**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 52

In the Matter of PACIFICORP dba PACIFIC POWER 2011 Integrated Resource Plan	RESPONSE OF THE NW ENERGY COALITION TO STAFF COMMENTS AND RECOMMENDATIONS

The NW Energy Coalition is pleased to offer the following comments on staff's final comments and recommendations in OPUC Docket LC52.

I. Coal Investments

NWEC has reviewed the Supplemental Coal Replacement Study filed by PacifiCorp in response to intervener requests for additional information and analysis for the purpose of evaluating investments in the company's aging coal fleet. These investments are estimated to amount to a total of $4.2 billion or more dollars. Staff states in their final comments that this study "solidifies the basis of the IRP[1]." NWEC disagrees with staff's conclusions regarding the value of the information presented in the Supplemental Coal Replacement Study and finds the study insufficient to adequately comply with IRP guidelines 4(g) and 1 (c).

The Supplemental Coal Study does not provide the specific unit-by-unit analysis that we and other parties called for in our opening comments. We specifically pointed out in our opening comments that a unit-by-unit analysis that would allow parties to analyze all

1 Staff Final Comments and Recommendations, page 9.

potential compliance costs associated with current and future regulation should include information regarding:

- unit efficiency
- unit coal costs
- known costs of environmental compliance
- the year investments are expected
- risk and range of additional environmental compliance costs that are not firm
- specific deadlines for environmental compliance
- costs and risks of future carbon regulation
- any other information necessary for a thorough analysis.

While the Supplemental Coal Replacement Study appears to have improved upon information provided in the IRP regarding coal plant investments, it falls short of providing the type of unit-by-unit analysis necessary to judge whether PacifiCorp's investments in these plants are prudent expenditures.

On this basis, we respectfully disagree with both of staff's recommendations on this issue that 1) the Commission proceed with IRP acknowledgement and 2) that PacifiCorp be required to fix deficiencies in the coal study in the March 2012 IRP update. Rather, we agree with the comments submitted by CUB in this docket that stress the urgency of this issue. Many of the coal plant investments in question are on the planning horizon for the next couple of years – we can no longer afford to wait for this information and analysis. It is for these reasons that **we strongly recommend that the Commission not acknowledge the 2011 IRP until such time as PacifiCorp provides the information necessary to evaluate the cost and risk for the utility and ratepayers of investing in coal plant upgrades on a unit by unit basis as compared to other resource portfolio options**. We agree with the recommendation presented in CUB's comments in this docket that the Commission require PacifiCorp to hold a technical workshop for interested parties to identify the parameters of a reasonable coal study, which PacifiCorp is then required to complete and the parties are given ample time to review and comment upon.

II. Demand Side Management (DSM)

The results of a thorough coal analysis may impact the Action Items related to Demand Side Management in this IRP. However, in the absence of such information, we restrict our comments to the information available through the existing IRP materials and, specifically, to staff's final comments and recommendations.

First, we commend staff for their excellent analysis of the DSM sections of the IRP. Staff's analysis clearly illustrates that the Company is underestimating the amount and pace with which DSM can be achieved in states other than Oregon. We agree with staff recommendations that the Commission require the Company to include higher, firm commitments to achieving DSM in the 2011 IRP. We also agree with staff's conclusion that underestimating the amount of cost effective DSM that can be achieved and/or the rate at which measures can be implemented has the affect of favoring supply side resources in the near term. Consequently, we agree with staff's resulting recommendation that PacifiCorp be required to postpone the 2016 CCCT indefinitely, substituting additional demand-side resources.

The following specific comments are organized by Action Item to correlate with staff comments on each issue.

<u>A) Action Item 6 – Class 2 DSM (Energy Efficiency)</u>

We fully concur with staff's recommendations that Action Item 6 be modified to require PacifiCorp to:

1) Acquire up to 1,800 MW of cost-effective Class 2 programs by 2020 including 1,200 MW in the eastern supply territory.

2) In the next IRP, evaluate alternatives for ramping up DSM 2 in a way that is equal to supply side resource development and procurement.

3) In the next IRP, provide an analysis of alternatives to the current bundling method for modeling and evaluating energy efficiency measure supply curves.

4) A CVR acquisition project in PacifiCorp's Washington service area will begin in 2012 and end no later than 2018. The next filed PacifiCorp IRP will include an action plan item to acquire all of the available cost effective CVR throughout its service area by 2022. [2]

As staff points out, the amount of energy efficiency selected by PacifiCorp in the Action Plan for states other than Oregon is surprisingly lower than the energy efficiency that CADMUS reported as technically available and achievable in those states.

STATE	CADMUS[3] Technical and achievable savings (MW) by 2030	Class 2 DSM selected in PREFERRED PORTFOLIO (MW) by 2030[4]
IDAHO	104	11
Utah	2,013	976
Wyoming	267	267
California	41	30
Washington	226	170
TOTAL	2,651	1,454

2 Staff's Final Comments and Recommendations LC52, pp.5-6

3 Assessment of Long-Term, System-Wide Potential for Demand-Side and Other Supplemental Resources Volume I, CADMUS, Table 53, p. 49

4 PacifiCorp IRP, Vol. 1, Table 8.16, p.230

We find that the company has not adequately explained the basis for including in its Action Plan such a low percentage of the technically available and achievable Class 2 DSM reported by its contractor in its Conservation Potential Assessment. Further, the amount of Class 2 DSM identified for Oregon alone in the Preferred Portfolio by 2020 is 562 MW – almost 50% the Class 2 DSM selected in PacifiCorp's Action Plan (1,200 MW by 2020). By comparison, Oregon is responsible for 22 percent of PacifiCorp's load in MWh. We agree that Oregon is a leader in energy efficiency, however, would urge the company to re-evaluate whether modeling approaches for Class 2 DSM in states other than Oregon are resulting in an underestimation of the amount of cost effective DSM available in those states.

Ramp Rates

We have to admit that even after some time spent attempting to understand the different approaches to assigning ramp rates to DSM 2 measures in Oregon and the other states served by PacifiCorp, we still do not have a clear understanding of how the company establishes these ramp rates. We do understand that the approach in Oregon differs from the approach used by CADMUS for other states. In their reply comments, PacifiCorp states that they "believe that the ramp rate assumptions adopted for the IRP portfolio modeling reflect prudent consideration of company-specific implementation constraints not accounted for in the potential assessments."[5] Reply comments then direct the reader to the "explanation of ramp rates on page 50 of the CADMUS study". The explanation in the CADMUS study is:

> "... the acquisition schedule will vary by state. For example, PacifiCorp has been running DSM programs in Utah and Washington for several years, and thus has a well-developed delivery infrastructure and high customer awareness. In Wyoming, however, programs are only starting to be rolled out; so the ramp-up time for full acquisition will be slower. California and Idaho markets fall between the middle of those extremes."[6]

5 PacifiCorp Reply Comments LC52, p.9

6 Assessment of Long-Term, System-Wide Potential for Demand-Side and Other Supplemental Resources Volume I, CADMUS, p.50

We do not feel that the company has provided enough information to provide an accurate analysis of how these ramp rates were determined in order to fully examine the accuracy of those rates in determining DSM achievement potential.

Whatever the method used to calculate the ramp rates, rates utilized by PacifiCorp resulted in less energy efficiency in early years and more in later years (post- 2020). As we pointed out in our opening comments, we find this surprising, particularly for the states of Wyoming and Idaho because energy efficiency is just gearing up in those states and much of the "low hanging fruit" is now ripe for achievement. PacifiCorp points out in their response comments (p.9) that the end result DSM achievement is the same irrespective of the ramp rates, however, given the near term timing of the 2016 CCCT called for under the Action Plan, we believe ramp rates have a significant impact on that particular decision. We agree with staff's recommendation that acquiring slightly more DSM, perhaps at a slightly faster rate, can prevent, or at the very least delay the 2016 CCCT called for under the Action Plan.

Bundling

The methodology used by the Company to bundle measures together for modeling purposes is also confusing. It is our understanding that the approaches for Oregon and other states differ in significant ways, including the number of bundles used and the pricing for each bundle. We share staff's concern that the manner in which the bundles are designed may be causing the model to exclude measures that would be cost effective. We believe this to be one of the primary reasons the model selected less Class 2 DSM in states other than Oregon than would otherwise be indicated by the amounts reported as achievable in the CADMUS report. We therefore agree with staff's recommendation that the Company, in advance of the next IRP, explore alternatives to the current bundling method for modeling and evaluating energy efficiency measure supply curves. Included in this analysis should be a thorough examination of how the approaches for Oregon and other states differ, the affect on DSM selection that these differing approaches may have, and an attempt to improve the bundling methodology in all states to encourage the model to select all cost effective DSM. The Coalition would be interested in reviewing and commenting on this analysis should the company find it helpful to engage other parties in this process.

Distribution Energy Efficiency

We agree with staff's recommendation that the Company should move more aggressively to implement their conservation voltage reduction measures. Under Order No. 10-066, Docket No. LC47 (p27), PacifiCorp is required to incorporate its Washington assessment of CVR in this IRP for planning purposes. We agree with staff's conclusion that reporting that the study looks promising does not amount to including the results of the study for planning purposes. While we understand the limitations of the specific study concluded to date, we are encouraged by the Company's positive reports of the resource potential for energy and capacity savings. We hope the Company will move more aggressively toward completing CVR in all service areas.

<u>B) Action Item 5 – Class 1 DSM (Load Control)</u>

In their closing comments, staff agrees with the Coalition's concerns, expressed in our opening comments (p.8), that although the Company's preferred portfolio chooses 250 MW of Class 1 DSM, the company states that 170 MW of that DSM may not be implemented based on economic viability. We recommend that the Commission strongly encourage PacifiCorp to actively acquire all economic Class 1 resources.

III. Transmission

PacifiCorp's proposed Energy Gateway package of transmission projects is the largest single transmission expansion undertaking in the Western Interconnection and possibly in the nation. With a planned extent of over 2,000 miles and projected cost in excess of $6 billion, Gateway carries the potential for both substantial net benefits and substantial economic risks to customers.

Because of its influence on the course of development for new renewable energy, demand-side resources and other new transmission projects, planning and PUC acknowledgement for the specific segments and evolving Energy Gateway package takes on added significance. However, the specific purposes of the Gateway project as a whole and the major segments that are now moving forward in planning remain elusive. For example, PacifiCorp states:

> "As with all Energy Gateway segments, the benefits of the Hemingway to Captain Jack project will be thoroughly evaluated before the Company pursues investment in permitting and, ultimately, construction. Should the system and customer benefits of the alternative proposed projects exceed those expected from the Hemingway to Captain Jack project, it would be prudent for the Company to pursue these options instead. Until that time, additional details on the projects proposed by Idaho Power and PGE are available in their IRPs and internet resources."[7]

We appreciate PacifiCorp's acknowledgement of our concerns in the reply comments, but we hope a more in-depth assessment will be provided by the company to go beyond the traditional focus on cost and reliability. This will help provide a much more precise evaluation of net benefits to consumers as each segment advances through the process. This is also the moment for PacifiCorp to become a leader, taking advantage of emerging technological and regulatory opportunities to shift transmission planning from relative isolation to a more connected approach.

Energy Gateway should not only provide basic service but also fill out its potential to leverage total system value. It should bring together advanced grid management, fully incorporate worthwhile measures and resources on both the supply and demand side, and

7 PacifiCorp Reply Comments LC52 (p.18)

be planned explicitly in conjunction with existing and new major transmission links within the regional context.

Planning for the Gateway package should be revamped to maximize non-transmission alternatives (including energy efficiency, demand reduction, distributed generation and other approaches), and advanced market mechanisms and control systems. These elements should be built in from the start to decrease the footprint and cost for new transmission. Alongside increased new renewable resource diversity, this will greatly decrease the need for expensive balancing reserves and ramping events.

Energy Gateway can unlock the potential for much greater use of new renewable energy, optimally distributed and sited throughout the region. This will dramatically improve geographic and resource diversity among wind, solar, geothermal and biomass energy. This requires reconsideration of corridor locations for Gateway against an expanded evaluation of renewable development zones in the region, many of which are out of reach from transmission at the present time. Re-evaluation is needed to asses how segments of Gateway could potentially reach those areas directly or be reconfigured to make connection to other projects that do so.

As a complete and coherent package including non-transmission alternatives, advanced grid management and diverse new renewables, Gateway can further hasten the phase out of aging fossil fuel resources and their pollution, fuel price volatility and greenhouse gas emissions, while opening up their released transfer capacity for new clean resources. These are essential to improving net benefits to customers.

The effective period of this IRP will coincide with important developments in the WECC/WGA Regional Transmission Expansion Project as well as the parallel development of the initial compliance filings under FERC Order 1000. We commend

PacifiCorp for taking note of these developments in the initial draft IRP and reply comments.

Most recently, the Obama administration announced a new initiative in early October for more effective coordination of federal transmission siting review. Energy Gateway, Boardman-to-Hemingway and Cascade Crossing were all selected for the pilot phase, suggesting that these three projects may be considered as one mega-project that will to a large degree set the course of future power system development in our region for years and decades to come.

This further elevates the importance of not treating Gateway as a "take it or leave it" proposition. To take advantage of the substantial effort and resources that have already gone into its conception and development, the importance of a thorough bottom-up and top-down review must not be swept aside.

We recommend that the Commission include language in an acknowledgement order for the current IRP that encourages PacifiCorp to move forward on more comprehensive planning of the Energy Gateway package, taking into full consideration the existing plan and a full range of alternatives, with a view to maximizing non-transmission alternatives, full development of renewable energy, retirement of outmoded fossil fuel resources, and leveraging maximum value alongside existing and proposed new transmission resources.

Turning to the specific segments of Energy Gateway for which PacifiCorp seeks acknowledgment in this IRP, we join with the comments being filed concurrently by Renewable Northwest Project (RNP) responding to the Staff in their Final Comments and Recommendations (pp. 34-44). The Staff's use of a direct benefit/cost test is appropriate but not sufficient to assess proposed transmission projects for acknowledgement. We support the important suggestions made by RNP concerning further assessment of both quantifiable and nonquantifiable factors, and their proposal for a workshop to discuss these issues and further refine the criteria for transmission project assessment.

The Coalition appreciates the opportunity to provide comments on staff's comments and recommendations in LC52. Primarily, we appeal to the Commission to provide the parties in this docket the opportunity to work through a more thorough analysis of PacifiCorp's coal investments in this IRP. We look forward to being a productive participant in discussions on that critical issue.

Respectfully submitted,

Wendy Gerlitz
Senior Policy Associate
NW Energy Coalition

Fred Heutte
Senior Policy Associate
NW Energy Coalition

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **Response Comments of NW Energy Coalition** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class Mail, postage prepaid and properly addressed, to those parties on the service list who have not waived paper service from OPUC Docket No. LC 52.

DATED this 3rd day of November, 2011.

Wgerlitz

Wendy Gerlitz
Senior Policy Associate
NW Energy Coalition
Portland, Oregon

Summary Report

LC 52 PACIFIC POWER

Category: Least Cost Planning

Filed By: PACIFIC POWER

In the Matter of
PACIFICORP dba PACIFIC POWER
2011 Integrated Resource Plan

Filed by Andrea L. Kelly. (Hard copy rec' d 4/1/11)

Filing Date: 3/31/2011

Case Colville, Erik E 503 378-6360

Law Judge(s): KIRKPATRICK, TRACI (503) 378-6683

SERVICE LIST:

OREGON DOCKETS
PACIFICORP, DBA PACIFIC POWER
825 NE MULTNOMAH ST, STE 2000
PORTLAND OR 97232

ERIK COLVILLE -- CONFIDENTIAL
PUBLIC UTILITY COMMISSION
PO BOX 2148
SALEM OR 97308-2148

RANDY DAHLGREN
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST - 1WTC0702
PORTLAND OR 97204

MEGAN WALSETH DECKER -- CONFIDENTIAL
RENEWABLE NORTHWEST PROJECT
421 SW 6TH AVE #1125
PORTLAND OR 97204-1629

GORDON FEIGHNER -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY, STE 400
PORTLAND OR 97205

JEREMY FISHER -- CONFIDENTIAL
SYNAPSE ENERGY
485 MASSACHUSETTS AVE., STE 2
CAMBRIDGE MA 02139

WENDY GERLITZ -- CONFIDENTIAL
NW ENERGY COALITION
1205 SE FLAVEL
PORTLAND OR 97202

FRED HEUTTE -- CONFIDENTIAL
NW ENERGY COALITION
PO BOX 40308
PORTLAND OR 97240-0308

ROBERT JENKS -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY, STE 400
PORTLAND OR 97205

JASON W JONES -- CONFIDENTIAL
PUC STAFF--DEPARTMENT OF JUSTICE
BUSINESS ACTIVITIES SECTION
1162 COURT ST NE
SALEM OR 97301-4096

JESS KINCAID
COMMUNITY ACTION PARTNERSHIP OF OREGON
PO BOX 7964
SALEM OR 97301

BRIAN KUEHNE
PORTLAND GENERAL ELECTRIC
121 SW SALMON STREET 3WTC BR06
PORTLAND OR 97204

Summary Report

LC 52 PACIFIC POWER

JIMMY LINDSAY -- CONFIDENTIAL
RENEWABLE NORTHWEST PROJECT
421 SW 6TH AVE #1125
PORTLAND OR 97204-1629

G. CATRIONA MCCRACKEN -- CONFIDENTIAL
CITIZENS' UTILITY BOARD OF OREGON
610 SW BROADWAY, STE 400
PORTLAND OR 97205

JANET L PREWITT -- CONFIDENTIAL
*OREGON DEPARTMENT OF JUSTICE
NATURAL RESOURCES SECTION
1162 COURT ST NE
SALEM OR 97301-4096

IRION A SANGER -- CONFIDENTIAL
DAVISON VAN CLEVE
333 SW TAYLOR - STE 400
PORTLAND OR 97204

VIJAY A SATYAL -- CONFIDENTIAL
*OREGON DEPARTMENT OF ENERGY
625 MARION ST NE
SALEM OR 97301

V. DENISE SAUNDERS
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST 1WTC1301
PORTLAND OR 97204

DONALD W SCHOENBECK -- CONFIDENTIAL
REGULATORY & COGENERATION SERVICES INC
900 WASHINGTON ST STE 780
VANCOUVER WA 98660-3455

REBECCA SHERMAN -- CONFIDENTIAL
*OREGON DEPARTMENT OF ENERGY
625 MARION ST NE
SALEM OR 97301

GLORIA D SMITH -- CONFIDENTIAL
SIERRA CLUB LAW PROGRAM
85 SECOND STREET
SAN FRANCISCO CA 94105

JEFF SPEIR -- CONFIDENTIAL
SIERRA CLUB
85 SECOND ST., 2ND FLR
SAN FRANCISCO CA 94105

JOHN W STEPHENS -- CONFIDENTIAL
ESLER STEPHENS & BUCKLEY
888 SW FIFTH AVE STE 700
PORTLAND OR 97204-2021

PETE WARNKEN
PACIFICORP ENERGY
825 NE MULTNOMAH - STE 600
PORTLAND OR 97232

MARY WIENCKE
PACIFIC POWER
825 NE MULTNOMAH ST, STE 1800
PORTLAND OR 97232-2149