BEFORE THE PUBLIC UTILITY COMMISISON OF OREGON

LC 48

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In the Matter of

PORTLAND GENERAL ELECTRIC

2009 Integrated Resource Plan

SIERRA CLUB, COLUMBIA RIVERKEEPER, FRIENDS OF THE COLUMBIA GORGE AND THE NORTHWEST ENVIRONMENTAL DEFENSE CENTER'S RESPONSE IN OPPOSITION TO PUC STAFF'S MOTION TO ABATE THE SCHEDULE

Sierra Club, Northwest Environmental Defense Center, Friends of the Columbia Gorge and Columbia Riverkeeper (hereinafter, collectively, "Intervenors") respectfully submit this response in opposition to the Public Utility Commission ("PUC" or "Commission) Staff's June 10, 2010, Motion to Abate the Schedule. Intervenors appreciate that Staff has not proposed to cancel or reschedule the public hearing scheduled for June 23, 2010, in Portland, and fully support going forward with that hearing as scheduled.

Intervenors oppose abatement of the remainder of this docket for two primary reasons. First, the issues before the Commission are ripe for decision, and continued delay of the schedule does not serve the interests of ratepayers. Second, even if the Environmental Quality Commission denies PGE's Petition, that decision has no real impact on this docket. Thus, the Commission should move forward with a decision on PGE's 2009 IRP according to the current schedule, and the instant motion should be denied.

I. Procedural Background

Portland General Electric, Co. ("PGE") submitted its 2009 Integrated Resource Plan ("IRP") to the Commission on November 5, 2009. On December 3, 2009, Judge Pines entered an agreed procedural schedule in this docket, with a final Commission Public Meeting on May 25, 2010. PGE's recommended portfolio in that IRP called for installation of pollution controls on the Boardman Plant consistent with the Environmental Quality Commission's ("EQC") Regional Haze Rule and operation of the plant until at least 2040. On January 14, 2010, on the eve of PGE's presentation to the Commission scheduled for January 19, 2010, PGE sent a letter to inform the Commission that PGE intended to pursue an alternative operating plan for Boardman. Later that day, PGE submitted a request to delay the January 19, 2010 presentation. On January 15, 2010, Judge Pines granted PGE's request to delay the schedule and requested a status update by January 29, 2010.

In its January 29, 2010, status update, PGE reported that it would request a technical workshop for the week of February 8, 2010, and file an addendum to its IRP by the end of February. On February 26, 2010, PGE filed a second status update informing the Commission that it had scheduled a technical workshop for March 15, 2010. The technical conference was held as scheduled.

On April 2, 2010, PGE submitted a Petition for Rulemaking to the EQC, requesting amendment of the Regional Haze Rule (OAR Chapter 340, Division 223) allowing PGE to operate Boardman without the pollution controls required by the existing Regional Haze Rule. Under the Oregon's rulemaking regulations, the EQC must either deny the petition or initiate rulemaking proceedings in writing within 90 days after receipt of the petition. OAR 137-001-0070. EQC interprets the regulation to require that EQC either deny or grant in full – including the proposed rule language – a Petition for Rulemaking. In an April 2, 2010, press release, the Department of Environmental Quality ("DEQ") stated:

DEQ officials will study PGE's proposal and analysis to assess whether it adequately addresses all the factors needed to comply with federal regulations. If so, DEQ will begin a new rulemaking process that will provide the opportunity for the public to review and provide comment. Depending on the outcome of DEQ's review and public process it may be possible to bring a proposed rule revision to the EQC for consideration by the end of the year.

DEQ News Release (April 2, 2010) available at http://www.deq.state.or.us/news/ prDisplay.asp?docID=3247.

On April 7, 2010, Judge Pines issued a Memorandum requesting a revised IRP schedule or status update. On April 9, 2010, PGE filed an Addendum to the 2009 IRP, including a new preferred action plan based on a portfolio that transitioned Boardman off coal by the end of 2020, but retaining the original action plan based on using coal at Boardman until at least 2040 as an "alternate" action plan. PGE requested that the Commission acknowledge both action plans. On the same day, PGE filed a motion to revise the procedural schedule. The revised schedule proposed a final Commission Public Meeting on August 24, 2010.

On May 19, 2010, Intervenors filed opening comments in this docket. On the same day, DEQ announced that it plans to recommend that EQC not adopt PGE's

rulemaking petition. DEQ's invitation for public comment on its recommendation to EQC that it deny PGE's petition stated:

DEQ plans to recommend that the commission deny PGE's petition, but initiate a subsequent rulemaking to revise the regional haze rules and establish the proper level of pollution control requirements for the Boardman plant as part of an early shut down.

DEQ Public Notice, "DEQ to Propose Denial of PGE's Petition to Amend Regional Haze Rules" (May 19, 2010) available at http://www.deq.state.or.us/ aq/haze/proposal.htm (emphasis added).

On June 10, 2010, PUC Staff filed the instant Motion to Abate the Schedule. The motion requests that the procedural schedule be abated, with the exception of the June 23, 2010, public meeting, and that a prehearing conference be scheduled for the week of July 6, 2010, to set a new schedule that "will give parties sufficient opportunity to incorporate any impact of pending actions by the EQC and DEQ into their LC 48 analysis." Motion to Abate at 2.

II. Argument

As explained in Intervenors' May 19, 2010 Comments, the question about Boardman that is firmly before the Commission is whether PGE's investments totaling around \$510,000,000 to comply with existing clean air rules at the Boardman coal plant would be prudent. This question is primary because PGE proposes an action plan that makes these significant investments as a "backstop" to its preferred option – 2020 shutdown. As explained further below, the abatement of the schedule will not provide any more information to answer that question within a reasonable timeframe for decision. All the information about the costs and risks of investment in pollution controls at Boardman is available today, and there is a portfolio under analysis that would avoid those investments consistent with existing pollution laws. The current schedule is more than sufficient to provide ample information to the PUC to make a decision either to acknowledge or not acknowledge PGE's action plan based on its Diversified Thermal with Green portfolio.

The secondary question about Boardman presented in PGE's 2009 IRP is whether PGE's 2020 shutdown plan is actionable; and, if so, whether 2020 shutdown is the least cost, least risk option. As explained in Intervenors' May 19, 2010, Comments, PGE's 2020 plan is not actionable on the schedule that PGE purports to require. With regard to whether the 2020 shutdown plan is the least cost, least risk plan, Intervenors have submitted significant comments on this issue, and DEQ's recommendation to EQC has no effect on the economic and reliability analyses upon which the Commission will base its decision on this issue.

Assuming that EQC adopts DEQ's recommendation to deny PGE's Petition, EQC's decision has no real impact on this docket. DEQ's recommendation that the EQC deny PGE's Petition does not indicate anything more than DEQ's desire for more than the 90 days its allowed by its regulations to consider PGE's proposal. DEQ has stated an interest in evaluating all of the technically feasible and economic controls available for reducing nitrogen oxides, sulfur oxides, and particulate matter from the Boardman plant before deciding whether to accept PGE's proposed rule change. Due to the 90-day decision-making timeline imposed by rulemaking regulations, DEQ was unable to complete the thorough review required for such an important rulemaking.

DEQ has clearly indicated, however, that it plans to recommend that the EQC

initiate a rulemaking to address PGE's proposal to transition off coal at Boardman by the end of 2020. *See* May 19, 2010, public notice. Far from rejecting the concept of an early shut down coupled with cost-effective control measures in the interim, DEQ explicitly supports a rulemaking to accomplish just that. DEQ simply needs time to evaluate whether the combination of controls proposed by PGE, including *no controls for sulfur dioxide*, satisfy the regulatory definition of "Best Available Retrofit Technology." *See* 40 C.F.R. § 51.301. The U.S. Environmental Protection Agency ("EPA") must review and approve Oregon DEQ's BART determination for PGE Boardman. *See* 40 C.F.R. § 51.308. Any accompanying revision to the State Implementation Plan ("SIP") is subject to technical and legal scrutiny by EPA, and failure to satisfy EPA's requirements can result in loss of local control of all or parts of the air quality program in Oregon. DEQ is correct to take the time necessary to ensure that any eventual proposed SIP revision complies with federal law.

The bottom line is that DEQ's decision to recommend that EQC deny PGE's Petition so that it may open its own rulemaking docket on the issue does not provide any new information to the Commission regarding PGE's IRP. Before DEQ announced its plan to recommend denial of the Petition, neither PGE, nor the other parties, were certain of the eventual outcome of PGE's Petition. In the face of that uncertainty, PGE proposed the current schedule for this IRP docket. DEQ's position on the Petition was just one of three significant unknowns related to PGE's Boardman through 2020 portfolio. This has been the case throughout this docket, and DEQ's announcement that it plans to recommend that EQC deny PGE's Petition does not give any more certainty – either that EQC will or will not ultimately change the BART rule – or any more uncertainty, than

the parties had when PGE proposed the revised schedule for this docket on April 9, 2010, one week after submitting the Petition.

Moreover, no available information demonstrates that the parties will have more certainty by the first week of July, the date PUC Staff proposes for a prehearing conference, than they do today. In its June 19, 2009, Regional Haze rulemaking, the EQC agreed to expedite consideration of a rule revision based on a decision by PGE to cease burning coal at Boardman early. No statements by DEQ indicate that the agency will not move quickly with the rulemaking. Even moving quickly, however, rulemaking must comply with applicable statutes and regulations. These include the requirement to publish any proposed rule in the Attorney General's Bulletin and the provision of a reasonable public comment period. ORS § 183.335; OAR 340-011-0010, 340-011-0024; OAR 137-001-005 through 137-001-0060. The purpose of public comment is to ensure that the agency has considered all of the relevant factors and developed an adequate record to support its proposed action. Thus, presumably, proposed rules change from the time of initial conception to adoption.

No public workshops or meetings, or meetings of DEQ advisory committees required by its rulemaking regulations, have occurred or are scheduled before July. Any indication from DEQ by the first week in July about a proposed new BART rule will be extremely preliminary, giving only an indication of the agencies thinking about the issue with the limited information available to the agency at the time. Given the future scrutiny of any new BART rule by EPA, the policy supporting public participation, and the EQC meeting schedule, it is not likely that a final decision on the substantive requirements of any new BART rule will be made before the October 21 and 22 meeting of the EQC, at

the earliest. Thus, the parties to this docket are not likely to have any more certain information during the first week of July about any DEQ or EQC action, than they do today. Already, the information in PGE's 2009 IRP has grown stale, and PGE's current projections of primary variables are different today from those in the IRP. This problem will only grow with further delay. Granting the Motion to Abate the Schedule on the basis of the need to analyze new information from DEQ and EQC will delay resolution of this docket much longer than currently expected, as a final rule will not be promulgated until October or December, 2010.

III. Conclusion

The issues before the Commission are ripe for decision, and continued delay of the schedule does not serve the interests of ratepayers, thus Intervenors respectfully request that PUC staff's Motion to Abate the Schedule be denied.

DATED this 10th day of June 2010.

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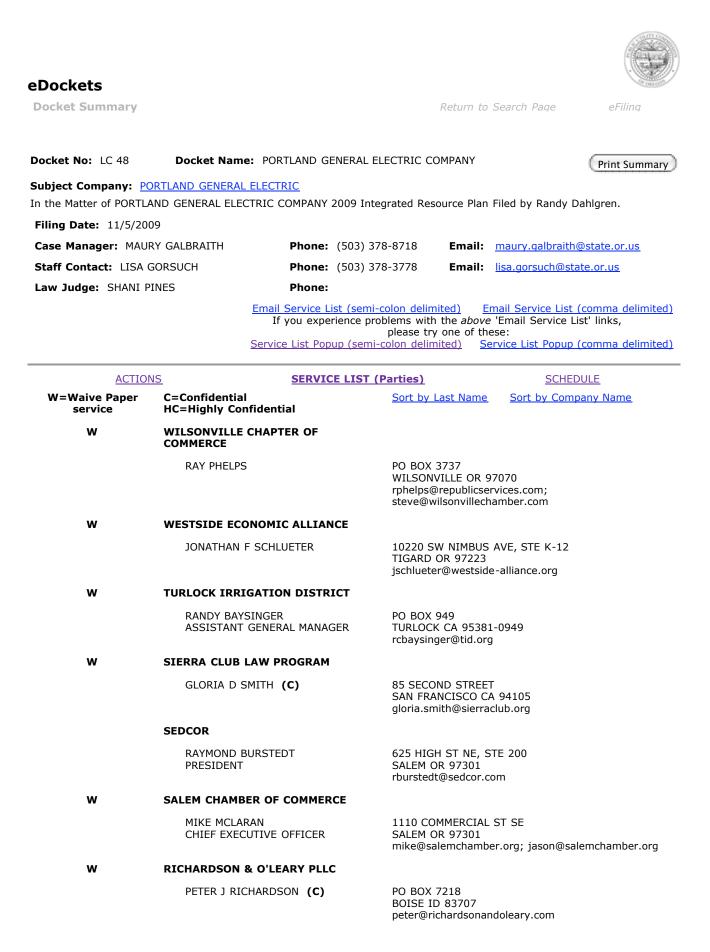
I certify that I have this day served the foregoing Response to Opposition to PUC Staff's Motion to Abate the Schedule upon all parties of record in LC 48 by delivering a copy by electronic mail or by U.S. Mail to all parties as indicated on the service list compiled by the OPUC (attached).

Dated this 9th day of June 2010.

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