

MONTANA PUBLIC SERVICE COMMISSION

Commission Investigation of Montana Resource Adequacy and Risk Profile	Docket 2022.09.087 September 20, 2022
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Notice of Investigative Docket and Opportunity to Comment

1. Montana law requires the Commission to adopt rules which require a public utility to prepare and file an integrated resource plan (“IRP”) every three years. Commission rules state that the goal of the IRP is to develop a strategy for meeting customers’ needs for adequate, reliable, and efficient energy services at the lowest total cost while remaining financially sound.
2. The rules direct utilities to achieve this goal through timely acquisition of an integrated set of demand- and supply-side resources. Utilities are required to evaluate uncertainty and risk associated with market characteristics and alternatives for supplying energy products and services. Along with the least-cost plan, utilities must submit an action plan which illustrates how the plan set forth in the IRP will be implemented over the near-term.
3. The Commission’s rules do not specify the outcome of the planning process nor mandate particular investment decisions. The rules simply require regulated utilities to explain their planning process.
4. The Commission is concerned that this approach falls short of an accurate evaluation of resource adequacy, and of risk.

5. A variety of entities in the Western region have expressed concern that typical approaches to evaluating resource adequacy are likely to fail the region, and the states therein. These approaches are based on a comparison of expected peak demand and resource nameplate capacity. These capacity-based methods work when the resource performance and demand patterns are predictable and resource output is largely controllable.

6. However, this does not account for how much energy the resource can actually produce at any given time. Because resource variability has to do with changes in actual energy output, approaches based solely on capacity fail to fully account for variability.

7. As a result, based on traditional capacity-based approaches, the West may appear resource adequate, but could be resource inadequate in terms of its ability to produce energy when needed.

8. In an analysis that is representative of resource adequacy concerns, the Western Electricity Coordinating Council's 2021 Western Assessment of Resource Adequacy highlights the following issues:

- (a) Both demand and resource availability variability are increasing, and the challenges they present are worsening.
- (b) Under current planning reserve margins, all subregions in the West show many hours at risk of load loss over the next 10 years.
- (c) Subregions rely heavily on imports to remain resource adequate. In no case can a subregion be resource adequate on its own.
- (d) As early as 2025, all subregions will be unable to maintain 99.98% reliability because they will not be able to reduce the hours at risk for loss of load

enough, even if they build all planned resource additions and import power.

- (e) And finally, to mitigate resource adequacy risks over the near-term (1–4 years) and long-term (5–10 years), planning reserve margins need to be increased—in some cases significantly—or other actions taken to reduce the probability that demand will exceed resource availability.

9. The Commission initiates this docket to investigate and identify the size and scope of the issues facing Montana and the Western Region.

10. The Commission intends to use this docket to provide as the catalyst, and the forum, for an ongoing discussion about issues of resource adequacy.

11. To that end, the Commission welcomes public comments on:

- (a) Issues related to ensuring safe, reliable, sustainable, and efficient baseload electrical energy, both in Montana and regionally
- (b) Issues related to Montana’s risk profile in the energy sector, and how to mitigate those risks
- (c) How to ensure the Montana customers’ needs for energy are met in the future
- (d) Proposals for unilateral Commission action, or joint Commission and private party action, on any of the opportunities discussed above.

12. PLEASE TAKE NOTICE that the Commission will accept written comments on the issues noted above until **October 14, 2022**. Written comments may be mailed to the Commission at 1701 Prospect Ave., P.O. Box 202601, Helena, MT 59620; filed electronically through the Commission’s website at <http://psc.mt.gov> (select “Documents &

Proceedings” tab; select “Comment on a Proceeding”; select “Continue as Guest”; complete form; select “Submit”); or emailed to the Commission at pschelp@mt.gov.

13. The Commission will consider next steps after further review of the issues and public comment presented.

DONE this 20th day of September, 2022, by the MONTANA PUBLIC SERVICE COMMISSION.

JAMES BROWN, President
BRAD JOHNSON, Vice President
TONY O’DONNELL, Commissioner
RANDALL PINOCCI, Commissioner
JENNIFER FIELDER, Commissioner

CERTIFICATE OF SERVICE

I certify that on the 20th day of September, 2022, a true and accurate copy of the foregoing document was served by email to the following:

Email Lists

Notification of Montana Dakota Utilities Filings
Notification of NorthWestern Energy Filings
PSC Hearing Notices

By: /s/ Tarin Slayton
Tarin Slayton
Montana Public Service Commission