SPENCER J. COX
Governor

DEIDRE HENDERSON
Lieutenant Governor

Office of the Governor

THOM CARTER
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MEMORANDUM:

DATE: November 17, 2021

TO: The Natural Resources, Agriculture, and Environment Interim Committee

FROM: Thom Carter
Energy Advisor | Executive Director

SUBJECT: State Energy Policy Annual Review

The Utah Office of Energy Development (OED) provides an annual update to the Natural Resources, Agriculture, and Environment Interim Committee pursuant to Utah Code Title 79, Chapter 6, Part 3, Section 302. I was scheduled to speak before the committee at today's meeting, however due to time constraints, we were unable to get to my presentation. To that end, I have provided this memorandum as an update.

The State Energy Policy lives in Utah Code Title 79, Chapter 6, Part 3, Section 301. The overlying theme of the policy is that "Utah shall have adequate, reliable, affordable, sustainable, and clean energy resources." This means that Utah is an *all-of-the-above* energy state. We do not seek to identify energy winners and losers; however, the priority of our Office is to ensure that Utah has affordable and reliable energy.

During the 2020 Legislative Session, HB 388 amended the state energy policy to include developing energy resources with the intent to promote the development of pumped storage and advanced energy systems including hydrogen, respond to disruptions in state energy resources; and maintain reserves in case of disruptions. Additionally, dispatchable energy generation has been added to the state energy policy. The policy change also directs the state to develop resources, tools, and infrastructure to respond to disruptions.

This is in line with Governor Cox's direction in the One Utah Roadmap of OED to "Update the statewide energy plan to ensure Utah's energy future is secure, innovative, and reliable. (One Utah Roadmap Version 2)" We are currently in the full process of working on this plan with the goal to deliver it to the Governor in March of 2022. Our starting point was the Energy Resource Map that OED published in March of 2020. I then spent the spring, summer, and early fall traveling through the state, meeting with local and county leaders and energy producers to understand their important perspective.

The guiding principles for this plan are as follows:

- Emphasis of the Cox-Henderson Administration strategy of "all of the above" approach to energy in Utah
- Investment in a diverse portfolio of energy solutions to ensure adequate, reliable, affordable, sustainable, and clean energy resources
- Continuation of job opportunities and economic development in energy in Utah, including rural communities
- Consideration of market trends, economic development, investment opportunities, rural impacts
- State environmental goals for advancing responsible energy and minerals development
- Prioritizes the lens of equity and opportunity

Our current process includes:

- Policy Committee including the Executive Directors of:
  - Department of Natural Resources (DNR)
  - Department of Environmental Quality (DEQ)
  - Public Lands Policy Coordinating Office (PLPCO)
  - Governor's Office of Economic Opportunity (GOEO)
  - Governor's Office of Planning and Budget (GOPB)
  - Utah Office of Energy Development (OED)
- Stakeholder interviews
  - Interviews with ten key stakeholders from producers, distributors, and the environmental community.
- Technical Committee that includes key staff from:
  - DNR
  - DEQ
  - Department of Commerce
  - GOEO
  - PLPCO
  - OED
  - Utah Department of Transportation (UDOT)
- Two upcoming public open houses
  - December 7: 5:30-7:00 Uintah County Commission Chambers
  - December 9 5:30-7:00 Utah State Capitol Building - Capitol Boardroom

Additionally, in 2019, SB 3 allocated funds to analyze Utah's electrical transmission system. A working group was formed, and the study was conducted. The study found that Utah's current and planned grid development will not be able to meet forecasted growth.

Key findings of this study include:

1. Utah's current electrical generation is strong and has a lot of potential, but increased demand will lead to a need for 5.5 to 9 gigawatts (GW) of new power generation by 2040
2. Transmission grid "pinch points" in central and southern Utah may hamper future generation additions. Congestion on the grid could occur by as early 2025 and is expected to worsen in the 2030's/40's
3. Our current grid is unlikely to accommodate forecasted growth. The expected capacity demand requires new and updated transmission to address constraints
4. Meeting the expected capacity demand would mean doubling the amount of generation capacity in the state and would require an additional 210 miles - 291 miles of new and upgraded transmission lines to handle that capacity. This would require an investment of $325 - $578 million and enable access to 3,500 - 5,000 MW of new generation.
5. Investment in Utah's grid by 2030 has the potential to drive significant economic development benefits within the state, including more than 20k temporary construction jobs, nearly 700 new permanent jobs, between $1.9 and $2.5 billion in local investment and a one-time state tax revenue increase of more than $350 million

It is important to remember that energy is useless, but power is valuable. What turns energy into power is transmission. We are working to find solutions to these issues.

At this time, we do not have any recommendations for this committee to update the State Energy Policy. We appreciate the opportunity to work closely with the legislature on this very important issue for the people of the State.