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DEPARTMENT OF JUSTICE
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May 14, 2010

Attention: Filing Center
Public Utility Commission of Oregon
550 Capitol St. NE – Suite 215
P.O. Box 2148
Salem, OR 97308-2148

Re: *In the Matter of Portland General Electric Company 2009 Integrated Resource Plan*
PUC Docket No.: LC 48
DOJ File No.: 330-030-GN0604-09

Dear Filing Center:

Enclosed are the original and one copy of the Oregon Department of Energy's Opening Comments for filing with the Public Utility Commission today in the above captioned docket.

Sincerely,

Janet L. Prewitt
Senior Assistant Attorney General
Natural Resources Section

Enclosures
JLP:mme/#2045664
c: LC 48 Service List

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 48

In the Matter of)
PORTLAND GENERAL ELECTRIC)
COMPANY) OREGON DEPARTMENT OF ENERGY'S
) OPENING COMMENTS
2009 Integrated Resource Plan)
_____)

Oregon Department of Energy (ODOE) appreciates the opportunity to provide comments to the LC 48 – Portland General Electric (PGE) Integrated Resource Plan (IRP) 2009 and related “Addendum” document. Furthermore, ODOE recognizes that additional information is (and will be) made available through the responses to the Data Requests and Final Comments will appropriately account for the Data responses provided by PGE.

ODOE recognizes the regulatory and economic challenges that PGE faces as it seeks to implement its Action Plan as presented to the Oregon Public Utility Commission on April 26, 2010. While the Action Plan appears to be responsive to regional customer needs, ODOE is mindful that the Action Plan relies on a series of designated regulatory outcomes.

- 1. Environmental Assumptions and related portfolio pricing** – ODOE recognizes the extensive literature review and effort undertaken as part of selecting a consensus “potential regulatory impact” price of \$30 per short ton (2009\$) due to CO2 emissions across all WECC thermal plants starting in 2013.¹ ODOE however also notes that the “base case” is lower in comparison to other cost estimates from the region and baseload generation providing utilities. (These average mid-way forecast prices range from \$40 to \$43 per short ton².) Benchmarking an initial \$30 per short ton as base price may lower the overall cost trajectory of risk mitigation and compliance costs across the various modeled portfolios

¹ PGE Integrated Resource Plan, November 5, 2009, Chapter Ch.10 (pg 235)

² PacifiCorp 2008 IRP Update, March 31, 2010 (pg 41); Northwest Power and Conservation Council 6th Power Plan, 2010 Ch. 2 (pg 9); and Idaho Power 2009 IRP (pg 96)

and under-estimate the cost-impacts of complying with potential carbon regulations and least-cost, least risk resource options selection.

The potential error that this low base case cost introduces in the final result should be considered in weighing the action plan; the error may reduce the precision of the Portfolio Scoring Grid to a degree that the difference between the apparent best outcome (Green w/ On-peak Energy Target) and a number of other top Portfolio options is statistically insignificant.³

2. **Herfindahl-Hirschman Index (HHI)** – The HHI was developed to measure market concentration related to anti-trust law which PGE interprets as ‘lack of diversity.’⁴ PGE adapted the HHI as a way to compare the diversity of each of PGE’s resource portfolios with the assumption that a more diverse portfolio is preferable to a less diverse portfolio, all else being equal. ODOE agrees with the logic, in general, that a diverse portfolio helps ensure risk impacts are minimized. However, PGE does not explain clearly the “operational logic” of the HHI and how their application in this analysis captures fuel diversity. This limitation is most apparent as used for the evaluation of “Nuclear” and “Wind” resources for compliance with Oregon CO2 Compliance portfolio.

In other words, even though HHI was developed for evaluating market concentration of power for anti-trust purposes, an adaptation for portfolio modeling does not appear to be an appropriate metric. ODOE requests more clarity on the overall implementation of the HHI measure for portfolio diversity as used in PGE IRP 2009 or to be advised of information missed during our initial review.

3. **Cascade Crossing Transmission Project** – PGE provides an exhaustive summary of the existing constrained capacity transmission lines in the Pacific Northwest and PGE’s intention to build either a 1500 MW (Single circuit) or 2200 MW (double circuit) line.⁵ The Transmission Actions section states the following:

³ PGE Integrated Resource Plan 2009 Addendum, April 9, 2010, Fig. 11A-24 (pg 84)

⁴ PGE Integrated Resource Plan 2009 Addendum, April 9, 2010, Chapter 10A (pg 42)

⁵ PGE Integrated Resource Plan, November 5, 2009, Chapter 8 (pg 165 - 202)

“We seek acknowledgment, subject to achieving certain milestones and participation described in Chapter 8, to construct a 500 kV transmission line... If we achieve the milestones and participation described in Chapter 8 ... we will design, site and construct the facility as a double-circuit 500 kV facility.”⁶

Chapter 8 lists a number of issues that may be construed as ‘milestones’ but neither there or in the Addendum is there adequate specificity to gauge when or if PGE “achieves” them. The IRP is unclear on the type and number of “project orders” that are tentatively available or have been proposed to PGE and what participation level would prove an adequate milestone. ODOE requests more detail on the participation level required and the perceived queue. ODOE will continue to review responses to the Staff Data Requests on the assessment of the Cascade Crossing proposal (PUC Staff DRs 29-30 and 65-68) vis-à-vis’ other resource replacement options.

4. **RPS Compliance** – PGE’s plan for ‘physical RPS compliance’ overbuilds in the near term. On balance, ODOE finds this plan to be appropriate where short-term Renewable Energy Certificate (REC) sales provides value to current utility customers at the same time prudent banking reduces RPS compliance risk beyond 2020.

PGE should address the substantial REC output to be made available in 2011 due to the passage of HB 3674 (2010). That bill makes a number of pre-1995 biomass facilities eligible for the RPS with the condition that REC output from those facilities cannot be used until 2026. Those facilities currently produce around 700,000 MWh per year. With certain assumptions about attrition, from 2011 to 2026 these facilities are expected to produce over 7 million Certificates. There is some risk connected to acquisition of this REC output due to the provision against near-term use but the cost should be minimal as no appreciable market exists outside of the Oregon RPS.

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⁶ IRP Addendum, April 9, 2010; Chapter 13A (pg 128)

ODOE notes an incorrect conclusion about the penalty risk associated with failure to meet the RPS obligation.⁷ The Alternative Compliance Payment is not a direct penalty as the RPS allows a variety of paths for a utility to invest those payments towards future project development.

DATED this 14th day of May, 2010.

Respectfully submitted,

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Department of Energy

⁷ PGE Integrated Resource Plan, November 5, 2009, Chapter 6 (pg 119)

SERVICE LIST LC 48

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CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of May 2010, I served the foregoing OREGON DEPARTMENT OF ENERGY'S OPENING COMMENTS upon the persons named on the service list, by mailing a full, true and correct copy thereof to such persons waiving such service by mail who were served at their e-mail address as listed on the service list.

DATED: May 14, 2010


Janet L. Prewitt, #85307
Senior Assistant Attorney General