

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1050

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Request to Initiate an Investigation of Multi-Jurisdictional Issues and Approve an Inter-Jurisdictional Cost Allocation Protocol

SIERRA CLUB'S ANSWER TO
PACIFICORP'S PETITION FOR A
ONE-YEAR EXTENSION

In accordance with Administrative Law Judge (“ALJ”) Sarah Rowe’s February 7, 2017 Ruling in the above-captioned proceeding, Sierra Club hereby provides this answer to PacifiCorp’s January 31, 2017 Petition for approval of a one-year extension to the 2017 protocol.¹ Sierra Club opposes the extension and recommends that the Commission stand by its previously stated intention *not* to extend the 2017 protocol.² Sierra Club further recommends that the Commission open a new investigation into PacifiCorp's inter-jurisdictional allocation so that it can conduct detailed analyses on a reasonable allocation method for the company and its Oregon customers, as contemplated by Order 16-319.

I. STATEMENT OF POSITION

The policies affecting PacifiCorp’s allocation of system-wide costs between coastal and intermountain states are becoming increasingly conflicted. In particular, the treatment of PacifiCorp’s existing coal plants and future spending related to those coal plants is in flux. On

¹ Sierra Club is not a party at this time. Sierra Club is concurrently filing with this answer a petition to intervene as a party. Sierra Club does not intend to challenge the 2017 protocol as adopted by the Commission in Order 16-319. Sierra Club’s participation in this docket going forward will address only PacifiCorp’s request for an extension and/or any future changes to the multistate protocol.

² Order 16-319 at p.6.

one hand, “Oregon will be facing new and unique allocation issues due to the passage of SB 1547 which, in part, requires the removal of coal resources from Oregon rates by 2030.”³ On the other hand, PacifiCorp indicated during the January 25, 2017 Commissioner Forum that it anticipates that the 2016 federal election may result in a “coal resurgence” in the intermountain states. These two trends are incompatible and may result in decision making that could impose substantial costs on Oregon ratepayers.

Coal plants across the United States continue to decline in economic performance. As recently as last week, the non-federal co-owners of the 2,400 MW Navajo Generating Station in Northern Arizona voted to close the plant by the end of 2019 because the coal-fired plant’s electricity is currently more expensive than electricity purchased on the wholesale spot market.⁴ Though not a co-owner in Navajo Generating Station, PacifiCorp faces similar economic trends across its own expansive coal fleet. In addition to the day-to-day operational costs of coal plants, PacifiCorp also faces a series of costly Selective Catalytic Reduction (“SCR”) installations to control nitrogen oxide emissions at the Jim Bridger, Wyodak, Dave Johnston, Hunter, and Huntington plants, each of which will need to be retrofitted by 2021.

Oregon wisely anticipated these increasing costs to coal generation and has been positioning to insulate Oregon ratepayers from those costs for some time. Oregon maintained reasonable depreciation schedules for PacifiCorp’s coal plants while other jurisdictions opted to extend those schedules far into the future. As a result, Oregonians have paid down their share of PacifiCorp’s coal plants far more quickly than ratepayers in other states. In addition, Oregon’s SB 1547 will prohibit any further spending on PacifiCorp’s coal plants by 2030. At the same

³ Order 16-139 at p. 6.

⁴ <https://www.srpnet.com/newsroom/releases/021317.aspx>; see also Market Forces Are Killing Navajo Generating Station at <http://azcapitoltimes.com/news/2017/02/17/market-forces-are-killing-navajo-generating-station-president-trump-should-not-intercede/>

time, the intermountain states have resisted efforts to reduce spending on coal plants, and instead have continued to approve hundreds of millions of dollars in capital additions at those plants.⁵

This dichotomy between state policies is creating an increasingly irreconcilable difference in interests as to how coal plant costs should be allocated between Oregon and other states. Delaying resolution of those questions, as PacifiCorp requests, would only exacerbate the problem. Delaying also risks encouraging or condoning further spending by PacifiCorp in the near term. As noted above, PacifiCorp is facing at least eight SCR installations by 2021. The typical three to four year lead time on that type of project and the accompanying need to stagger outages means that PacifiCorp will be making decisions within the next year as to whether or not to proceed with those projects. Oregon must therefore resolve sooner rather than later the question of who will pay for those expenditures. Waiting until the end of 2019 risks committing Oregon ratepayers to costs that could otherwise be avoidable.

II. CONCLUSION

For the reasons set forth above Sierra Club recommends that the Commission reject PacifiCorp's request for a one-year extension. Sierra Club further recommends that the Commission initiate an investigation into PacifiCorp's inter-jurisdictional allocation protocol.

Dated: February 21, 2017

Respectfully submitted,

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⁵ See, e.g., Utah Public Service Commission Docket 12-035-92; Wyoming Public Service Commission Docket 20000-418-EA-12.

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