



**HYDROPOWER  
REFORM  
COALITION**

*Putting water, wildlife,  
and people back in rivers.*

May 23, 2005

Attn: Traci A. G. Kirkpatrick  
Administrative Law Judge  
Administrative Hearings Division  
Public Utility Commission of Oregon  
P.O. Box 2148  
Salem, OR 97308-2148

**RE: In the Matter of PacifiCorp's 2004 Integrated Resource Plan  
LC 39 – Opening Comments**

Dear Ms. Kirkpatrick:

Enclosed for filing is an original and five copies of the Comments of the Hydropower Reform Coalition and WaterWatch of Oregon on docket LC 39. Copies of this filing have been served to all parties listed for this proceeding.

If you have any questions or need additional information, please do not hesitate to call.

Sincerely,

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**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**LC 39**

In the Matter of PACIFICORP, 2004, Integrated Resource Plan	INITIAL COMMENTS of the HYDROPOWER REFORM COALITION and WATERWATCH OF OREGON
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On January 20, 2005, PacifiCorp filed its Integrated Resource Plan with the Commission. The Hydropower Reform Coalition and WaterWatch of Oregon (hereafter “Conservation Groups”) petitioned to intervene and were granted intervenor status on April 28, 2005. The Conservation Groups appreciate the opportunity to comment on the above-mentioned proceeding.

**I. INTRODUCTION**

The Conservation Groups have reviewed the Integrated Resources Plan. From our perspective, the document has little information on how PacifiCorp expects to operate and retain licenses for its hydropower facilities over time. While hydropower licenses are issued by the Federal Energy Regulatory Commission (FERC) and not determined by the Commission, the Commission should be concerned with whether PacifiCorp’s hydropower dam management and licensing activities will affect its abilities to meet the interests of Oregon’s ratepayers.

As the Commission well knows, a utility’s hydropower assets play an important role in its energy mix, principally as a reliable source of variable power. PacifiCorp relies on its own 54 hydropower plants for 5.4% of its total energy requirements during a recent year term.<sup>1</sup> The plants represent 14.6% of PacifiCorp’s total generating capacity and are located in seven states, including several in Oregon.<sup>2</sup> The future of those assets – including the possibility of

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<sup>1</sup> See Chapter 2, Overview, p. 28, Tables 2.2 and 2.3.

<sup>2</sup> *Ibid.* p. 29. See Appendix C, p. 59 for a list of facilities in Oregon.

modification, enhancement, diminishment, or retirement – should be described in any 20-year forecasting plan.

Our comments address four areas: (1) the IRP narrative; (2) the implications of and corrections to data; (3) pumped storage; and (4) a hydropower endowment.

The Conservation Groups appreciate PacifiCorp’s creativity when writing this Plan. We noted at least one idea that we support and encourage PacifiCorp to pursue further. We strongly encourage Staff and the Commission to review our comments, as hydropower dam issues are certain to be presented in PUC proceedings with increasing frequency and intensity.

## **II. COMMENTS**

### **(1) The IRP narrative contains language that is inconsistent with the tone and public interest decorum of the remainder of the Plan.**

PacifiCorp is making tremendous decisions about its hydropower portfolio right now. The IRP notes that, “Relicensing or decommissioning of many of PacifiCorp’s projects is well underway and FERC licenses or Orders are expected to be issued for the majority of the portfolio over the next 2-5 years.”<sup>3</sup> These dam licenses were last issued at least 30 and as many as 50 years ago, meaning that during relicensing, many of the dams are being brought into compliance with major environmental laws for the first time. In some instances, PacifiCorp has chosen to update their facilities and continue power generation. In other instances, the company has chosen to remove its dams. In our view, this latter approach is still a positive and economical choice for Oregon’s ratepayers. Dam removal restores a river’s health, relieves system-wide pressures, helps the river provide other benefits that the public relies on, and improves the quality of the environment. We applaud PacifiCorp for these determinations.

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<sup>3</sup> *Ibid.* p. 37.

In line with the intensity of its relicensing experience presently, PacifiCorp adopts an intense description of relicensing. The Conservation Groups consider the characterization of relicensing rather pessimistic and in some instances, inaccurate.

§ The statement that the licensing process takes five years at least and generally 10 years is incorrect.<sup>4</sup> Licensing operates on a five year schedule. It is not uncommon to renew a license in less than five years, irrelevant of the complexity of the project. Moreover, license applicants often benefit financially from an extended timeline: many companies prefer to run their dams under the less restrictive 1955 license rather than any forthcoming 2005 license. As a consequence, delays may not be the result of procedural failings.

§ The statement that “because a myriad of other state and federal laws come into play in relicensing, most notably the Endangered Species Act and the Clean Water Act, agencies’ interests may compete or conflict with each other leading to potentially contrary, or additive, licensing requirements” is confusing.<sup>5</sup> It suggests that agency conditions are burdensome; or that their authorities are improperly carried out. Agency conditions very rarely conflict, and where they do, the problem is resolved by the agencies within a licensing schedule. Otherwise, agency conditions enforcing the Clean Water Act and Endangered Species Act are necessarily additive, as they address different dam impacts and have different requirements.

§ The statement that PacifiCorp has been “active in efforts to reform the Federal Power Act to allow greater consideration of mitigation alternatives that deliver the same or similar environmental enhancement to agency mandates,” is offensive.<sup>6</sup> Far from a progressive action, the legislation that PacifiCorp references here is opposed by every non-utility stakeholder in the licensing process, including the State of Oregon. Under this legislation, the license applicant will be afforded an exclusive right to challenge agency staff’s environmental conditions, cutting out landowners, Tribes, county governments, and all other

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<sup>4</sup> *Ibid*, under Potential Impact, p. 38.

<sup>5</sup> *Ibid*, p. 38.

<sup>6</sup> *Ibid*, under PacifiCorp’s Approach to Hydroelectric Relicensing, p. 38.

river interests.<sup>7</sup> While the Commission may not be immediately involved in this debate, it will certainly be affected if the balance of power swings to such a degree of bias. The Commission should be concerned about this approach.

§ Finally, the statement that “FERC can require extensive modifications to the physical facilities or operation of the facilities that greatly reduces the electricity value of the project” does not reflect licensing in practice.<sup>8</sup> By its own analysis, FERC reports that on average a hydropower project receiving a new license decreases its generation by only 1.6% while capacity actually increases by an average of 4.6%.<sup>9</sup>

These statements miss the mark when explaining to the Commission the relicensing circumstances PacifiCorp finds itself in. It is truly disingenuous to describe legislative efforts that will intentionally exclude Oregon’s ratepayers from further deliberations about licensing decisions as a benefit to ratepayers and those who protect ratepayer interests. The narrative also appears to blame agencies and our environmental laws for associated license costs when rather, it is simply the cost of doing business. Rivers and the fish and wildlife they support belong to the public, and dams must be operated in a way that protects our public trust resources.

The Conservation Groups urge the Commission to review the narrative with skepticism, and to recognize that the legislation that PacifiCorp refers to is not in the best interest of the ratepayer or the State.

**(2) The Plan does not make connections between its hydropower statements and data.**

The IRP contains a great deal of information, but when it comes to discussing PacifiCorp’s own hydropower generation, it does not connect the dots.

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<sup>7</sup> See the Energy Policy Act of 2005, U.S. House of Representatives, H.R. 6, Title II – Renewable Energy, Subtitle C – Hydroelectric. Passed by the House on April 26, 2005. A Senate version is forthcoming.

<sup>8</sup> See Appendix A, Electric Industry Background, Effect of Endangered Species Act on Electricity Supply, p. 18.

<sup>9</sup> See Federal Energy Regulatory Commission, “Report on Hydroelectric Licensing Policies, Procedures, and Regulations: Comprehensive Review and Recommendations Pursuant to Section 603 of the Energy Policy

In terms of capacity over the next twenty years, the Plan shows a significant stair-step decline in existing resources<sup>10</sup> and attributes some of that loss directly to “load and system peak growth, hydro licensing and contract expiration.”<sup>11</sup> To be on par with these larger power elements, the hydro licensing losses must be either substantial or very certain. Yet the projected generation losses described in the data seem insignificant and are entirely unattributed.<sup>12</sup> Another chart shows existing hydropower resources as static generation over the next twenty years.<sup>13</sup> But, in a fourth chart, PacifiCorp says that it expects its hydropower capacity to jump up in 2007, resulting in a net capacity gain of 47 MW between 2005 and 2025.

The conservation groups have several questions about PacifiCorp’s analysis on these issues: Why will hydropower capacity expand but its generation decline? If hydropower licensing contributes to loss, why does PacifiCorp expect its capacity to increase? What do those changes actually represent beyond aggregated numbers? The Conservation Groups request that PacifiCorp provide some clarity and detail among what appears to be conflicting information.

Another data table shows all of PacifiCorp’s dams and their licensing status.<sup>14</sup> First, the licensing information for many of these dams is out of date. The North Umpqua facilities (Slide Creek, Toketee, Soda Springs, Lemolo 1 and 2, Fish Creek, and Clearwater 1 and 2) were all given a new license in 2003. The Big Fork project was relicensed in 2003. Operations for four Bear River dams, Cove, Soda, Grace, and Oneida, were consolidated under one license in 2003. Second, the chart should have more accurate information on retirement, called “Power Supply Recommendation Year Ending Life” (sic). As a part of its new license, at least one dam, Cove, is expected to be removed if FERC approves PacifiCorp’s removal proposal.<sup>15</sup> Other dams in this chart are slated to be removed in approaching years pursuant to licensing settlements: Condit will be removed in 2008; Powerdale will be removed in 2010.

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Act of 2000”, May 2001; Pub. L. No. 106-489, 114 Stat. 2207 (November 9, 2000).

<sup>10</sup> See p. 5 of the Executive Summary.

<sup>11</sup> *Ibid* p. 2.

<sup>12</sup> See Appendix C, Base Assumptions, Table C.23 – Hydroelectric Relicensing Impacts on Generation. This chart does not establish a baseline from which to measure loss or what constitutes or causes “loss.” Without a sense of what PacifiCorp considers loss or how loss is measured, it is difficult to understand the chart. In light of information elsewhere in the chart, the “loss” seems to come from a shifting baseline, and is not a net loss figure.

<sup>13</sup> See Chapter 3, Resource Needs Assessment, p. 50, Figure 3.1.

<sup>14</sup> See Appendix C, Base Assumptions, Table C.24

Finally, some of the facilities in this chart have a significant probability of removal through relicensing. In future IRPs, PacifiCorp should represent and consider the probability of dam removal when assessing the lifespan its hydropower assets. To that end, where PacifiCorp has marked its suggested “Year Ending Life” as being within the 20-year time frame of the Plan, it would be helpful to note whether PacifiCorp plans to continue operation or to decommission the facility. Where it expects to continue operation, it would be helpful to explain the significance – or insignificance – of the estimated life expectancy. For example, at least one dam’s life span has already expired, the 90-year old 500 kW St. Anthony plant in 2004. Does this mean that PacifiCorp is evaluating retirement? The Conservation Groups urge PacifiCorp to weigh the relative size and age of its plants against the likely impacts of continued operation and the costs of modifying these facilities to comply with current environmental standards, and where the costs outweigh the benefits, retire the facilities. This periodic review is especially important for PacifiCorp’s sixteen unlicensed or exempted facilities, because FERC does not afford periodic review through licensing.

**(3) We support PacifiCorp’s choice not to construct a pumped storage hydropower plant.**

Under the Portfolio I alternative, PacifiCorp considered constructing a pumped storage plant in northern Utah that would come online in 2014.<sup>16</sup> Pumped storage plants are a less popular option for utilities because they generate power on the margin – that is, they flush water downstream and produce power when it is most profitable and then absorb power at off-peak hours to pump water back upstream. These plants also require a great deal of upfront financing to construct, as PacifiCorp notes. The expense alone is usually enough to prohibit construction.

Pumped storage plants have their own suite of river impacts, as they constantly store water and have, in effect, two reservoirs. The Hydropower Reform Coalition’s experience with pumped storage plants has shown the most typical resultant river problems to be poor minimum flows downstream, reservoir level fluctuation, and devastation to the river channel between the two

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<sup>15</sup> See PacifiCorp press release, March 7, 2005, “Proposal will outline Cove Project decommissioning.”

<sup>16</sup> See p. 108 and narrative description of pumped storage on p. 95.

reservoirs. These impacts are also usually prohibitive to new construction unless the setting is fairly geologically predisposed for this function.

A pumped storage plant in arid Utah is intuitively incongruous. We hope that PacifiCorp continues to reject this alternative, as it has in this IRP. If PacifiCorp does consider this option in the next IRP, we hope that the Plan will contain information about associated costs that the ratepayer would be expected to bear and an analysis of the process path and hurdles to construction and operation, such as water right acquisition.

**(4) A hydropower endowment will improve the management of PacifiCorp's hydropower facilities.**

The IRP suggests that PacifiCorp is considering developing a "hydro endowment."<sup>17</sup> While it is not clear exactly how this endowment would be structured, we generally support an endowment approach to relicensing. An endowment could provide an excellent way to isolate expenditures and ensure that capital is available for facility enhancements under the typical investment-income endowment structure. We encourage PacifiCorp to invest in ensuring that its hydropower dams minimize impacts to resident and anadromous fish and to invest in the rivers that power the dams into the future. An endowment appears to be a creative way to build financial support into its long-term operating plan. We look forward to more elucidation of this option.

Dated this twenty-third day of May, 2005.

Respectfully submitted,



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Rebecca Sherman, Northwest Coordinator  
Hydropower Reform Coalition

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<sup>17</sup> See p. 39.



## CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of May, 2005, I served the foregoing Comments of the Hydropower Reform Coalition and Water Watch of Oregon in docket LC 39 upon each party listed below, by email and U.S. mail, postage prepaid, and upon the Commission by email and by sending 6 copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,



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Rebecca Sherman

Hydropower Reform Coalition

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