

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 57

In the Matter of)
)
PACIFICORP)
dba PACIFIC POWER)
)
2013 Integrated Resource Plan)
_____)

**FINAL COMMENTS OF THE
CITIZENS' UTILITY BOARD OF OREGON**

January 10, 2014



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OF OREGON**

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1 CUB writes its Final Comments in response to PacifiCorp’s (the Company’s) Reply
2 Comments submitted on November 26, 2013. In particular, CUB will address the Company’s
3 statements involving transmission, its demand-side management (DSM) programs, and pollution
4 control investments and coal analysis. Additionally, CUB would like to offer a blueprint for how
5 it would like to see the Company move forward in its future pollution control investment
6 analyses.

7

8 **Transmission**

9 Though CUB continues to be concerned about the System Benefits Tool (SBT), CUB
10 acknowledges that the Company has agreed to separate Customer and Regulatory benefits so that
11 those categories will not be included in cost-benefit ratio calculations.¹ CUB believes that this is
12 a significant improvement to the System Benefits Tool and that it resolves our primary concern.

¹ LC 57 PacifiCorp’s Reply Comments, p. 60

1 CUB expects the Company to continue to work with stakeholders on how it intends to calculate
2 system benefits going forward

3

4 **DSM Programs**

5 A number of things can be said about the Company's comments regarding DSM in
6 Oregon as compared to other states. While CUB agrees with the Company that our historic
7 analysis did not use weather-normalized data,² CUB still holds its original position that Oregon's
8 DSM programs are the most aggressively implemented, and CUB believes that in general,
9 PacifiCorp is planning for energy efficiency to be conducted at a greater rate in Oregon than
10 most or all other states. CUB believes this is because of the nature of ETO programs. The graph
11 below demonstrates DSM as a percentage of load, (highlights signify the highest DSM
12 percentage of all states in a given year):

13

DSM Percentage of Total Forecasted Load (MWh)										
State	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CA	0.005366	0.005502	0.006052	0.00595	0.006055	0.005066	0.00479	0.004599	0.005056	0.005208
OR	0.011295	0.012445	0.00964	0.009273	0.008392	0.007888	0.006728	0.005855	0.005534	0.005953
WA	0.008578	0.008171	0.008077	0.008054	0.00796	0.006617	0.006534	0.006039	0.005969	0.005983
UT	0.009334	0.008718	0.008057	0.007871	0.007536	0.007138	0.007211	0.006105	0.005923	0.005604
ID	0.002858	0.002934	0.003003	0.003105	0.003475	0.003322	0.003672	0.003438	0.003565	0.003634
WY	0.002635	0.002933	0.003269	0.003563	0.003822	0.003916	0.003983	0.003944	0.004274	0.004453

14

15 In the Company's response to CUB, the Company suggests that the energy usage in Oregon is
16 less than other states because of recessions in 1994, 2001, and 2008.³ However, as the
17 percentages above show, the Company continues to model Oregon's DSM as a percentage of
18 forecasted load higher than the other states through at least 2018. This indicates that the

² LC 57 PacifiCorp's Reply Comments, pp. 48 & 49

³ LC 57 PacifiCorp's Reply Comments, p. 50

1 Company expects more DSM from Oregon, whose programs are run through the ETO, as
2 opposed to the other states which were subject to the Cadmus study. The Company focuses its
3 comments on historic DSM and load, but as the table shows, the Company still is planning to
4 acquire more DSM potential in Oregon in future years—if not the highest percentage compared
5 to most states, then at least higher than most states. Because ETO DSM forecasts used in IRP
6 planning are most accurate in the early years, the fact that PacifiCorp is forecasting greater DSM
7 from Oregon than its other states from 2013 to 2018 is significant. The primary difference
8 between the Oregon forecast and the forecast for other states relates to who did the assessment.
9 In Oregon it was the ETO, and for other states it was Cadmus. CUB thus stands by its view that
10 the Company has room to consider more ETO-comparable programs in other states in order to
11 improve its DSM.

12

13 **Coal Investments**

14 CUB restates its main concerns pertaining to the Company’s analysis of coal investments.
15 The first concern involves the breadth of possibilities that the Company has modeled. CUB still
16 believes that the parameters the Company used were too narrow and that more possibilities
17 should have been modeled. The second concern pertains to the mismatch of the useful lives of
18 pollution control investments in contrast to the depreciable life of the coal plants. The third
19 concern involves both the phase-out scenario and the misapplication of the EPA’s cost-
20 effectiveness limit.

21 *i. Breadth of Analysis*

22 PacifiCorp states on page 56 of its Reply Comments that because EPA’s regional haze
23 requirements have not been finalized, they have “no bearing on the environmental investments

1 identified in the 2013 IRP Action Plan.”⁴ Notwithstanding this fact, the EPA has proposed
2 controls outside the scope of the Company’s modeling, and this suggests that there existed a
3 broader range of possibilities that should have originally been considered by the Company.

4 ***ii. Mismatch of Useful Lives***

5 CUB’s concern about the mismatch of useful lives is not because the Company modeled
6 extending the lives of the plants; CUB is more concerned with pollution control investments than
7 with 20-year useful lives on plants that were scheduled to shut down prior to the end of the 20-
8 year pollution control life. The Company acknowledges this issue in its Reply Testimony on
9 page 57 where it states:

10 PacifiCorp further emphasizes that in the environmental compliance realm, EPA does
11 utilize a 20-year assessment period for retrofit emissions control equipment cost
12 effectiveness calculations unless the affected resource has firmly committed to an earlier
13 retirement date. In fact, in the Company’s recent public comments submitted in EPA’s
14 Wyoming Regional Haze FIP docket, the Company specifically addresses this issue as it
15 pertains to EPA’s pending decision-making on Naughton 1 and 2 and Dave Johnston 3.
16 In its comments, PacifiCorp specifically advises EPA that the remaining depreciable lives
17 for those units are less than 20 years and that EPA’s assessment of cost effectiveness of
18 available retrofit controls must consider those shorter lives. In general, CUB’s arguments
19 regarding perceived flaws in the Company’s assessment of remaining depreciable life of
20 assets appears to be focused on units that may ultimately be affected by EPA’s final
21 action on the Wyoming Regional Haze FIP, concerns that the Company has already
22 addressed in its public comments in that docket that are not related to any Action Plan
23 items in this IRP.⁵
24

25 Here the Company recognizes that unless a resource has been firmly committed to an
26 early retirement date, the EPA will apply a 20-year timeline for cost-effectiveness analysis of
27 emissions control equipment. CUB agrees. However, the Company then goes on to say that for
28 Naughton 1 and 2 and Dave Johnston 3, PacifiCorp advised the EPA to use shorter depreciable
29 lives in its assessments and that the EPA “must consider those shorter lives” (emphasis CUB’s).

⁴ LC 57 PacifiCorp’s Reply Comments, p. 56

⁵ LC 57 PacifiCorp’s Reply Comments, p. 57.

1 The Company seems to contradict itself here. Although the Company recognizes that a resource
2 must be firmly committed to an early retirement date before the EPA will accept analysis
3 including a timeline of less than 20 years, PacifiCorp still argues that the EPA must consider a
4 shorter life without a firm commitment to closure. The Company also fails to explain what the
5 EPA can do or is considering with regard to a plant that does not have a firm commitment to
6 closure.

7 ***iii. Phase-out and cost-effectiveness limit***

8 CUB would like to reiterate its statements pertaining to the EPA’s cost-effectiveness
9 limit. CUB agrees with the Company that the EPA has not specified an exact \$/ton threshold.⁶
10 The Company states that it has focused on developing a plausible phase-out scenario throughout
11 this process,⁷ but as CUB’s Opening Comments point out, the Company’s analysis had several
12 flaws. CUB is concerned that with the “plausible” scenario, assumptions were made on both the
13 high end of the possible range of cost-effectiveness tests for pollution control and on the low end
14 of the possible range of closure dates. By choosing a cost-effectiveness limit that is on the high
15 end (in \$/ton of pollution removed), the scenario is choosing a high estimate of the pollution
16 control costs associated with the phase-out. By choosing the low end of the possible range of
17 closure dates, the scenario is reducing the benefits of running the plant. Both of these
18 assumptions have the effect of reducing the cost-effectiveness of the plausible scenario.

19 CUB believes that the Company should be aiming not just for a plausible phase-out
20 scenario, but also for one that is the least-cost. Rather than picking the most expensive
21 “plausible” scenario, the Company should investigate whether there is a plausible scenario that is
22 also least cost. By looking at the low end of the possible range of cost-effectiveness tests and the

⁶ LC 57 PacifiCorp’s Reply Comments, p. 58

⁷ *Ibid.*

1 high end of the remaining life of the plant, the Company could test whether there is a plausible
2 scenario that is worth pursuing. Because the EPA process is not a contested case and the
3 Company is allowed to have discussions with EPA, this stage is really about identifying whether
4 the Company should be discussing a phase-out with the EPA.

5 There are a range of plausible scenarios relating to a phase-out. Limiting analysis to only
6 the highest cost plausible scenario and determining that such a scenario is not cost-effective does
7 not answer the question of whether a cost-effective phase-out scenario exists. However, if the
8 analysis shows that the lowest cost plausible scenario is not cost-effective, then the Company
9 will have its answer.

10

11 **Steps Moving Forward**

12 CUB has noticed various themes throughout this process and has the following
13 recommendations as to how the Company might proceed.

14 The following analytical framework should be considered in an IRP process, or in an
15 alternative process, so that stakeholders can investigate a full spectrum of options:

16 1) Analyze the cost of the potential pollution controls under different scenarios. The
17 analysis should be robust enough to consider the strictest of possibilities. Rather than
18 limiting it to what is known, it should include what is likely, and it should include the
19 upper range for what might happen. In the case of Wyoming, the Company only did
20 analysis that was contained within the State Implementation Plan (SIP) and one
21 scenario with stronger controls. The EPA's draft proposal exceeded those stronger
22 controls, meaning that the Company's IRP may not provide much direction related to
23 the cost-effectiveness of the controls and the alternatives to those controls. Going

1 forward, CUB would like to see more rigor in the Company's consideration of a
2 range of possible pollution control scenarios.

3 2) This broader range of pollution control scenarios should be compared to alternative
4 investments, such as repowering with natural gas, building a CCCT, or relying on
5 front office transactions.

6 3) The Company should also investigate whether there is a plausible scenario for a
7 phase-out that is at a lower cost than either of the two options listed above. The
8 Company should begin by looking to the low end of the range of what the EPA will
9 consider cost-effective and should then look at the high end range of years before
10 closure that the EPA will likely accept. If the Company finds that there is a plausible
11 scenario that is cost-effective, it should further examine additional plausible scenarios
12 to determine the upper and lower ranges for a cost-effective phase-out. This will
13 allow the Company to approach the EPA to determine whether a proposal to phase
14 out with a firm commitment within this range would be acceptable.

15 4) In the case of a plant whose depreciable life is less than the 20-year assumed useful
16 life of the pollution control investments, the Company should analyze whether
17 committing to close a plant at the end of its depreciable life would reduce pollution
18 control costs. Committing to closure at the end of the depreciable life may mean that
19 less (or different) pollution control investments need to be made.

20
21 CUB is pleased to be able to make recommendations and submit its Final Comments on
22 PacifiCorp's IRP. CUB looks forward to working with the Company and other stakeholders to
23

1 address the issues raised in this docket.

Respectfully Submitted,
January 10, 2014



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LC 57 – CERTIFICATE OF SERVICE

I hereby certify that, on this 10th day of January 2014, I served the foregoing **FINAL COMMENTS OF THE CITIZENS' UTILITY BOARD OF OREGON** in docket LC 57 upon each party listed in the LC 57 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

(C denotes service of Confidential material authorized)

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sommer Templet". The signature is written in a cursive, flowing style.

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