

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

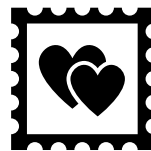
**LC 82**

In the Matter of	)	
	)	
PACIFICORP, dba PACIFIC POWER,	)	COMMENTS OF THE
	)	OREGON CITIZENS' UTILITY
2023 Integrated Resource Plan.	)	BOARD ON STAFF REPORT AND
	)	FINAL COMMENTS
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COMMENTS OF THE  
OREGON CITIZENS' UTILITY BOARD

February 14, 2024



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**I. INTRODUCTION**

The Oregon Citizens' Utility Board (CUB) appreciates the hard work of Staff of the Public Utility Commission of Oregon (Staff) throughout this proceeding, and applauds Staff for taking a difficult and unusual position in its Staff Report in the above-captioned proceeding. CUB agrees with Staff that now is the time to stop focusing on PGE's proposed Integrated Resource Plan (IRP) and Clean Energy Plan (CEP). The plans do not comply with Oregon's climate requirements and will be replaced when an IRP Update is filed this April. It makes more sense to focus on that update than spend time on these plans.

CUB has reviewed the thorough Staff Report, as well as the final comments of the Energy Advocates. Both are full of a wealth of good recommendations. Rather than list all the recommendations of Staff and the Energy Advocates and adding that "CUB agrees" – which we do – CUB is focused on the recommendations that relate to our concerns about how the IRP and CEP work together.

**II. DISCUSSION**

**A. The Challenge that PacifiCorp Faces in Oregon**

This IRP and the Oregon CEP are different than earlier planning efforts. While utility plans have historically forecasted GHG emissions, it has always been done as an output of the planning. In the traditional IRP setting, a utility looks at the least cost/least risk way to reliably meet its load, and then identifies the GHG emissions associated with that plan. This combined IRP/CEP is different. GHG emissions are now a fundamental planning constraint and must be optimized along with cost and risk to find the best balance to serve Oregon customers. Because Oregon has mandatory targets (with some offramps for reliability and cost), a least cost/least risk plan has to reliably meet load *and* it has to meet Oregon GHG requirements. If PacifiCorp continues its

step-wise approach of creating and six-state IRP and then layering Oregon CEP requirements on top of that, it will continue to face increasing risk of non-acknowledgement. CUB submits that the Company must fundamentally change its approach to the IRP/CEP filing in Oregon.

In 2030—a mere six years from now—HB 2021 requires a reduction in emissions of 80% from a historic baseline. The baseline was established as the average emissions from 2010, 2011 and 2012. The most recent year of reporting from PacifiCorp is 2022. In the 10 years (2013-2022) from the end of the baseline to 2022, PacifiCorp’s emission fell by 13%. While 13% is meaningful, it does not come close to meeting the pace of reduction required by HB 2021. By contrast, PGE has achieved a 27% reduction of carbon emissions. In the eight years between 2022 and 2030, PacifiCorp needs to reduce its carbon emissions by two-thirds. This is the fundamental challenge that must be addressed by future IRPs and CEP. This challenge is illustrated in the following table.

**Table 1.<sup>1</sup>**

	<b>PacifiCorp</b>	<b>PGE</b>
<b>Baseline Emissions</b>	9,088,886	8,267,026
<b>2030 Emissions Limit</b>	1,817,777	1,653,405
<b>2022 Emissions</b>	7,902,638	6,007,046
<b>Percent decrease</b>	13%	27%
<b>Additional reduction required by 2030</b>	6,084,861	4,353,641

The CEP is supposed to guide the path to meeting HB 2021 requirements. But PacifiCorp’s plan fails to do so. The CEP builds on PacifiCorp’s IRP and is dependent on PacifiCorp’s Multi-State Protocol (MSP). Because the IRP is unreliable as a forecast of 2030 carbon emissions, the CEP’s reliance on the IRP undermines the CEP. Because the CEP is dependent on MSP, a pathway to meeting HB 2021 cannot be provided without making assumptions about MSP outcomes. However, because MSP discussions are deemed settlement discussions and are therefore confidential, the CEP cannot discuss one of the most critical pieces of meeting Oregon’s requirements.

Where does that leave us with respect to the CEP and IRP? Because of the need to rapidly reduce emissions to comply with HB 2021, Oregon does not have the luxury of waiting until PacifiCorp improves the IRP and completes the MSP negotiations to begin decarbonization. Therefore, CUB believes that Oregon has little choice but to acknowledge the elements of the

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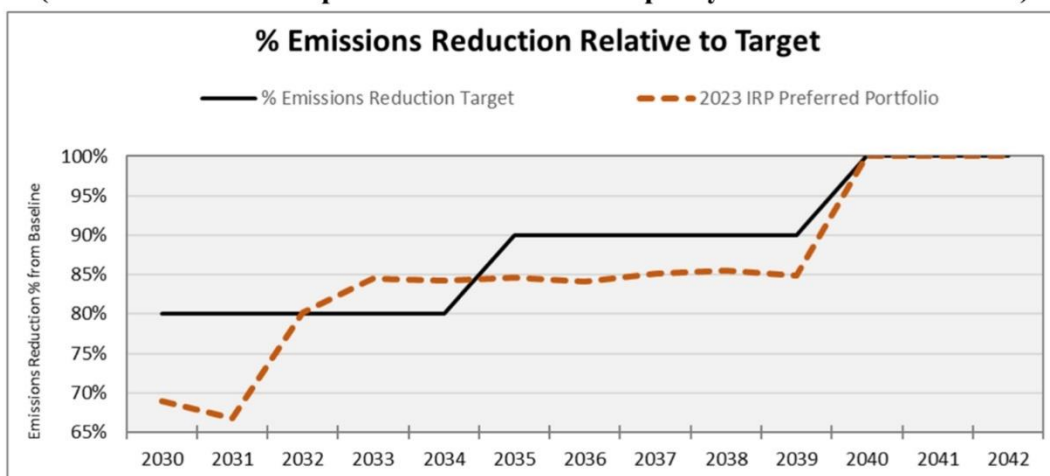
<sup>1</sup> Metric tonnes CO<sub>2</sub> equivalent

Action Plan that reduce emissions and move Oregon in the direction of HB 2021. But CUB agrees with Staff and the Energy Advocates that Oregon should explicitly not acknowledge the overall CEP or IRP. Instead, Oregon should provide feedback to the Company concerning what Oregon stakeholders need out of future IRP updates, IRPs and CEPs in order to ensure that the company is on an appropriate path to compliance.

## B. CEP and the IRP

Figure 11 on page 78 of PacifiCorp’s CEP shows the fundamental problem with PacifiCorp’s approach to the CEP.

**Figure 11 – 2023 IRP Preferred Portfolio Allocated to Oregon by Extending 2020 Protocol (No Additional Assumptions for Small-Scale Capacity or Resource Allocation)**



It starts with the emissions produced by the IRP under a medium carbon, medium gas price scenario, compares that the HB 2021 emissions limit, and identifies the difference as the emissions reductions needs for Oregon compliance. This graph shows that the 2012 preferred portfolio allocated to Oregon – essentially this is the preferred portfolio without the coal resources that cannot be used to serve Oregon load after 2030.

This approach only works if the IRP is a useful tool for forecasting carbon emissions. But producing an accurate emissions forecast is not a goal of the IRP and IRPs have been unreliable when it comes to carbon forecasting. CUB has examined IRPs going back to 2008 and found that they consistently over-forecast carbon reduction relative to actual operations. Examining those IRPs show that carbon emission reductions are generated in the IRP by assumptions about carbon taxes. Each IRP contains a forecast of a carbon tax and adding that cost to emissions then drives carbon reduction from the point of the tax forward.

Rather than set an emissions goal and develop a plan to achieve that goal, the IRP models future carbon taxes as the primary tool to force emissions reductions into the plan. Each IRP begins with the false premise that there is not a current cost associated with carbon emissions and there are no current constraints of carbon emissions, but that there will be a national carbon tax in the

future. Emissions reductions within the planning horizon are dependent on the assumed timing of that tax and its escalation rate.

For example, the current IRP assumes a carbon tax beginning in 2025 (in the medium and high carbon cases) that escalates over time. This tax raises the cost of coal generation and leads to coal capacity (from coal plants that have been equipped with SCNRs) being replaced by gas conversion and nuclear capacity. But as we update IRPs past 2025—including updating assumptions about the timing of a national carbon tax—this national carbon tax assumption will likely be pushed into the future. The current IRP’s medium forecast of carbon costs assumes a carbon tax of \$0 today, approximately \$20/ton in 2030 and \$40/ton by about 2037. But if, in 2030, PacifiCorp does not dispatch its fleet into an economy with a \$20/ton carbon tax, its emissions will be higher and the actions that Oregon will have to take to meet its emissions requirements will be greater. The IRP acknowledges this. When it looks at the preferred portfolio in a future with no carbon prices, it increases the preferred portfolio’s carbon emissions by 20 million tons. However, this increase in emissions assumes that the Company continues with the preferred portfolio even without the carbon taxes. But since the lack of a carbon tax will make some resource actions (such as ditching coal for nuclear) less likely, removing or delaying the assumption about carbon taxes would likely lead to a different portfolio being preferred and that portfolio would like increase carbon emissions by more than 20 million tons.

CUB appreciates that Staff has verified our concerns and appreciates the Staff Expectations that attempt to address these concerns:

- Recreate the chart above for (a) coal and (b) Oregon allocated GHG emissions comparing past IRP forecasts to actuals [charts from page 39 of Staff Comments].
- Provide a sensitivity that calculates Oregon-allocated GHG emissions under the assumption of no carbon prices operationalized in dispatch. This sensitivity should still be based on the Preferred Portfolio, which considers a carbon price in investment decisions.
- Propose a PacifiCorp specific carbon price that layers atop the medium carbon price the Company’s annual cost from wildfires as described by CUB.<sup>2</sup>

### **C. Improving how the CEP and IRP Interact.**

Staff had two expectations that address some of CUB’s concerns with the way the CEP and IRP interact. Though, as we discuss below, we are not sure that these go far enough.

- In the next IRP, PacifiCorp should demonstrate that simultaneous compliance with all state-level policies is feasible with the Preferred Portfolio and with the Preferred Portfolio variants tested in the IRP.
- To improve an understanding of tradeoffs in the IRP Update and/or as part of the revised CEP, the Company should report Oregon-allocated costs and GHG emissions for the top

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<sup>2</sup> LC 82 – Staff Report at 40.

performing IRP portfolios (inclusive of Oregon’s SSR requirement) under various allocation pathways...<sup>3</sup>.

Much of the problem grows out of PacifiCorp assumptions about carbon constraints in the IRP. PacifiCorp assumes that there are no current carbon constraints. But we know this is not true. Oregon, Washington, and California all have carbon regulations restricting carbon emissions that the Company must meet.

PacifiCorp’s IRP then goes about trying to identify the preferred portfolio – the least cost approach to meeting its load – with this assumption of no current carbon constraints. Once it comes up with its preferred portfolio, it then examines each state’s carbon constraints and identifies what is necessary to modify the preferred portfolio to one that is compliant with carbon constraints. The costs of this step are assigned to the state with the carbon regulations. But it should be clear that PacifiCorp total system costs and modified preferred portfolio include both the IRP’s preferred portfolio and the additional steps necessary to comply:

$$TSC = PP + O + W + C$$

Where:

TSC is Total System Costs

PP is the Preferred Portfolio costs

O is the cost of meeting Oregon constraints

W is the cost of meeting Washington constraints

And C is the cost of meeting California’s constraints

$$MPP = PP+O+W+C$$

Where:

MPP is the Modified Preferred Portfolio

PP is the Preferred Portfolio resources

O is the resources necessary to modify the PP to meet Oregon carbon constraints

W is the resources necessary to modify the PP to meet Washington’s carbon constraints

And C is the resources necessary to modify the PP to meet California's carbon constraints

The problem is that the MPP represents the real resource plan of the Company and the TSC represents the real cost of that plan. An alternative approach to the IRP would be to recognize the real resource plan. The IRP should recognize the carbon constraints in Oregon, Washington, and California, just as it recognizes that some geographic areas of its service territory have transmission constraints. Under this approach, the new preferred portfolio would meet the requirements of Oregon’s carbon regulations. And under this approach, the preferred portfolio would represent the least cost/least risk way to meet load, including those carbon restrictions.

Most importantly, from a Total System Cost perspective, it would likely be cheaper. Because the current approach ( $TSC = PP+O+W+C$ ) complies with Oregon, Washington and California’s carbon restraints, it would be eligible to be the new preferred portfolio. An alternative portfolio

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<sup>3</sup> LC 82 Staff Report at 7-8.

would only be chosen if it had lower costs than the current preferred portfolio, modified to comply with carbon constraints.

It is not clear to CUB why we are not focusing our planning on identifying the least cost approach to total system cost. That would seem to be the goal of an IRP.

When Oregon began requiring utilities to conduct IRPs, we called it LCP – Least Cost Planning. The reason that IRPs are docketed as “LC” is because it stands for Least Cost. But today, we have gotten away from least cost planning. The preferred portfolio that comes out of the IRP does not show the total system cost. It does not represent the least cost approach to serving load within the constraints put on the system. It, in fact, ignores those constraints.

The only reasons CUB can see to deviate from identifying the preferred portfolio with the lowest system cost is that it is too difficult or that it will cause higher rates for customers in the states that do not have carbon constraints. While adding constraints that only affect some states does add complexity, we model a variety of constraints related to transmission and other factors in an IRP. As to whether it would cause higher rates for some states, that is not an IRP issue. It is a cost allocation issue. If PacifiCorp starts with lower Total System Costs, then there should be a way to allocate those lower costs so no state is harmed.

CUB agrees with Staff that PacifiCorp should demonstrate that compliance with state-level policies is feasible with the Preferred Portfolio. But CUB would go a bit further. CUB believes that the preferred portfolio should be intentionally designed to meet all the carbon constraints that are placed on the system.

### **III. CONCLUSION**

This is the first IRP since HB 2021 passed and is the first CEP that PacifiCorp has filed. CUB recognizes PacifiCorp’s efforts in developing this first plan. Unfortunately, it does not provide a compliance path to meeting HB 2021 carbon constraints. CUB appreciates the work and analysis that Staff has provided in this CEP/IRP.

We also appreciated the hard work that the Energy Advocates have put into analyzing this plan. Their focus on the Community Benefits Indicators (CBI) and the Community Benefits and Impacts Advisory Group (CBIAG) has been invaluable to us in this process. CUB supports the recommendations of both the Staff and the Energy Advocates

Dated this 14th day of February 2024.

Respectfully submitted,



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