BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

LC 39

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

The Renewable Northwest Project (RNP) submits these comments in response to PacifiCorp's June 6th comments, to Staff's comments and the Draft Proposed Order.

Lack of Progress on the Renewables RFP

A primary focus of RNP's opening comments was PacifiCorp's dismal performance on its renewables solicitation. PacifiCorp responded that it has faced "substantial hurdles" to acquiring renewable resources. They list three such hurdles: (1) the unpredictable extension of the federal Production Tax Credit (PTC); (2) rising wind turbine prices; and, (3) lack of available turbines. PacifiCorp Response at 12. We only accept the first of their three rationales as a legitimate response to the lack of progress on the current renewables RFP, but the PTC alone is not sufficient to explain PacifiCorp's poor performance.

The start and stop extension of the PTC has an undeniable negative effect on the U.S. renewables market. There is consensus that a longer extension is the best way to ensure more consistent investment in renewables by utilities. We appreciate and applaud PacifiCorp's lobbying efforts in D.C. for a multiple year PTC extension. The Company has been a valuable player in the PTC debate. Further, we support Staff's recommendation for PacifiCorp to enter an agreement with the Energy Trust in an effort to reduce the uncertainty of the PTC and to make renewables acquisition more timely.

We do not accept, however, that the PTC is a "considerable obstacle" and on its own should not prevent a utility from moving forward to acquire wind or other renewable resources. Utilities often sign contracts contingent on the extension of the PTC. PacifiCorp was able to sign a contract for the Idaho project, taking advantage of the PTC's extension until the end of 2005. And, as noted in our opening comments, many other utilities have also secured 2005 wind projects since the extension of the PTC last October.

RNP disagrees with PacifiCorp's reliance on turbine prices and availability as justification for its lack of progress on the RFP. It is true that wind turbine prices increased in the first quarter of 2005 and that there is currently a scarcity of turbines for

U.S. projects. However, that was not the case during 2004. As a reminder, PacifiCorp issued its renewables RFP in February 2004 and bids were due at the end of March. The Company had at least 9 months, therefore, to contract for projects that had access to 2004 prices on turbines. Those projects were available in the Northwest (we know this because other utilities signed contracts for them) and we imagine many responded to PacifiCorp's RFP. In our view, PacifiCorp has backed itself into a tighter wind market by not acting earlier to secure projects.

RNP believes the real reason for the lack of progress on the renewables RFP is that it was never made a priority within the Company. PacifiCorp managed to acquire over 1,000 MWs of gas resources in the same time period. Clearly, the Company is capable of securing new resources. As CUB noted in their opening comments, the lack of progress on the renewables RFP leaves the impression that PacifiCorp is simply not committed to wind in its portfolio. Again, we believe an acknowledged action plan is a "package deal" – it is not appropriate to obtain the fossil resources without also making real progress towards the renewables target.

We appreciate the comments in the Draft Proposed Order about PacifiCorp falling short of its targets ("Given the level of bids the Company shows in the IRP as potentially economic, we would expect the Company might have exceeded, rather than fallen short of, its early target." p. 30.). But we again urge the Commission to send a strong message to the Company about making its renewables acquisitions a priority.

1,400 MW Remains Planning Target

PacifiCorp states in its comments that 1,400 MW should remain the planning target until "additional experience with substantial amounts of wind on the system is obtained." PacifiCorp Response at 12. PacifiCorp made similar statements during the 2003 IRP process, about needing to gain experience with more wind on its system. First, we note that PacifiCorp already has a good deal of experience with integrating wind on its system. It currently has approximately 500 MW of wind on its system. This includes projects that are actually serving PacifiCorp customers (e.g., Combine Hills, Foote Creek, Rock River) in addition to wind that the Company is integrating for other utilities (e.g, 100-150 MW of Stateline for Seattle City Light). Second, the Company can't gain more experience if it never acquires substantial additional wind resources.

We support the direction in the Draft Proposed Order that the Company should refine its analysis of renewable resources in its next IRP and further analyze wind's capacity contribution (admittedly, we aren't comfortable with lowering the current targets. See proposed Draft Proposed Order at 31.). Given continued high gas prices, a movement towards more action at the federal level on carbon emissions, and considering the price stability and risk reduction benefits of renewables, we believe the next IRP should explore a more robust renewables target. Until then, we believe the Company's focus must be placed on acquiring renewable resources, not just on refining the analysis of those resources.

Potential CO2 Regulatory Costs

RNP fully support the direction in the Draft Proposed Order that PacifiCorp should continue to include an assumption of future regulatory costs of CO2 in its base case analyses. p. 34. But we continue to believe that PacifiCorp's value of $8.38/ton for CO2 emissions is too low. We, therefore, disagree that PacifiCorp should continue to use its own assumptions about future regulatory costs. We believe the Commission should provide more direction as to the appropriate adder in an IRP.

We note again specifically the April 7, 2005 California Public Utilities Commission Order which adopted imputed costs for CO2 emissions to be used by the utilities as the "greenhouse gas adder" in long-term planning and procurement. See CPUC Decision 05-04-024, Conclusion of Law 7. These are: a net present value of $8 per ton CO2, based on a cost stream of $5 per ton CO2 in the near term, $12.50/ton by 2008, and $17.50/ton by 2013. These imputed costs were developed by the Rocky Mountain Institute and Energy and Environmental Economics (E3) as part of the new avoided costs for use in evaluating energy efficiency programs. See http://www.ethree.com/cpuc_avoidedcosts.html.

Coal Plant

RNP fully supports the recommendation in the Draft Proposed Order that the Commission not acknowledge the acquisition of a new coal resource at this time. We also support the Staff recommendation that PacifiCorp continue its assessment of IGCC in terms of location, cost, technology risk and performance.

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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **REPLY COMMENTS OF THE RENEWABLE NORTHWEST PROJECT** on the following persons on July 13, 2005, by electronic mail:

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DATED this 13th day of July, 2005.

ESLER STEPHENS & BUCKLEY

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