

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

LC 39

In the Matter of	)	COMMENTS
PacifiCorp	)	OF THE
2004 Integrated Resource Plan	)	RENEWABLE NORTHWEST PROJECT

The Renewable Northwest Project (RNP) appreciates the opportunity to provide these comments for the Commission's consideration of PacifiCorp's 2004 Integrated Resource Plan (IRP). While we continue to believe that PacifiCorp deserves recognition for its robust analysis in the IRP, we are disappointed with the Company's progress towards meeting its 2003 IRP renewables targets and we do not support the plan to add new coal fired resources to PacifiCorp's portfolio.

As part of its review of the 2004 IRP, we respectfully ask that the Commission, first, direct PacifiCorp to prioritize renewable acquisitions towards meeting its 1,400 MW target, and, second, not acknowledge the action item related to the addition of new coal-fired resources.

Finally, we note and support the comments filed in this docket by the Citizens' Utility Board, the NW Energy Coalition, and the Oregon Department of Energy.

Wind Capacity Credit Analysis

RNP commends PacifiCorp for its "capacity contribution" study that wind resources contribute 20% of their nameplate capacity to the planning margin. 20% is a huge improvement over the 0% assumption included in the 2003 IRP. Numerous parties faulted the Company's 2003 IRP for the failure to include any capacity credit for wind. PacifiCorp deserves praise for recognizing the concerns, conducting a solid study of the issue, and following through by revising its analysis in the 2004 IRP. RNP asks only that this study not be the final word on the issue. Wind's capacity credit should continue to be studied as the Company gains experience with wind acquisition in the coming years.

Renewables Acquisition Since 2003 IRP

PacifiCorp announced on May 3, 2005 a signed power purchase agreement with Invenergy for a 64.5 MW wind project in Idaho. RNP congratulates PacifiCorp for completing this transaction for a 2005 project. This is a positive step forward.

RNP believes in praising a job well done. And that's exactly what we did following PacifiCorp's 2003 IRP due to its plans for 1,400 MWs of renewables over 10 years. We supported acknowledgment of that IRP before three Commissions, and we publicly heralded the Company's plan in the media, to state legislatures, to other utilities – any chance we got. We weren't alone in that support. Many environmental groups in the West touted PacifiCorp's 2003 IRP for its renewables target and its inclusion of a carbon adder. The American Wind Energy Association (AWEA) awarded PacifiCorp its Utility Leadership Award in 2004 for the Company's commitment to renewable resource acquisition. (p. 21, IRP). All of this praise was based on the expectation that PacifiCorp would follow-through on its plan.

The Company issued a renewables RFP for 1,100 MWs in February 2004 and received over 6,000 MWs of proposed projects in response. The 64.5 MW Idaho project is the first project to result from that RFP. RNP understands there may be challenges to acquiring new resources. But we note that since issuing its 2003 IRP, PacifiCorp has procured two natural gas resources through their RFP process, totaling 1,059 MW. We don't dispute those acquisitions, but the optics of these contracts concerns us. The message seems to be that PacifiCorp will expeditiously acquire its planned fossil resources, while delays and obstacles prevent similar progress on the renewables front.

An IRP action plan is a “package deal” – it is not appropriate for the Company to only acquire the fossil resources in its action plan without also meeting its renewables target. Further, we expect PacifiCorp to participate in regional activities affecting the development of renewable resources, and to creatively confront, analyze, and solve the problems that arise in acquiring renewable resources. Continued delay in meeting its renewables target is not acceptable.

Other utilities in the region are successfully following through on their plans for wind power in 2005. Puget Sound Energy has purchased the 150 MW Hopkins Ridge project in Washington (this project began construction last month) and has a signed Letter of Intent to purchase the 230 MW Wild Horse wind project also in Washington. Northwestern Energy has signed a contract for the 135-150 MW Judith Gap wind project. Construction is underway on the Judith Gap project and it will be on-line by the end of 2005. Finally, PGE signed a contract for 75 MWs from the Klondike II project in Oregon which is also under construction. As these comments are being written, the GE turbines are arriving at the Port of Portland, on their way to Sherman County.

We urge the Commission as part of its review of the 2004 IRP to affirmatively direct PacifiCorp to dedicate resources to ensure continued progress in meeting its renewables target.

#### 2004 IRP Renewables Analysis

PacifiCorp's 2004 IRP reiterates that wind resources are cost-effective and provide important risk reduction benefits to the Company's portfolio. The IRP maintains

the 1,400 MW target established in the 2003 IRP, and the capacity expansion model (CEM) study found in Appendix J supports the decision to maintain this level of renewables acquisition.

During the 2004 IRP process, RNP supported PacifiCorp's decision to maintain the 2003 target, as opposed to urging the Company to model and consider additional renewable resources. We **do** believe that PacifiCorp should set a higher target for renewable acquisition – the 1,400 MWs will represent approximately 7% of PacifiCorp's portfolio by 2015 (See Response to OPUC data request 2). We are urging all Oregon utilities to meet at least a 10% target of new renewables in ten years.

Despite our conviction that PacifiCorp can acquire cost competitive renewables in excess of 1,400 MWs, we understood that the Company needed to learn more about the impact of the new wind resources on their system in terms of integration and transmission, before additional renewables could be effectively modeled or planned for by the Company. Our support for maintaining the 2003 target, however, was contingent on PacifiCorp making the renewable acquisitions a priority. The Idaho wind project is progress, but more can and must be done. Moreover, the 2004 IRP action plan includes substantial new fossil resources for 2009 and beyond. In our view, had more progress been made to date in acquiring renewables, we wouldn't be faced with the urgency of moving forward with new coal resources now.

As a result, we now believe the 2004 IRP analysis is deficient for not modeling portfolios with additional wind resource acquisitions. The CEM study is evidence that there are more than 1,400 MWs of economical renewable resources available to the Company. Figure J.1 charts the responses to the Company's renewables RFP. It demonstrates that of the 6,000 MWs received, 1,400 MW were at or below the forward price projections. An additional 900 MWs are only 10% above the price curve. Considering the price stability and risk reduction benefits of renewable resources to a portfolio heavily dependent on fossil fuels, at a minimum those additional 900 MW should be modeled in the IRP.

### CO2 Adder

PacifiCorp was a leader among utilities for evaluating the risk of future regulation of carbon emissions and for including a value for CO2 emissions in its 2003 IRP. RNP strongly supports the continued use of an imputed CO2 cost in the IRP base case.

We believe, however, that the \$8/ton value represents the lower end of the reasonable range of costs. Idaho Power in its 2004 IRP uses a CO2 proxy cost of \$12.30/ton as a base case assumption beginning in 2008. The California PUC adopted a policy requiring utilities to explicitly account for the financial risk of greenhouse gas emissions in long range planning and in the evaluation of procurement bids. In April, the CPUC adopted the costs to be used by the utilities: an escalating cost of \$5/ton of CO2 in the near term, \$12.50/ton by 2008 and \$17.50 by 2013. We ask that PacifiCorp continue

to evaluate the appropriate CO2 value for their base case and revise the value in the next IRP.

### New Coal Resources

RNP has consistently opposed PacifiCorp's plans for new coal-fired generation, so it should come as no surprise that we cannot support a preferred portfolio which calls for two additional coal plants or the related Action Item #8, a 600 MW pulverized coal plant in Utah. We ask that the Commission not acknowledge this action item as part of its review of the 2004 IRP.

As noted above, PacifiCorp deserves praise for recognizing the risk of climate change and trying to address it proactively by valuing CO2 emissions in its IRP. There is increasing evidence everyday that it is no longer an issue of whether carbon emissions will be regulated in the United States, it is only a matter of when. Given that reality, it is imprudent for PacifiCorp to invest in another traditional coal fired resource, particularly since so much of the rest of its resource portfolio is comprised of fossil fuel resources.

We do recognize that PacifiCorp has growing load in Utah and needs new resources. We believe, however, that a renewed commitment in the next few years to aggressively pursuing renewable resources, and meeting the targets for DSM and energy efficiency, could further delay the need for the new coal resources. This would allow the Company to continue to explore IGCC technology and for the costs and technology risks posed by IGCC to be reduced. At the very least, the next baseload resource should not be a traditional pulverized coal plant.

### Conclusion

PacifiCorp set a new standard for utility resource plans with its 2003 IRP. We are asking now that they meet the high expectations they set with that Plan.

We ask that the Commission (1) explicitly direct PacifiCorp to prioritize and follow through with its renewable resource acquisition targets, and (2) not acknowledge the 2004 action item related to procuring new coal resources.

**CERTIFICATE OF SERVICE**

I hereby certify that I served the foregoing **COMMENTS OF THE RENEWABLE NORTHWEST PROJECT** on the following persons on May 23, 2005, by electronic mail:

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DATED this 23<sup>rd</sup> day of May, 2005.

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