

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1331

In the Matter of)	
)	
THE PUBLIC UTILITY COMMISSION OF)	ORDER
OREGON)	
)	
Investigation to consider whether to adopt new)	
federal standards added to PURPA Section)	
111(d), related to fuel diversity and fossil fuel)	
generation efficiency.)	

DISPOSITION: STAFF'S RECOMMENDATION APPROVED

At the July 24, 2007, public meeting, the Public Utility Commission of Oregon (Commission) adopted Staff's recommendation to open an investigation to commence consideration of two federal PURPA standards—the first, a standard for fuel diversity and the second, a standard for fossil fuel generation efficiency. A prehearing conference was held on August 21, 2007, a workshop was held on September 24, 2007, and comments were submitted on October 24, 2007. The Parties submitted Joint Comments proposing the actions as noted in Staff's Recommendation. At its public meeting on November 8, 2007, the Commission adopted Staff's recommendation. Staff's recommendation is attached as Appendix A and is incorporated by reference.

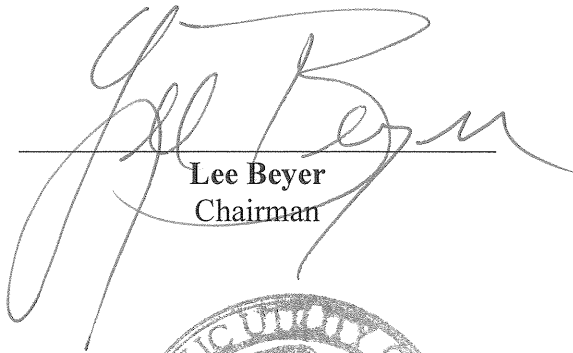
ORDER

IT IS ORDERED that:

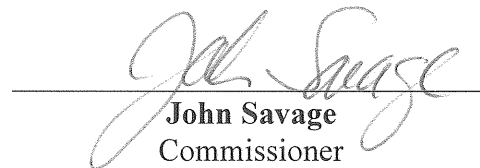
1. The Public Utility Commission of Oregon Staff's recommendation, attached as Appendix A, is approved.

2. The integrated resource planning guidelines adopted in Order No. 07-002 and corrected by Order No. 07-047, are modified to include Staff's recommended standard for fossil fuel generation efficiency.

Made, entered, and effective NOV 15 2007.



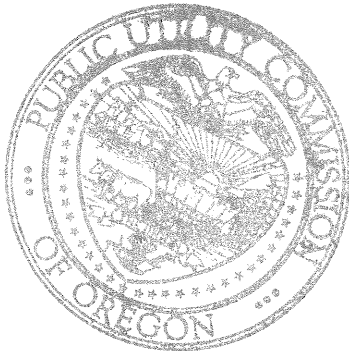
Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 8, 2007

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: October 29, 2007

TO: Public Utility Commission

FROM: Bonnie Tatom *BT*
li *EB*

THROUGH: Lee Sparling and Ed Busch

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF: (Docket No. UM 1331) Staff recommendations relating to standards for fuel diversity and fossil fuel generation efficiency.

STAFF RECOMMENDATION:

Staff recommends the Commission take the following actions with regard to new Public Utility Regulatory Policies Act (PURPA) standards for fuel diversity and fossil fuel generation efficiency:

Take no action on the federal standard on fuel diversity.

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.

DISCUSSION:

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 two federal PURPA standards—the first, a standard for fuel diversity and the second, a standard for fossil fuel generation efficiency.

UM 1331
 October 29, 2007
 Page 2

A prehearing conference was held on August 21, 2007, a workshop was held on September 24, 2007, and comments were submitted on October 24, 2007. The Parties¹ submitted Joint Comments proposing the actions as noted in Staff's Recommendation.

As Staff indicated in its public meeting memo, dated July 16, 2007, the Commission is not obligated to adopt the federal standards (see specific language, below). The Energy Policy Act of 2005 (EPAAct 2005) only mandates that the Commission consider whether to adopt the standards added to PURPA Section 111(d), including these two standards. The Commission could decline to implement these federal standards if 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 below, 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 included with our Joint Comments.

Fuel Diversity Standard

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.

In our Joint Comments, the Parties agree that no action is necessary by the Commission with regard to the federal 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.

Guideline 1 states that "All resources must be evaluated on a consistent and comparable basis." The Order clarifies that *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. In addition, utilities should compare *different*

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).

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]

UM 1331
 October 29, 2007
 Page 3

resource fuel types, technologies, lead times, in-service dates, durations and locations in portfolio risk modeling [Emphasis added]. Finally, the Order states that 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 Parties agreed that Guideline 1 in Order No. 07-002³ 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. 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 renewable resources by 2025.⁴ 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.

Fossil Fuel Generation Efficiency Standard

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

In their Joint Comments, the Parties agree that 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. Although the Parties further 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 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. 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. In the Joint Comments, Parties proposed a fossil fuel generation efficiency standard that takes these points into account:

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

³ As corrected by Order No. 07-047.

⁴ 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.

UM 1331
October 29, 2007
Page 4

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.

PROPOSED COMMISSION MOTION:

Order No. 07-002, as corrected by Order No. 07-047, already addresses the federal standard on fuel diversity, and the proposed federal standard is not adopted.

The following standard for fossil fuel generation efficiency be adopted:

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.

UM 1331