

CASE: UM 1331

**PUBLIC UTILITY COMMISSION
OF
OREGON**

Investigation to consider adopting new federal standards in PURPA Section 111(d), related to fuel diversity and fossil fuel generation efficiency

Parties' Opening Comments

October 24, 2007

Introduction

The Energy Policy Act of 2005 (EPAAct 2005) requires each state commission to consider whether to adopt five new federal standards added to PURPA section 111(d), including the following standards related to fuel diversity and fossil fuel generation efficiency:

Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.

Each electric utility shall develop and implement a 10-year plan to increase the efficiency of its fossil fuel generation.

At the July 24, 2007, public meeting, the Public Utility Commission of Oregon (Commission or OPUC) adopted Staff's recommendation to open an investigation to commence consideration of these standards. A prehearing conference was held on August 21, 2007, to set a procedural schedule for the docket, UM 1331. The conference participants agreed to hold a workshop, submit comments and present a proposed resolution of the issues to the Commission at the November 20, 2007, public meeting.

Discussion

At the workshop, held September 24, 2007, the Parties¹ discussed several options the Commission has with regard to its consideration of these federal standards, if and how these standards are essentially already in place in Oregon, and how we should proceed over the next two months, toward the November 20 public meeting.

Options for Considering these Federal Standards

As Staff noted in its public meeting memo, dated July 16, 2007, the Commission is not obligated to adopt these standards. EPAAct 2005 only mandates that the Commission consider whether to adopt the standards. The Commission could decline to implement these federal standards because similar standards are already in place through prior state action. The Commission could adopt the federal standards as stated in the EPAAct 2005, and noted above, or the Commission could adopt different or modified standards. Several neighboring Commissions have already taken action with respect to these options. A summary of these actions is noted in Attachment A.

¹ The Parties include Staff, Citizens' Utility Board (CUB), PacifiCorp, Portland General Electric (PGE), Idaho Power Company (IPCo), Oregon Department of Energy (ODOE), and Industrial Customers of Northwest Utilities (ICNU). CUB did not attend the workshop, but joins in these comments.

Are these Standards already in Place?

Fuel Diversity Standard

The Commission first considered a standard for fuel diversity in its Order No. 89-507, which provides guidelines in least-cost planning². In Order No. 07-002, as corrected by Order No. 07-047, the Commission updated those guidelines for integrated resource planning (IRP). After numerous workshops, thirteen parties filed opening and reply comments focusing on the guidelines proposed by Staff. The issues were thoroughly vetted by the parties and thoughtfully reviewed by the Commission.

In Guideline 1, the Commission states that it did not make a wholesale change in its 1989 Order, in which the Commission required that “All resources must be evaluated on a consistent and comparable basis.” The Commission’s recent order made the following modifications applicable to this current docket:

- *All known resources* for meeting the utility’s load should be considered, including supply-side options which focus on the generation, purchase and transmission of power . . . and demand-side options which focus on conservation and demand response.
- Utilities should compare *different resource fuel types*, technologies, lead times, in-service dates, durations and locations in portfolio risk modeling [Emphasis added].
- At a minimum, [electric] utilities should address the following sources of risk and uncertainty: . . . load requirements, hydroelectric generation, plant forced outages, fuel prices, electricity prices, and costs to comply with any regulation of greenhouse gas emissions.

The Commission further clarified that it did not want “the utilities to limit their consideration [of known resources] to currently available resources, but rather to include all those that are expected to become available.”

The Parties believe that Guideline 1 in Order No. 07-047 presents a standard for fuel diversity that is not materially different than the federal standard, and that Oregon’s electric utilities have already implemented the Commission’s standard in policy and in practice. Guideline 1 is intended in part to achieve the purposes of PURPA by analyzing expected cost, risk and uncertainty associated with candidate resource plans composed of a broad range of demand- and supply-side resources. Furthermore, the Oregon Renewable Energy Act, signed into law on June 6, 2007, imposes constraints on utility resource planning and acquisition through a mandate to reach 25 percent

² Integrated resource planning is used somewhat synonymously with least-cost planning—the Commission adopted this more prevalent term that “emphasizes that all available resources should be considered and that recognizes that “least-cost” is not the only criterion for selecting the best portfolio of resources.” [Order No. 07-002, page 2]

renewable resources by 2025.³ Thus, the utilities are required by law to diversify by adding significant levels of non-fossil fuel resources.

The Parties agree that it is not necessary to implement the federal fuel diversity standard to “further the purposes” of PURPA: conservation of energy supplied by electric utilities; optimal efficiency of electric utility facilities and resources; and equitable rates for electric consumers.

Fossil Fuel Generation Efficiency Standard

The Parties believe the Commission has not already adopted a similar standard. Order No. 07-002 did not address or provide guidelines for increasing the efficiency of fossil fuel generation. Along with the other participants in the recent workshop, we reviewed key questions in our consideration of the federal standard:

- Can we implement the standard? The participants agreed that the Commission can implement a standard for fossil fuel generation efficiency, either by adopting the federal standard, or by imposing a modified standard. No participants argued that the Commission does not have the authority under state law to consider and implement this standard.
- Is there sufficient competitive pressure to induce power plant owners to increase generation efficiency absent a standard? Although the participants agreed that there is a great deal of economic and political, as well as competitive, pressure to induce power plant owners to increase generation efficiency, it is still appropriate to develop and implement a plan to do so.

The participants at the workshop briefly discussed recent actions taken by neighboring commissions, and whether any of those actions might be appropriate for the Oregon Commission. As noted above, the Commission has several options, including declining to adopt the standard. The Parties agreed that adopting a modified standard that requires the utilities to address fossil fuel generation efficiency in their IRPs is an appropriate first step. The utilities’ IRP processes allow for significant public input into various issues related to generation efficiency. For example, the utility should analyze the costs and benefits of each option for improving generation efficiency to determine whether a specific path to fossil fuel generation efficiency meets the goal that IRPs identify resources that provide the best mix of cost and risk. The Parties agree that the IRP process already allows each utility to individually tailor its fossil fuel generation efficiency options and that the details of fossil fuel generation efficiency are better addressed by each utility in its IRP.

³ PGE and PacifiCorp are subject to this “large” utility standard. Idaho Power is subject to lower renewable resource targets unless it makes a new commitment to a coal-fired resource.

Parties' Recommendations

The Parties recommend that the Commission find that Order No. 07-002, as corrected by Order No. 07-047, already addresses the federal standard on fuel diversity and decline to adopt the federal standard.

The Parties recommend the Commission adopt the following standard for fossil fuel generation efficiency:

Each electric utility must consider in its integrated resource plans options to increase fossil fuel generation efficiency and include in the action plan implementation of options that meet the Commission's best cost/risk standard. The utility should also discuss how technological changes or expected state and federal regulations might impact fossil fuel efficiency plans.

Attachment A

Standard	State				
	California	Idaho	Utah	Washington	Wyoming
Fuel Diversity	No formal consideration due to prior state action.	The Idaho Public Utilities Commission agreed with workshop participants that the diversity of fuel sources standard had already been adopted by the Commission.	The Public Service Commission of Utah agreed with all parties that the current Utah IRP standards are equivalent to the proposed PURPA standard so there is no need to adopt a new standard and directed PacifiCorp to include a section specifically addressing the PURPA Fuel Sources Standard in all future Integrated Resource Plans.	The Washington Utilities and Transportation Commission determined it had already established standards comparable to the federal standard for fuel diversity.	The Public Service Commission of Wyoming found that there was no support for rules for a fuel diversity standard.

Standard	State				
	California	Idaho	Utah	Washington	Wyoming
Fossil Fuel Generation Efficiency	No formal consideration due to prior state action.	The Commission found that although generation efficiency is already a part of the utilities' IRPs, the analysis should be more transparent and should be specifically addressed in each IRP. Consequently, the Commission directs that each utility specifically include in its IRP a section that addresses increasing the efficiency of its fossil fuel generation. This will make the concept of fossil fuel efficiency more transparent in future IRPs. [Order No. 30229, dated January 24, 2007]	The Commission determined no comparable Fossil Fuel Generation Efficiency Standard exists. The Commission adopted the PURPA Fossil Fuel Generation Efficiency Standard but left implementation of and details associated with the Standard to be addressed through technical conferences. Participants at the September 12, 2007 conference were to discuss issues associated with the Fossil Fuel Generation Efficiency Plan contents, tracking, and reporting. [Determination dated August 10, 2007]	The Commission found that no action was necessary because rules already require utilities to consider and include in their planning both commercially available conservation and a wide range of conventional and non-conventional generation technologies including renewable technologies. Thus, the Energy Policy Act provisions regarding prior state action apply to the PURPA Fuel Sources standard and the Fossil Fuel Generation Efficiency standard and no further consideration of these standards by the Commission is necessary or required at this time. [Interpretive and Policy Statement dated August 22, 2007]	The Commission found that there was no support for rules for a fossil fuel generation efficiency standard. The Commission further found that the marketplace will address fossil fuel efficiency and these issues are more proactive to a resource planning process. [Record No. 10719, dated January 25, 2007].

1 **CERTIFICATE OF SERVICE**

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3 I certify that on October 24, 2007, I served the foregoing upon all parties of record in this
4 proceeding by delivering a copy by electronic mail and by mailing a copy by postage prepaid
5 first class mail or by hand delivery/shuttle mail to the parties accepting paper service.

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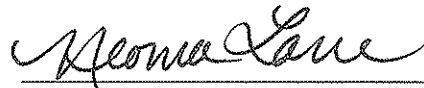
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