States that approve or reject Integrated Resources Plans

Background

As part of the rulemaking procedures in Dockets UE-030311/UE-030423/UG-030312, Staff conducted research about outstanding issues of integrated resource planning and bidding rules across states using Copernicus and other search tools. The research showed ten states (Arizona, Arkansas, Florida, Georgia, Hawaii, Michigan, Missouri, Nevada, New Mexico, and Texas) in which the regulatory commissions either approve or reject the integrated resource plans (IRPs) submitted by the utilities they regulate.

Staff has now individually surveyed those ten states asking:
1. Why had they chosen to approve the plans rather than acknowledge them and
2. What had been their experiences with the approval process, whether they were planning to continue with approving/rejecting the plans, or whether they were considering changing the current practice. Further, if considering changing the practice, Staff asked for the rationale behind that decision.

Results

Of the ten states originally shown to approve or disapprove utilities' IRPs, only four continue to do so. The other six have suspended that practice at different times in the last few years. More detailed information about the ten states is included below.

1. States that continue to approve or reject utilities' IRPs

Georgia. Georgia Law requires that investor owned utilities file IRPs every three years. Utilities must also file IRPs each time they file for certification of a specific generation or demand-side management (DSM) resource. This occurs at various times depending on generation needs. Certification of specific resources is required by law before implementation of a DSM program, Purchased Power Agreement, or construction of a generation facility. By law, the Commission must approve, reject or modify the filed plan. In most filings the plan is modified to some degree from the original filing. Modification may involve the load forecast, type, timing and amount of generation needed, and implementation of specific DSM programs, as well as others.

Georgia's IRP Act came about after the Commission had conducted a prudence review of Georgia Power Co.'s Vogtle nuclear power plant construction during the late 1980's. The Commission ultimately disallowed $1.1 billion dollars in construction costs due to

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mismanagement. After this decision, the utility wanted some assurance before start building generation projects that the Commission would approve the need and cost of the facility. The utility approached the legislature to develop the IRP Act in 1991. The first IRP review took place in 1992.

As a result of the Act, once the Commission certifies a generation or DSM resource, the certified cost or actual cost, whichever is less, is allowed to be recovered. Certification comes out of the IRP process. Once the IRP is approved, the Commission requires that the utility solicit for generation needs as approved in the IRP through a competitive bidding process. Self-build is also considered. Once the winning bid is determined, it is brought before the Commission for certification.

The Georgia Staff uses outside consultants to assist in the review of IRPs and certification filings. The time frames for review of the IRP and certification are established by law. A procedural and scheduling order is issued at the beginning of the docket to set the schedule for testimony filings, hearing dates, decision date and any additional specific issues the Commission wants to address. The Georgia Commission's Staff does not anticipate any change in the process in the foreseeable future.

Hawaii. The Hawaii Public Utilities Commission (PUC) decided to approve rather than acknowledge the utilities' IRPs in order to ensure that the plan: (1) represents a reasonable course for meeting the energy needs of the utilities' customers, (2) complies with the public interest requirement, and (3) is consistent with the goals and objectives of integrating resource planning.

Staff from the Hawaii PUC has stated that the IRP approval process has been positive as it allowed the ratepayers, through the Consumer Advocate, and other appropriate parties to provide input to the IRP plan. However, the process is labor intensive and challenging to implement, as it requires the Commission and the parties to the docket (i.e. the utilities, the Consumer Advocate, intervenors, participants, etc.) to dedicate a certain amount of man-hours to complete the approval process. At this time, the Hawaii PUC has no plans to change the approval/rejection format.

Michigan. The State of Michigan passed legislation in 1982 (1982 PA 304) to address issues concerning electric (Power Supply Cost Recovery) and gas (Gas Cost Recovery) supply costs.

Gas and electric utilities have to submit respectively a "gas cost recovery plan" or a "power supply cost recovery plan" annually, three months before the beginning of the year. The plans are usually modified and the modified plan is then approved by the

Commission, and is the basis for rate factors to be applied to customer energy usage. The revenues collected by utilities are then reconciled to actual costs after year-end in reconciliation cases. The reason why the Legislature adopted this approach was primarily to prevent more rather shocking price increase announcements such as those that occurred during the winter of 1981-1982.

The required annual filings and hearings to debate the issues and suggest alternatives, have been generally successful in helping to control costs and the process has increased the knowledge of the Commission Staff and customer groups regarding electric and gas supply planning, which has made utilities more efficient. Michigan has no plans to change to another system.

Nevada. The resource planning process and the Public Utilities Commission of Nevada's authority to pass judgment on resource plans is statutorily mandated by the Legislature (NRS 704.741 et seq.). The Commission is charged with adopting regulations regarding the contents of the plans to be submitted. At the present time, the Commission has a docket pending, in which is proposing some updated regulations but the Commission's authority to approve/reject plans will remain in effect unless and until the Legislature decides to alter it. The PUC Staff stated that the outcome of this docket and time frame for adoption of revised regulations are uncertain.

Gas companies are mandated to file only an informative report about resource planning.

2. States that no longer approve or reject utilities' IRPs

Arizona. Arizona no longer approves, disapproves, or even acknowledges IRPs. The state is still in the process of determining what to do, if anything, about the competitive environment of energy.

Arizona's rule, which required the Commission to make a determination of consistency regarding demand forecast, was suspended in 1997. Since then, regulated companies are not longer required to file Least Cost Plans (LCPs) or IRPs. Companies only have to file historical data. A task force, put together in 1997 to make a determination on what to do with the suspended rule, never produced a report. It has not reconvened since 1997.

Prior to the suspension of the rule, the Arizona PUC used to conduct hearings and the Commissioners voted on various staff/intervenor recommendations to the plans submitted by the regulated companies. Staff held workshops and issued reports with

recommendations to the Commissioners regarding DSM, renewables, demand forecasting models used, etc. The Commissioners then ruled on the recommendations

Arkansas. Arkansas no longer approves or rejects IRPs. Arkansas did have an IRP process 10 years ago that has since been abandoned. Currently, there is a new docket open about the topic but it is on the "back burner."

Florida. Florida utilities file "Utility Ten-Year Site Plans" annually, on April 1. The Florida Public Service Commission (FPSC) then solicits comments from agencies that can be affected by those plans, such as regional planning councils and water management districts. By statute, the FPSC is mandated to classify the plans in suitable or unsuitable and then forwards them to the Department of Environmental Protection for use in future certification proceedings. As stated in the Purpose section of the FPSC's annual review, "[T]he Ten-Year Site Plan gives state and local agencies advance notice of proposed power plants and transmission facilities. The Ten-Year Site Plan is not intended to be a binding plan of action on electric utilities. As such, the Commission's classification of a utility's Ten-Year Site Plan as suitable or unsuitable also has no binding effect on the utility. Such a classification does not constitute a finding or determination in subsequent docketed matters before the Commission. If a utility's Ten-Year Site Plan raises a concern requiring Commission action, such action is formally undertaken after a public hearing."

The data collected annually forms a base line by which other formal docket matters before the Commission can be compared. The FPSC also holds a public workshop each year to gather additional input on each utility's Ten-Year Site Plans. There are no plans to change these procedures.

Missouri. Currently, Missouri is not approving least cost plans. Utilities are proposing legislation for the Commission to approve individual transactions. New legislation could change the Commission's current process.

New Mexico. New Mexico does not require IRPs/LCPs. In the case of electricity, the issue is addressed when utility seeks a certificate to build new resources or approval of a contract to buy additional electricity.

In the case of gas, from 1988 to 2003, New Mexico required companies to apply for authorization regarding gas purchase plans (1-5 years). The old rule required Commission approval for the companies' portfolios. A new rule became effective on January 20, 2004 that requires gas companies to file only annual reports for review. The

Commission investigates the purchase plans further only if Staff or interested parties have problem with the contents of the plans.

The reason for this procedural change was that the previous approval process was too time consuming.

Texas. Since electric deregulation took effect on January 1, 2002, Texas utilities are no longer required to submit IRPs to the Texas Public Utilities Commission. The requirement to prepare and submit IRPs had been in place since 1995.