

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 42

In the Matter of)
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PUBLIC UTILITY COMMISSION OF) REPLY COMMENTS ON
OREGON,) PACIFICORP 2007 INTEGRATED
) RESOURCE PLAN BY RENEWABLE
) NORTHWEST PROJECT
In the Matter of PACIFICORP, dba)
PACIFIC POWER & LIGHT COMPANY) November 21, 2007
Application for Acknowledgement of its)
2007 Integrated Resource Plan.)

General Comments

The Renewable Northwest Project (RNP) has reviewed PacifiCorp’s Response to Oregon Party Comments to the 2007 IRP (PacifiCorp’s Response) and OPUC Staff’s Initial Comments and Recommendations (Staff’s Comments). We strongly support the analysis and recommendations in Staff’s Comments.

PacifiCorp’s Response reiterates the important point made in their 2007 IRP that the purpose of the IRP is to provide a road map to decision making based on current information. Aside from the many technical issues surrounding modeling markets and resource costs – which Staff has thoroughly explored in their Comments and many of which PacifiCorp implicitly or explicitly acknowledge in their Response – the central issue for RNP is that PacifiCorp’s 2007 IRP presents a road map that points in the wrong direction. We continue to support the Company’s plans to acquire 2,000 MWs of new renewable resources, but even with that addition, PacifiCorp’s IRP results in increased greenhouse gas emissions. Environmental and policy conditions at the current time indicate that any resource portfolio that increases carbon emissions is no longer prudent.

The current reality is not difficult to discern, and indeed has been foreseeable for many years, including prior to this IRP cycle¹:

- 25 states and the District of Columbia have passed legislation mandating minimum fractions of load to be met by renewable resources;

¹ Most, if not all, of the new climate protection policies have been in development for some time. Indeed, these developments represent exactly the kind of evolving policy and market environment that a robust IRP plan should be flexible enough to accommodate.

- California and Washington have already moved to limit the importation of coal-based resources;
- Oregon and Washington have codified statewide greenhouse gas emissions reduction targets;²
- A growing number of states have signed on to the Western Climate Initiative agreement to limit greenhouse gas emissions (including four of the six states PacifiCorp serves);³ and
- Congress is currently debating and marking up serious climate change legislation.⁴

This rapidly developing policy environment is full of sign posts pointing away from carbon-intensive resources like pulverized coal and towards significant reductions in total greenhouse gas emissions. Regardless of whether or not PacifiCorp's computer models can capture every nuance, there will clearly be significant environmental compliance costs for carbon-intensive resources, increased amounts of low-variable cost renewable energy across the WECC depressing wholesale market prices, and a much-diminished appetite for market purchases of coal-generated power. The simplest way PacifiCorp can adequately capture these concerns in their modeling would be to remove new pulverized coal resources from consideration in their portfolios.

PacifiCorp's assertion that its IRP road map shows the benefits of "baseload resources", and not specifically coal, is difficult to understand. What attributes of baseload resources have commended them to the preferred portfolio? Both PacifiCorp and the region are expected to be energy surplus, so it isn't the energy aspects of baseload resources that are attractive. PacifiCorp expects to be deficient primarily during peak summer hours and, as Staff notes, the Company expects to have an excess of 2,000 MWa by 2012 if the preferred portfolio is implemented.⁵ The inclusion of coal in the preferred portfolio stems specifically from assumptions regarding the marketability of power generated at these new coal plants during periods when it would otherwise not be needed to meet load, and the capital cost of the resource.

² Oregon HB 3543 and Washington SB 6001, both passed in 2007, set statewide greenhouse gas reduction targets in state statute. Oregon's HB 3543 calls a halt in the rise of emissions by 2010, a return to 10% below 1990 levels by 2020, and a return to 75% below 1990 levels by 2050. Washington's SB 6001 specifies a return to 1990 levels by 2020 and a return to 50% below 1990 levels by 2050.

³ On November 19th, Montana Governor Brian Schweitzer announced that his state has joined the Western Climate Initiative, making Montana the seventh U.S. state to join the regional climate agreement. Two Canadian provinces are also party to the agreement. The WCI targets a 15% reduction below 2005 emissions levels by 2020 across all WCI jurisdictions and is currently developing a model multi-sector, market-based policy to achieve these emissions reductions. See <http://governor.mt.gov/news/pr.asp?ID=513>

⁴ The Lieberman-Warner climate change bill S.2191 has had three hearings in the full Senate Environment and Public Works Committee in the past two weeks and is expected to receive a full committee mark-up and vote on December 5th before heading to the floor of the Senate early in the new year. The current version of this bill targets a return to 1990 emissions levels by 2020 in covered sectors, which includes the electricity sector. See <http://www.thomas.gov>

⁵ OPUC Staff Initial Comments and Recommendations, page 31.

In other words, the preference for “baseload resources” in the analysis was really a preference for the assumed economics of coal plants as represented in the models. RNP believes that PacifiCorp underestimates coal capital costs (specifically conflating “construction cost risk” with “capital cost risk”), systematically overestimates the market value of the off-peak power, and fails to account for the likelihood of higher CO₂ regulatory cost scenarios despite the prevalence of serious climate policy proposals. Staff’s Comments thoroughly explore each of these issues and we strongly support their analysis, which frequently parallels and expands upon the analysis we presented in our Opening Comments.⁶ Staff questions the Company’s analysis that –intentionally or unintentionally – ensures pulverized coal’s appearance in the preferred portfolio.

Recommendations

RNP supports all of Staff’s recommendations concerning PacifiCorp’s 2007 IRP. Highlighted below, relying on the Commission’s guidelines for resource planning, are the key issues for RNP.

Guideline 1: Substantive Requirements

a. All resources must be evaluated on a consistent and comparable basis.

RNP believes PacifiCorp failed to meet this guideline by relying on wind as a “proxy” for all renewable resources. In the next IRP, the Company should model other cost effective renewables – specifically geothermal, biomass and solar power, (including both generation and direct use of solar resources.).

b. Risk and uncertainty must be considered.

c. The primary goal must be the selection of a portfolio of resources with the best combination of expected costs and associated risks for the utility and its customers.

PacifiCorp has not adequately analyzed the risks of a resource portfolio that includes new pulverized coal plants and results in increased carbon emissions. RNP strongly recommends that the Commission not acknowledge the Company’s plans to proceed with additional coal-fired generation. The Commission should condition acknowledgement of the IRP with the modifications proposed by Staff to Action Items 7, 8, 9 and 11 regarding the acquisition of new baseload/intermediate resources.⁷

Guideline 2: Procedural Requirements

c. The utility must provide a draft IRP for public review and comment prior to filing a final plan with the Commission.

PacifiCorp satisfied this requirement by providing its draft for review on April 20, 2007. It then filed the final IRP with the Commission on May 30, 2007. In its Response, the Company indicated some frustration with parties not providing adequate feedback

⁶ Ibid. pages 7-8, 20, 27-28, and 32-33.

⁷ Ibid. pages 34-36.

during the IRP process. We propose that the Company endeavor to provide its draft to parties earlier in the process, allowing time for changes to actually be made to the document before it is finalized.

Guideline 6: Conservation and Guideline 7: Demand Response

We support Staff's proposed modifications to Action Items 2, 3 and 4 concerning DSM.⁸

Guideline 8: Environmental Costs

The Company should revise its modeling of CO₂ regulation scenarios in the next IRP cycle consistent with Staff's proposed additional Action Items.⁹ We also support Staff's Action Item concerning the development of a plan to meet the CO₂ emissions reduction goals of Oregon HB 3543.¹⁰

⁸ Ibid. pages 24 and 26.

⁹ Ibid. page 34.

¹⁰ Ibid. page 20.

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **REPLY COMMENTS ON PACIFICORP 2007 INTERGRATED RESOURCE PLAN BY RENEWABLE NORTHWEST PROJECT** on the following persons on November 21, 2007, by hand-delivering, faxing, e-mailing, or mailing (as indicated below) to each a copy thereof, and if mailed, contained in a sealed envelope, with postage paid, addressed to said attorneys at the last known address of each shown below and deposited in the post office on said day at Portland, Oregon:

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DATED this 21st day of November, 2007.

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