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November 3, 2011

Attention: Filing Center
Public Utility Commission of Oregon
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Re: *In the Matter of PACIFICORP dba PACIFIC POWER 2011 Integrated Resource Plan*
PUC Docket No.: LC 52
DOJ File No.: 330-030-GN0109-11

Enclosed are an original and five copies of OREGON DEPARTMENT OF ENERGY'S FINAL COMMENTS in the above-captioned matter for filing with the PUC for today.

Sincerely,

Janet L. Prewitt
Assistant Attorney General
Natural Resources Section

Enclosures
JLP:jrs/#3073867
c: LC 52 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 52

In the Matter of)	
PACIFICORP dba PACIFIC POWER)	OREGON DEPARTMENT OF ENERGY'S
2011 Integrated Resource Plan)	FINAL COMMENTS
)	

Oregon Department of Energy (“ODOE”) respectfully submits these Final Comments in the 2011 PacifiCorp Integrated Resource Plan (“IRP”) in accordance with the Oregon Public Utility Commission (“OPUC”) Order No. 07-002 and amended Order No. 07-047. ODOE appreciates the improvements to PacifiCorp’s IRP resource modeling by using the System Optimizer tool as part of the resource modeling and portfolio analysis for implementing state-specific emission standard into their analyses. These comments primarily address the following issues: (1) evaluating strategies for Renewable Portfolio Standard (RPS) compliance, (2) increased acquisition of geothermal power and concerns about the dry-hole risk and (3) Clean Air act Investments.

I. Evaluating Strategies for Renewable Portfolio Standard (“RPS”) Compliance

ODOE appreciates PacifiCorp’s acknowledgment and Staff’s agreement that the IRP is the appropriate place to evaluate strategies for achieving compliance with the RPS and its impact on resource selection in IRP resource modeling. Staff indicated concern that the implementation plan, compliance plan, and resource plan be consistent. ODOE agrees, and notes that consistency will be a challenge given the variable timelines of these efforts. For instance, the next implementation plan will be submitted to the Commission and likely approved during the present IRP proceeding. ODOE reaffirms the need for a robust RPS compliance strategy discussion in the IRP proceeding, and expects that both the biennial implementation plan and the annual compliance plan will reference and clearly demonstrate consistency with the most current IRP.

ODOE provides the following observations regarding the purposes of each of the plans. The RPS implementation plan is not evaluative. It is instead a public progress update, so that ratepayers, the market, and other observers have a window into utility compliance. That includes a true accounting

of the cost of complying with the RPS. In the first plans, key issues like calculating incremental cost will need to be resolved. For the most part, the implementation plan should be brief, readable, and focused exclusively on the RPS and its companion Solar Capacity Standard. This is the best place for the public to know what is happening inside Oregon's RPS.

The IRP is the appropriate forum for stakeholders to engage in a thorough evaluation of the least cost, least risk public interest strategy to meet the requirements of the RPS and implications of long-term management of renewable energy credits ("RECs"). This is where it is logical to ask about resource selection, valuation, and fuel diversity. It is also appropriate in this protected setting to review otherwise unavailable information, when it can fall under existing confidentiality restrictions.

While there are many pathways to RPS compliance, RPS compliance plan operates under a different framework. It is where the Commission will ensure that the retirement of renewable energy certificates was conducted in accordance with program requirements. Determination of policy issues in this proceeding will inform the next strategy for compliance laid out in the IRP.

II. Increased Acquisition of Geothermal Power and Concerns About Dry-Hole Risk

In its Opening Comments, ODOE made the case for the importance of fuel diversity in both meeting the RPS and managing long-term price and power stability and service. ODOE believes that geothermal resources are available, affordable, and should be a greater part of PacifiCorp's resource mix.

PacifiCorp has signaled that it would like to acquire geothermal resources, but only after regulators confront the financial risk of geothermal drilling without finding a viable resource, termed "dry-hole risk." ODOE recognizes Staff's position (Page 33) that it cannot direct PacifiCorp to issue a "geothermal-only" RFP; however, the RFP bidding process deserves more attention to ensure an equal playing field for "high-startup cost" but "proven and long-term reliable and low-cost" energy sources like geothermal. ODOE also strongly supports Staff's recommendation (Page 34) for PacifiCorp to share their findings from the October 5th 2011-issued "Request for Information" for geothermal resources, as the all-source RFP will be developed and issued in 2012.

ODOE questions Staff's view that "dry-hole risk" is only a rate-making issue (and therefore outside the confines of an IRP process) when Staff states in the Proposed Order (Page 56) that integrated

resource planning complements rate-making. ODOE views fundamental roadblocks to geothermal resource acquisition to be closely tied to all resource acquisitions, and, thus a key aspect of an IRP review process and not just a rate-making issue alone.

Last, regarding the issue of dry-hole risk, ODOE further requests the Commission to consider opening a docket to investigate specific barriers facing investor-owned utilities in Oregon, and hosting a workshop or an informational session that highlights latest industry efforts involving geothermal technologies and risk liability management.

III. Clean Air Act Investments

ODOE appreciates PacifiCorp for undertaking a system-wide “coal-utilitization based replacement” study that expanded the range of potential environmental regulations. The study as it relates to Action Item 8 (PUC Staff Final Comments) also widened the range of potential replacement resource options. ODOE also believes the methodological approach to be fair in regards to the determination of whether replacement resources would lower system costs. The study is considered to be a “proof-of-concept” and makes a number of assumptions, notable ones being: *“The study was done to pave the way for future refinement of the modeling approach and not intended to draw conclusions on the disposition of individual generating units within the system.”*

ODOE however raises the following concerns about the study:

1. **Sunk costs:** The study does not capture environmental regulatory investment costs between 2005 through 2010 (or possibly later) as part of the system-wide investment costs. It appears to be sunk costs.
2. **Potential contradiction- Objective of the study versus exclusionary assumption:** Page 2 cites the study to:
“...not capture the economic trade-offs among a range of potential replacement resource alternatives”.

This critical disclaimer is in some way at odds with the objective of the study (Page 1) that seeks to focus on:

“...how a range of commodity market prices and CO2 costs along with environmental compliance costs influence the economic tradeoffs that might cause coal resources to be displaced resources prior to the end of their depreciable lives.”

3. **Net present value calculation:** ODOE supports Staff’s discovery and concern in regards to how the net present value assessment for pollution control investments were factored in for early-retirement of facilities but not for continued operation.

In summary, ODOE supports any effort by the Commission to consider a revised study that addresses some of these gaps and provides ratepayers a truer sense of the economic compliance costs associated with existing units of all the utility’s coal-powered resources. Providing a revised study that captures many of the missing issues would be in the interest of PacifiCorp and also assist the Commission in resolving the prudence of investment decisions that are associated with the 2011 IRP. ODOE prefers that such a study be completed prior to acknowledging the 2011 IRP but is willing to support a March 2012 IRP Update if clear expectations and conditions for the study are set that provide a unit-by-unit assessment and capture the weaknesses above.

IV. Wind Integration Study

ODOE supports Staff in their Final comments (Page 32) in asking PacifiCorp to consider a technical review committee that would not only engage into the methodological constructs of measuring variable energy resources (VERs) but also ensure that the intervening parties and stakeholders get access and participation in the workshops as much as possible.

V. Energy Storage

ODOE believes that energy storage has a future in the Pacific Northwest. Therefore, ODOE supports an energy storage pilot that is useful in Oregon as well as Utah. ODOE supports a mechanism for making the study available to stakeholders once it is complete.

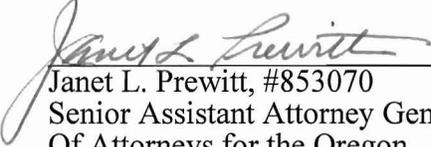
In summary, ODOE believes that the IRP should contain a much more robust evaluation of pathways to comply with the state Renewable Portfolio Standard; that the Commission should take a series of specific actions to support the acquisition of geothermal resources into PacifiCorp’s power mix;

and that the Commission should require a full and complete evaluation of coal replacement issues in the present IRP, unless certain aggressive targets and conditions can be met.

DATED this 3rd day of November, 2011.

Respectfully submitted,

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LC 52 Service List

W=Waive Paper service

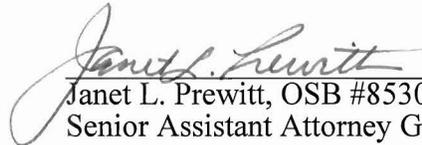
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CERTIFICATE OF SERVICE

I hereby certify that on the 3rd day of November 2011, I served the foregoing OREGON DEPARTMENT OF ENERGY'S FINAL COMMENTS upon the persons named on the service list, by mailing a full, true and correct copy thereof and to such persons waiving such service by mail who were served at their e-mail address as listed on the service list.

DATED: November 3, 2011



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Senior Assistant Attorney General