Ron Binz Testimony Summary

Good morning, Chairman Throne, Deputy Chairman Petrie, and Commissioner Robinson. Thank you for the opportunity to provide this summary of my testimony today. I submitted direct testimony on behalf of Sierra Club, addressing Rocky Mountain Power's request to eliminate the 80/20 sharing band in its Energy Cost Adjustment Mechanism, discussing the role of renewable energy in reducing net power costs, and making two recommendations pertaining to PURPA compliance and Rocky Mountain Power's Integrated Resource Plans.

Regarding the Company's request to eliminate the 80/20 sharing band, I recommend that the Commission reject this proposal. In fact, the Commission should consider reverting to its previous standard of 70/30.

To begin, Rocky Mountain Power's reasons for eliminating the sharing band are not persuasive. The Company argues that the sharing band does not incentivize the Company either to produce accurate net power cost forecasts or to minimize costs, as was originally intended. I disagree with the Company on both points. Regarding the Company's ability to accurately forecast net power costs, while the western grid is getting more complicated, I do not agree that the Company cannot be incentivized to produce more accurate forecasts. I also disagree that the increase in renewable penetration on the grid makes predicting net power costs an impossible task. Net power cost volatility is driven primarily by changes in natural gas prices, something that is well known to the Company. Regarding the incentive to minimize costs, the sharing band continues to accomplish this goal by providing a signal or reminder to the utility of the risks inherent in including resources with fluctuating fuel costs in their portfolio. This is not a prohibition on using natural gas; instead, it simply requires the Company to factor in a known risk of reliance on gas fuel when determining an appropriate mix of generation resources. Rocky

Mountain Power's also argues that net power costs will be driven as low as possible by the anticipated EDAM, lessening the need for the incentives in the ECAM. But this ignores the fact that the Company is still responsible for the operation and maintenance of their plants, and ultimately the Company decides its resource portfolio, which drives net power costs. Moreover, Rocky Mountain Power's rebuttal testimony now indicates that the EDAM will not be in place until at least 2026.

I also explained in testimony that the sharing band provides additional benefits that should be considered. First, it is more fair to ratepayers that the Company would absorb some fluctuation in fuel cost, since customers neither control the utility's resource portfolio nor its management of net power costs. Second, the sharing band guards against Rocky Mountain Power relying solely on its customers to act as a backstop, shielding it from any fuel cost risk by passing through all changes in net power costs to customers. As another Commission has said, sharing gives the utility "skin in the game."

Next, I explained why Wyoming regulation may wish to encourage more zero-cost resources and storage. Not only are wind and solar costs now often lower than any fossil resource but Wyoming has exceptional wind and solar resources. These resources can be very profitable in the forthcoming EDAM, and significant federal incentives, particularly under the Inflation Reduction Act, will encourage renewable production. While not addressed in my testimony, I understand that public comment has raised concerns about growing wind development in Wyoming. While I believe that wind development will benefit Wyoming, I also support proper siting of these resources, something we tried to do in Colorado's wind and solar development.

Finally, my testimony makes two recommendations regarding PURPA compliance and the Company's IRP. Regarding PURPA compliance, my testimony notes that PURPA-related costs are a significant portion of Rocky Mountain Power's total power purchase expenses. PURPA requirements in Wyoming are currently met by offering a combination of "avoided cost" tariffs (Schedule 37) and a negotiated pricing regime (Schedule 38). In my experience as Chair of the Colorado Public Utilities Commission, we found that PURPA compliance can be better met by moving to a competitive bidding process, which avoids the need of determining a utility's avoided cost, creates higher trust in the process for industry participants, encourages more bidders, and allows the utility to buy the economically correct amount of energy resources, at economically correct prices. I am confident such a regime would work in Wyoming, and would produce superior results compared to case-by-case negotiated prices as provided in Schedule 38.

Regarding the Company's IRP, my testimony explains that as the economics of electric power in the Western Interconnection continue to change, the Commission should ensure that Rocky Mountain Power is looking at supply portfolios that take advantage of these changes. For example, the Commission should ensure that the Company is maximizing the use of the federal tax credits under the Inflation Reduction Act and testing the deployment of more low-cost renewables that could be sold on the market through the EDAM. I recommend that the Commission take up these recommendations either here or in another docket.

This concludes my summary of my testimony. Thank you.