

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 57

In the Matter of)
)
PACIFICORP, dba PACIFIC POWER) OPENING COMMENTS OF THE
) INDUSTRIAL CUSTOMERS OF
) NORTHWEST UTILITIES
2013 Integrated Resource Plan.)
)
_____)

I. INTRODUCTION

Pursuant to Administrative Law Judge Pines' Prehearing Conference Memorandum, the Industrial Customers of Northwest Utilities ("ICNU") submits the following comments regarding PacifiCorp's (or the "Company") 2013 Integrated Resource Plan ("IRP"). ICNU is submitting limited comments at this time, and will review the Opening Comments of other parties and PacifiCorp's Reply Comments. ICNU may raise additional issues in its Final Comments and/or at the Oregon Public Utility Commission's ("OPUC" or the "Commission") open meeting that will consider acknowledgement of PacifiCorp's 2013 IRP.

ICNU's Opening Comments focus on the fact that PacifiCorp's 2013 IRP appears to be designed to support an allocation of costs that PacifiCorp allegedly incurs for its Western Control Area (including Oregon) to its western states alone, and an allocation of costs that are incurred for and benefit its Eastern Control Area broadly to all of its states. Western states, including Oregon, should not pay the full costs of individual policies related to the acquisition of renewable generation resources, unbundled renewable energy credits ("RECs"), new solar resources and hydro removals, while also paying for a portion of new expensive generation and

transmission projects related to load growth and the lack of conservation investments in the Eastern Control Area.

II. BACKGROUND

PacifiCorp held numerous meetings in a public participation process during 2012 and early 2013. ICNU participated in some, but not all of the public meetings, and provided PacifiCorp with informal comments regarding the Company's planning assumptions.

PacifiCorp filed its 2013 IRP in March 2013. The Company's last 2011 IRP was partially acknowledged by the Commission in March 2012. Re PacifiCorp, Docket No. LC 52, Order No. 12-082 (March 9, 2012). In the last IRP, ICNU raised technical and policy concerns regarding PacifiCorp's increase to a 13% planning reserve margin, which the Company relied upon to partially justify the Company's claimed need for an additional 2016 thermal resource in its Eastern Control Area. In this current 2013 IRP, PacifiCorp has shifted its next planned thermal and wind resources to 2024, and plans to meet its loads with conservation, front office transactions (market purchases), coal to gas conversions, and small amounts of utility and distributed solar generation. While ICNU continues to oppose the use of a 13% planning reserve margin, the Company's planning reserve margins are less important due to what appears to be PacifiCorp's now distant plans for the acquisition of new large thermal and wind resources. Thus, ICNU is not raising issues relating to the planning reserve margins in this proceeding, and the issue of the Company's planning reserve margins should be addressed once it has a more direct impact on the Company's planned resource acquisitions.

III. COMMENTS

1. PacifiCorp's IRP Will Be Used to Justify the Allocation of Higher Costs to Oregon Customers

PacifiCorp has typically conducted its regulatory and planning operations based on the myth that it operates as a single utility, when in fact the Company has two distinct control areas in the west (primarily Oregon, California and Washington as well as some eastern operations, including the Jim Bridger plant) and the east (primarily Idaho, Wyoming and Utah). PacifiCorp has transmission connections between its Western and Eastern Control Areas, as well as connections to other markets, but the Company's actual planning and daily operations are largely within these geographically constrained areas.

ICNU is concerned that PacifiCorp's 2013 IRP appears to be laying the foundation to allocate costs incurred for the alleged benefit of Western Control Area customers solely to states like Oregon, yet continue to allocate the costs of resources acquired to benefit its eastern customers broadly to all six states. The Commission should recognize that PacifiCorp's planning and operations are becoming increasingly frayed, and that PacifiCorp's 2013 IRP may be another tool that the Company uses to shift eastern costs to Oregon customers. Oregon customers should be responsible for the costs they impose upon PacifiCorp, but should not be required to pay for new and expensive transmission and generation projects that do not benefit the Company's western operations.

PacifiCorp is not planning on acquiring a large utility scale renewable resource until 2024, but claims that it needs to acquire unbundled RECs to meet Oregon's, Washington's and California's renewable portfolio standards, as well as solar resources to meet Oregon's solar

standard. PacifiCorp 2013 IRP 52-53. ICNU expects that PacifiCorp will likely argue that most of the costs of these acquisitions should be allocated to Oregon. For example, Oregon is currently paying for nearly all the costs associated with the Klamath relicensing and potential dam removal, even though Oregon does not receive all of the benefits of western hydro resources. Similarly, PacifiCorp's conservation programs (which the Company now plans to rely upon to meet much of its expected resource needs) are largely driven by individual state policies and standards, which has resulted in strong programs in Oregon and weak conservation acquisitions in its Eastern Control Area. Therefore, the Company is increasingly needing to adjust its resource plans to address individual state energy policies.

PacifiCorp has constructed a number of new gas plants to serve load in its eastern operations, and is planning on building extensive new transmission projects that are designed to meet the needs of its eastern generation and loads. PacifiCorp 2013 IRP at 19, 55-77. While PacifiCorp often asserts that its transmission improvements are designed to provide system benefits, its transmission projects actually serve the load and energy needs of the local areas in which they are built. Id. at 23, 55-62. For example, the construction of its new Sigurd to Red Butte Line is based on the need to meet the obligations of Utah loads and resources. In addition, the Company has developed a new System Operational and Reliability and Benefits Tool ("SBT") to further justify its transmission projects. The SBT identifies \$645 million in benefits for the Sigurd to Red Butte Line, with only a small portion (wheeling revenues) potentially benefiting all of PacifiCorp's customers. Id. at 65. Oregon customers should not pay for the costs of transmission improvements that will not benefit the Western Control Area while paying

for the majority or all of the costs of unbundled RECs, solar generation and hydro relicensing and dam removal.

2. The SBT Warrants Further Review

PacifiCorp has requested acknowledgement of its request to establish a stakeholder process to further review its SBT, and to complete its analysis of proposed transmission investments using the SBT. ICNU is not opposed to PacifiCorp attempting to calculate the costs and benefits of its transmission investments, but notes that it is curious that the Company is seeking to develop such a tool at the same time it is moving away from a strategy of investing in generation resources and moving toward huge transmission investments. ICNU recommends that any analysis of the SBT should review whether any alleged benefits are truly incremental to PacifiCorp's standard IRP modeling, and how any of the economic benefits will flow through to ratepayers. For example, PacifiCorp includes a category of "Customer and Regulatory Benefits" that is supposed to account for cost savings to customers due to a more reliable transmission system. Verification of any alleged benefits may be difficult, and they should not be used to justify transmission projects unless PacifiCorp can demonstrate that the benefits are real and will flow to all of its customers.

PacifiCorp's SBT appears to not fully consider the total costs of transmission improvements and should identify which customers (Eastern or Western Control Area) will reap any benefits. For example, if there are any actual "Customer and Regulatory Benefits," then the benefits need to be weighed against the higher rates that customers will pay to achieve the alleged reliability improvements. Reliability issues that this new transmission is allegedly fixing also need to be identified. In addition, the SBT does not appear to account for cost savings that

could accrue if PacifiCorp did not build the transmission infrastructure and instead relied upon conservation, net metering or cogeneration resources. Any SBT should be comprehensive and not simply a tool to justify transmission investments that PacifiCorp is already planning to make.

3. Carbon Regulation and Environmental Compliance

ICNU will review the comments of other parties and Staff, and may provide additional comments on carbon regulation and environmental compliance later in the proceeding. At a minimum, ICNU recommends that PacifiCorp should plan for a variety of potential regulation outcomes, including the possibility that there will be no state or federal regulation of carbon emissions (the zero carbon tax option), as well as the possibility that the Environmental Protection Agency's ("EPA") strict environmental regulations for coal will be implemented. On carbon emissions, ICNU notes that Oregon utilities have included carbon tax assumptions in their IRPs for years, and we appear to be far from any federal carbon tax or regulation. The risk of carbon regulation should be included in the IRP, as well as the possibility that there will be no carbon tax or cap and trade program. Conversely, while it is in the best interest of PacifiCorp's ratepayers for the Company to ensure that the EPA does not impose unnecessarily costly new coal regulations, the Company's IRP should account for the possibility that stricter coal regulations may be adopted.

IV. CONCLUSION

PacifiCorp's IRP is apparently designed to justify the Company's future requests to charge Oregon ratepayers the costs of resources that are allegedly acquired to meet the needs of Western Control Area customers, while also attempting to charge Oregon customers a portion of the costs of resources that are being acquired to meet only the needs of customers in its

Eastern Control Area. The Commission should give little to no weight to PacifiCorp's planning assumptions in the IRP regarding which customers benefit from its acquisition of renewable resources, transmission investments and coal plant upgrades. In addition, in future rate and multi-state process proceedings, PacifiCorp should be required to demonstrate benefits that exceed the costs to Oregon customers of any transmission resources and generation resources (including coal upgrades or gas conversions) that the Company proposes to allocate to Oregon because many of PacifiCorp's transmission investments do not benefit Oregon customers. The key is to ensure that system costs are allocated fairly and consistently.

Dated this 22nd day of August, 2013

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Melinda J. Davison

Melinda J. Davison

Davison Van Cleve, P.C.

333 S.W. Taylor, Suite 400

Portland, Oregon 97204

(503) 241-7242 telephone

(503) 241-8160 facsimile

mjd@dvclaw.com

Of Attorneys for Industrial Customers
of Northwest Utilities

Davison Van Cleve PC

Attorneys at Law

TEL (503) 241-7242 • FAX (503) 241-8160 • mail@dvclaw.com
Suite 400
333 SW Taylor
Portland, OR 97204

August 22, 2013

Via Electronic and Federal Express

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of PACIFICORP's 2013 Integrated Resource Plan
Docket No. LC 57

Dear Filing Center:

Enclosed for filing in the above-referenced docket, please find the original and three (3) copies of the Opening Comments of the Industrial Customers of Northwest Utilities.

Thank you for your assistance, and please do not hesitate to call with any questions.

Sincerely,

/s/ Jesse Gorsuch
Jesse Gorsuch

Enclosures
cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the OPENING COMMENTS OF THE INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES upon all parties of record in this proceeding by sending a copy thereof via electronic mail to each individual's last-known email address, as shown below.

Dated this 22nd day of August, 2013.

Davison Van Cleve, P.C.

/s/ Jesse Gorsuch
Jesse Gorsuch

<p>OREGON DEPARTMENT OF ENERGY (W) KACIA BROCKMAN 625 MARION ST NE SALEM , OR 97301 kacia.brockman@state.or.us</p>	<p>RENEE M. FRANCE (W) OREGON DEPARTMENT OF JUSTICE NATURAL RESOURCES SECTION 1162 COURT ST. NE SALEM, OR 97301-4096 renee.m.france@doj.state.or.us</p>
<p>CITIZENS' UTILITY BOARD OF OREGON (W) OPUC DOCKETS ROBERT JENKS G. CATRIONA MCCRACKEN 610 SW BROADWAY, STE 400 PORTLAND, OR 97205 dockets@oregoncub.org bob@oregoncub.org catriona@oregoncub.org</p>	<p>IDAHO POWER COMPANY (W) REGULATORY DOCKETS LISA D NORDSTROM PO BOX 70 BOISE ID 83707-0070 dockets@idahopower.com lnordstrom@idahopower.com</p>
<p>MCDOWELL RACKNER & GIBSON PC (W) LISA F RACKNER 419 SW 11TH AVE., SUITE 400 PORTLAND OR 97205 dockets@mcd-law.com</p>	<p>NW ENERGY COALITION (W) WENDY GERLITZ 1205 SE FLAVEL PORTLAND OR 97202 wendy@nwenergy.org</p> <p>FRED HEUTTE PO BOX 40308 PORTLAND OR 97240-0308 fred@nwenergy.org</p>
<p>PACIFIC POWER (W) MARY WIENCKE 825 NE MULTNOMAH ST, STE 1800 PORTLAND OR 97232-2149 mary.wiencke@pacificcorp.com</p>	<p>PACIFICORP, DBA PACIFIC POWER (W) OREGON DOCKETS 825 NE MULTNOMAH ST, STE 2000 PORTLAND OR 97232 oregondockets@pacificcorp.com</p>

<p>PORTLAND GENERAL ELECTRIC (W) PATRICK G. HAGER BRIAN KUEHNE V. DENISE SAUNDERS 121 SW SALMON ST 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com patrick.hager@pgn.com brian.kuehne@pgn.com denise.saunders@pgn.com</p>	<p>PUC STAFF --DEPARTMENT OF JUSTICE (W) JASON W JONES BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us</p>
<p>RENEWABLE NORTHWEST PROJECT (W) MEGAN WALSETH DECKER RNP DOCKETS 421 SW 6TH AVE #1125 PORTLAND OR 97204-1629 megan@rnp.org dockets@rnp.org</p>	<p>SIERRA CLUB LAW PROGRAM (W) DEREK NELSON GLORIA D. SMITH 85 SECOND ST. 2ND FLOOR SAN FRANCISCO, CA 94105 derek.nelson@sierraclub.org gloria.smith@sierraclub.org</p>
<p>SIERRA CLUB ENVIRONMENTAL LAW PROGRAM (W) TRAVIS RITCHIE 85 SECOND STREET, 2ND FL SAN FRANCISCO CA 94105 travis.ritchie@sierraclub.org</p>	<p>REGULATORY & COGENERATION SERVICES INC. (W) DONALD SCHOENBECK 900 WASHINGTON ST, SUITE 780 VANCOUVER, WA 98660 dws@r-c-s-in.com</p>
<p>PUBLIC UTILITY COMMISSION OF OREGON (W) JULIET JOHNSON P.O. BOX 2148 PORTLAND, OR 97204 juliet.johnson@state.or.us</p>	<p>NATURAL RESOURCES DEFENSE COUNCIL (W) ANGUS DUNCAN 2373 NW JOHNSON ST. PORTLAND, OR 97210 angusduncan.@b-e-f.org</p>
<p>NATURAL RESOURCES DEFENSE COUNCIL (W) RALPH CAVANAGH 111 SUTTER ST., FL 20 SAN FRANCISCO, CA 94104 rcavanagh@nrdc.org</p>	<p>SIERRA CLUB LAW PROGRAM (W) DEREK NELSON GLORIA D. SMITH 85 SECOND STREET, 2ND FLOOR SAN FRANCISCO, CA 94105 derek.nelson@sierraclub.org gloria.smith@sierraclub.org</p>