#### **Public Notice and and process requirements at the ERO and Agency Level**

REAP believes that the public must be given adequate notice of the IRP process to ensure the greatest possible public participation. REAP would argue that that public participation has value in and of itself by educating consumers about where their energy comes from, and the fact that they as electric consumers in Alaska are also members-owners of coops that provide electricity.

Given the relatively new and broad range of media resources available today to provide notice, REAP believes that the notice requirement should require some level of social media advertising, radio advertising and newspaper advertising to be considered adequate.

This type of notice requirement should exist at all stages of an IRP process, including the general introduction of the process, all calls for public comment and notice of a final plan that is submitted to the Commission for review and approval.

***Criteria for agency review of the process used to develop the IRP at the ERO level***

REAP urges the Commission to adopt regulations that require it to make findings that the IRP process was complete, fair, transparent and timely. Regulations should also provide for any minority views on the IRP to be included in the plan submitted to the Commission.

REAP generally agrees with the description of a process that includes a Technical Advisory Committee (TAC) that was laid out by CIRI in its comments in this docket field on September 4, 2020,<sup>11</sup> though REAP is not suggesting that any committee be *required* by RCA regulations. To both avoid confusion with the Technical Advisory Committee (TAC) already contemplated by the Railbelt Reliability Council (RRC) and to put emphasis on the need for a separate committee, REAP would suggest that any ERO committee associated with integrated resource planning be simply called the “Planning” or “IRP” committee. Such a committee would necessarily interact with both a TAC and the full ERO but would have a very specific charge.

***Criteria for determining the completeness of an IRP for rejection purposes***

REAP believes that an IRP should be rejected if it does not “substantially” address a list of minimum elements, as laid out in regulation. REAP believes that the required elements listed in CIRI’s comments in this docket filed on September 4, 2020 provide an excellent list of elements that should be required in an IRP. REAP has made suggested additions to that list above on page 1 of these Comments.

***Criteria for determining whether an IRP should be approved or returned for modification.***

REAP urges the Commission to consider regulations that require it to make findings to determine whether the IRP process included robust public participation founded on timely and transparent public communication as well as the necessary elements listed above. Those sufficiency findings should include whether the plan:

- 1) included robust public participation founded on timely and transparent public communication;
- 2) provides the greatest value, consistent with the load-serving entities' obligations;

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<sup>11</sup>CIRI Comments in R-20-002 filed September 4, 2020, pages 6-7

- 3) contains an evaluation of the full range of cost-effective means for load-serving entities to meet the service requirements of all customers and;
- 4) includes all options to meet customers' collective needs in a manner that provides the greatest value, consistent with the public interest.

If the Commission can make all of these findings, REAP believes the IRP should be approved. If it cannot make one or more of the findings, the IRP should be rejected and sent back to the ERO for modification and re-filing, with a Commission Order that details the IRP's deficiencies. If a plan is then re-filed with the Commission, the Commission should make the same sufficiency findings as above. If the Commission still finds that the IRP is inconsistent with the Commission's Order, the Commission should, under regulation, be able to modify the IRP itself.

### **Plan Cost Recovery**

#### ***Costs of resources acquired in accordance with an IRP***

REAP believes that the cost of resources that are acquired in accordance with an IRP should be allowed to the extent that the resources identified in the plan match the resources that are eventually acquired. That is, the resource to be acquired through an approved IRP must be "substantially identical" to the resource that a utility acquires. This should be defined in regulation.

#### ***Cost-effective expenditures for improving energy efficiency***

REAP believes that all cost-effective expenditures for improving energy efficiency should be recovered by a utility that carries out those measures if those measures are "substantially identical" to the measures as described in the approved IRP.

Senate Bill 123 provides that:

"[T]he Commission may include in a public utility's rates cost effective expenditures for improving the efficiency with which a public utility provides...utility services".<sup>12</sup>

REAP urges the Commission to consider regulations to define what might qualify as an expenditure that would improve the efficiency of a utility's provision of services. For example, would the cost of training employees to somehow become more efficient qualify as such as an expenditure that a utility could recover costs for?

#### ***Costs to a utility to comply with planning requirements (including planning costs and portfolio development costs)***

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<sup>12</sup> AS 42.05.780(c)(2)

REAP urges the Commission to consider regulations that delineate different kinds of planning costs. If utilities are going to be able to receive public funding to cover the cost of the ERO, then those same utilities should not be able to recover planning costs that are associated with the ERO if those costs have already been covered. This raises the question of which planning costs will be borne by individual utilities in an interconnected network and which planning costs will be borne by the ERO?

REAP also urges the Commission to consider regulations that define more precisely what “portfolio development costs” are.

## II PROJECT PREAPPROVAL FOR LARGE FACILITIES

A threshold question REAP would ask is why any utility would seek large project pre-approval outside of the Integrated Resource Planning process, once that IRP process is developed? A primary aim of the IRP process is to identify resources that can benefit the *interconnected network*, not just one of the interconnected load-serving utilities. REAP would urge the Commission to pose the same threshold question to any utility seeking preapproval outside of the IRP process. REAP also questions why and how a project or facility could be so emergent so as to require pre-approval outside of the IRP process, particularly when, by definition, “large” projects typically take considerable time to plan and construct.

### ***What criteria should be used to determine that a facility or project is necessary to the interconnected electric energy transmission network?***

The first criteria that REAP would urge the Commission to consider is whether there is an emergent need to develop the project outside of the IRP process. If the Commission does find that a project demands immediate action, REAP urges the Commission to consider regulations that identify other criteria, and suggests that those criteria would be similar to criteria that would be used in the IRP process to determine the necessity of any project to the interconnected bulk power system. Those criteria might include the provision of ancillary services that make the grid more flexible; increased ability for the transmission network to meet established reliability standards and; increased grid security.

### ***What criteria should be used to determine that a facility or project meets the needs of a load-serving entity in a cost-effective manner?***

Again, REAP would first ask why a facility or project must be approved outside of an IRP process, particularly if IRP planning takes place every two or three years. However, if a utility is in front of the Commission seeking preapproval outside of an IRP process, REAP urges the Commission to consider regulations that would define “cost effective”, including *over what period of time* the project will serve the load-serving entity. If a large project or facility has only a short-term benefit, the Commission should refuse to approve it. REAP would define “short-term” for large facilities as less than 25 years.

***Should regulations address criteria for approval or disapproval when, outside of an IRP process, a utility seeks project preapproval for a large energy facility that has material capacity or capabilities in excess of the needs of that load serving entity?***

REAP strongly urges the Commission to consider promulgating such regulations. Otherwise, REAP believes there will be a large loophole in the IRP process that contemplates approving projects whose capacity or capabilities are in excess of the needs of that load serving entity. Because the IRP process is focused on the region, projects that have excess capacity should be part of the IRP process.

***How should the terms “refurbishment” or “capitalized maintenance” be defined?***

REAP strongly urges the Commission to consider promulgating regulations that close any possible loopholes in the preapproval process by narrowly defining both “refurbishment” and “capitalized maintenance”.<sup>13</sup>

***Should regulations seek to define or provide criteria for addressing when a facility “substantially serves the needs of a load serving entity”?***

Yes, REAP urges the Commission to consider regulations to define or provide criteria for addressing when a facility “substantially serves the needs of a load serving entity”. REAP believes such regulations would provide useful guidance to differentiate the needs of the interconnected bulk power system and single load-serving entities as well as the difference between planning for the needs of a region and planning for the needs of a single load-serving entity.

REAP remains concerned that a push may ensue by the Railbelt utilities to build projects before July 1, 2021 and believes regulations that address “projects undertaken before integrated resource plan approval”<sup>14</sup> are also extremely important rules to address early-on in the rulemaking process. Projects built between now and July 1, 2021 by individual utilities without a good faith effort to determine whether or not those projects have any regional costs and benefits seem to run contrary to the legislative intent of SB 123.

REAP thanks the Commissioners for the opportunity to provide this advance input to the technical conference for R-20-002.

Respectfully,



Chris Rose  
Executive Director

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<sup>13</sup> AS 42.05.785 (c)(1)

<sup>14</sup> AS 42.05.785 (d)(4)