

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1208

In the Matter of
PACIFICORP
Draft 2012 Request for Proposals

Opening Comments
Of the
Ecumenical Ministries of Oregon

INTRODUCTION:

Climate change is likely the largest challenge that will face this state in this century. Our moral obligations dictate that large investments in power plants be responsible in addressing this challenge. Colored by this obligation, the Ecumenical Ministries of Oregon (EMO) has turned its attention to the proposed 2012 RFP.

Following Order 06-446 Guideline 7, EMO believes that to the extent that 2012 RFP is inconsistent with the approved IRP, a new positive showing must be made that the RFP produces a result that satisfies the criteria that the RFP somehow demonstrates it has replaced the ‘inconsistency’ with a ‘consistency’.

In the case of the specific thermal resources in 2012 RFP that were not acknowledged in the LC-39, that showing must relieve the burden that now encumbers these proposed, but once rejected, resources.

Our Opening Comments will address 3 concerns we have with 2012 RFP in regards to the greenhouse gas (GHG) regulatory risk that was at the core of the rejection of these same thermal resources a mere 9 months ago.

- 1) Short-Circuiting the Extensive Analysis of the Integrated Resource Plan
- 2) Refined expectations of the regulatory and markets risks of GHG emissions
- 3) Integrity of the Proposal

In order to relieve the burden, in our view the Company must at a minimum exhibit sufficient independent analysis that demonstrates that these concerns are no longer warranted, and that “the alignment of the utility’s REP with it’s acknowledged IRP” is satisfactory.

1) PROCEDURAL CONCERNS

How is it that the applicant comes before us with requests for specific thermal resources a mere 9 months after having been turned down in seeking approval of similar resources?

We ask this question because we are not satisfied that the applicant has set forth a process that would overcome the hurdles that encumber the current RFP in this context.

It appears to us that the applicant wishes to substitute an Evaluation process driven by the set of circumstances in Utah. Only Oregon parties, procedures, and deliberations can make analyses and decision that are guaranteed to assure the interest of Oregonians. Having once failed at securing acknowledgement for these plants in the Oregon regulatory process, the Applicant appears to have gone “jurisdiction shopping”. Why else would they request Oregon regulators to defer selection and evaluation of an Independent Evaluator to another regulatory regime?

And not only has the Applicant gone shopping for jurisdictions, the Applicant has also gone shopping for dockets. After more than a full year of analysis under long-established procedures for evaluating major resource options, i.e. the Integrated Resource Plan, the Applicant has taken a second stab at the apple in an RFP, with its much less substantive ability to evaluate selections between TYPES of resources. Having failed when the resource types were subject to extensive analysis in LC-39, the applicant is now shopping to gain that approval in the RFP process, which in our view is designed to make selections within resource types.

In our view, establishing a precedent to use the RFP as the primary procedural mechanism to select resource types will render the IRP irrelevant, and it is the IRP that has served Oregon well for this purpose over time. And the Company would only attempting to supplant the results of the IRP with the RFP in the case in which there is an inconsistency between the two.

2) SUBSTANTIVE CONCERNS

Not only has the climatic data become more certain in the elapsed time since IRP 2004, observers of the political and regulatory environments, bar none, have concluded that the risk of regulation for global warming pollution has increased in the interim. Any measurement of regulatory risk (stochastic or deterministic) for the thermal resources in 2012 RFP needs to be increased from the levels used in LC 39.

For the Western States region, the major development in the interim has been the passage by the California Legislature of AB 32 and SB 1368. Taken together, this legislative package has set clear benchmarks for the types and levels of regulation that are likely to obtain on the West Coast. The strong nexus and interlinking of the power markets in WECC, the formal agreements of the three West Coast Governors in the West Coast Governor’s Global Warming Initiative, universal adherence to similar tailpipe emission standards, and the informal cooperation between regulatory bodies in these states all indicate a trend toward a comparable West Coast standard for global warming pollution.

A plausible scenario for regulation of the Oregon electricity sector has emerged from Governor Kulongoski’s Carbon Allocation Task Force. Though no official actions have emerged from the Task force to date, the general and specific design and content of a

plausible regulatory scheme is outlined in the Straw Proposal now being considered by the Task Force.

The scale of the emissions of the thermal plants in 2012 RFP becomes evident when compared with the plausible regulatory scenario considered in the Task Force Straw Proposal. The baseline PacifiCorp emissions (2002-2005) are approximately 13 million metric tones per year (MMT), and it is proposed in the first year of regulation (2009) the company would receive in the neighborhood of 95% of that tonnage in ‘free allowances’. In order to achieve the Governor’s goal, the plausible Straw Proposal allowance distribution to PacifiCorp in 2015 would be approximately 11.5 MMT. The addition of Oregon’s portion of the output from the thermal resources in 2012 RFP would be approximately 3.2 MMT in 2015, an addition of emissions accounting for over 27% of the total allowances allocated to the company.

How would the company respond if the Benchmark Resources in RFP 2012 are added to the Oregon mix? Many flexibility mechanisms are contemplated in the Straw Proposal and allow utilities a wide range of options to meet compliance requirements. However, the flexibility mechanisms are not designed in scale to allow for significant additions to an emissions portfolio. It appears that the alternatives to compensate for these non-contemplated emission additions are very limited and either devastating for ratepayers (switching out new coal for fully amortized existing thermal resources) or non-feasible at the 3.2 MMT level (ALL of the achievable conservation potential identified by the Energy Trust for PacifiCorp in 2017 would offset the bulk of these emissions, but in that case the company would have negative load growth through 2017 and no need for the 2012 RFP capacity to serve Oregon).

Because of the new regulatory paradigm, an additional financial risk not considered in the RFP analysis includes a faulty value placed on the projected output of the coal plants sold into the open market. The demand for electricity laden with GHG pollution in the WECC is likely to be significantly smaller than that for lower GHG power – and thus the market value needs to be adjusted downward.

In all cases, capital contributed from Oregon toward the plants in 2012 RFP would construct the least flexible, most highly GHG polluting option of the company’s resource choices - and could continue to generate electricity with the worst GHG pollution signature for the next 50-100 years, and saddle Oregon ratepayers with these monumental financial and environmental risks.

In essence, PacifiCorp is proposing to meet load growth, and replace some existing load, in Oregon with 100% pulverized coal. The alternatives for the company are to use a combination of aggressive conservation, increased renewable deployment, and fuel-switching to satisfy their Oregon requirements. Given that the solid numerical emission allowance allocations that should now be one of the primary bases for selecting a Benchmark resource for Oregon were not considered, and that the company states on page 28 of the Conformed IRP that “the base case will be updated through the RFP

process only if any new assumptions become available”, Pacificorp’s 2012 RFP is fatally flawed unless the base case is updated to include the newly available plausible regulatory constraints on GHG emissions for the West Coast states.

3) CONCERNS WITH THE INTEGRITY OF THE PROPOSAL

Why is this RFP being presented to Oregon? Is the company attempting as many observers believe to force new pulverized coal onto their system before the inevitable GHG regulations take effect. And besides the enormous long-term impact on the fragile climate, what is the impact on Oregon customers by trying to use the RFP process to rush a non-optimal Resource to approval in order to muddy the regulatory environment for GHG emissions of the company?

EMO asks these questions, and further examines the clarity with which PacifiCorp and its controlling interests are making this proposal to commit significant financial resources of Oregonians to the widely-acknowledged outdated Benchmark technology this RFP is clearly designed to select. James Hansen, the nation’s foremost climate scientist and the director of the Goddard Institute for Space Sciences, in an August 2006 presentation to the American Council for an Energy Efficiency Economy Summer Study, said that to avert dangerous climate change, “any coal-fired plants without sequestration should be bulldozed over a 25-year period from 2025-2060.” We must ask what kind of clarity is evident among the proponents of this RFP in the face of such strong and unequivocal risk to customers and to the environment?

CONCLUSION

EMO respectfully submits that the 2012 RFP is not in alignment with the acknowledged IRP, and that even in the event that the Commission did find alignment with the current IRP, that alignment would have incorporated a foundational base case that assumes a thoroughly outdated and discredited regulatory paradigm for GHG emissions.

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing OPENING COMMENTS on the following persons on September 19, 2006 by e-mailing to each a copy thereof.

	SUSAN K ACKERMAN ATTORNEY	PO BOX 10207 PORTLAND OR 97296-0207 susan.k.ackerman@comcast.net
W	CITIZENS' UTILITY BOARD OF OREGON OPUC DOCKETS	610 SW BROADWAY STE 308 PORTLAND OR 97205 dockets@oregoncub.org
	JASON EISDORFER (Q) ENERGY PROGRAM DIRECTOR	610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
	DAVISON VAN CLEVE PC MELINDA J DAVISON (Q)	333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com
W	DEPARTMENT OF JUSTICE	
	JANET L PREWITT ASST AG	1162 COURT ST NE SALEM OR 97301-4096 janet.prewitt@doj.state.or.us
	MICHAEL T WEIRICH (Q) ASSISTANT ATTORNEY GENERAL	REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 michael.weirich@doj.state.or.us
	ESLER, STEPHENS & BUCKLEY	
	JOHN W STEPHENS	888 SW FIFTH, SUITE 700 PORTLAND OR 97204-2021 stephens@eslerstephens.com
W	NORTHWEST ENERGY COALITION STEVEN WEISS SR POLICY ASSOCIATE	4422 OREGON TRAIL CT NE SALEM OR 97305 steve@nwenergy.org
	NW INDEPENDENT POWER PRODUCERS	

	ROBERT D KAHN EXECUTIVE DIRECTOR	7900 SE 28TH ST STE 200 MERCER ISLAND WA 98040 rkahn@nippc.org
W	OREGON DEPARTMENT OF ENERGY	
	PHILIP H CARVER SENIOR POLICY ANALYST	625 MARION ST NE STE 1 SALEM OR 97301-3742 philip.h.carver@state.or.us
W	OREGON INTERFAITH GLOBAL WARMING CAMPAIGN	
	JAMES EDELSON	415 NE MIRIMAR PL PORTLAND OR 97232 edelson8@comcast.net
	OREGON PUBLIC UTILITY COMMISSION	
	LISA C SCHWARTZ (Q) SENIOR ANALYST	PO BOX 2148 SALEM OR 97308-2148 lisa.c.schwartz@state.or.us
	PACIFICORP	
	LAURA BEANE MANAGER - REGULATORY	825 MULTNOMAH STE 2000 PORTLAND OR 97232 laura.beane@pacificorp.com
	NATALIE HOCKEN ASSISTANT GENERAL COUNSEL	825 NE MULTNOMAH #1800 PORTLAND OR 97232 natalie.hocken@pacificorp.com
	RENEWABLE NORTHWEST PROJECT	
		917 SW OAK STE 303 PORTLAND OR 97205 ann@rnp.org
	RFI CONSULTING INC	
	RANDALL J FALKENBERG	PMB 362 8351 ROSWELL RD ATLANTA GA 30350 consultrfi@aol.com

Dated this 19th day of September, 2006.

By: James Edelson

James Edelson
Steering Committee Member
Oregon Interfaith Global Warming Campaign