BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 62

In the Matter of PACIFICORP, dba PACIFIC POWER's 2015 Integrated Resource Plan.	))))))))	RENEWABLE ENERGY COALITION COMMENTS

I. INTRODUCTION

The Renewable Energy Coalition (REC) submits the following comments regarding PacifiCorp's (or the Company) 2015 integrated resource plan (IRP). John Lowe and Dr. Nancy Esteb, a former Manager of PacifiCorp's IRP drafted these comments. Dr. Esteb monitors the IRP for REC and has participated (by phone) in the IRP's workshops.

REC's comments address the relationship between avoided cost rates and the IRP assumptions, and support REC and the Oregon Department of Energy's (ODOE) recommendations in UM 1610 that future avoided cost rates be reviewed in a separate and parallel proceeding at the time of IRP filing. REC also recommends that the Oregon Public Utility Commission (the Commission) require PacifiCorp to conduct a more rigorous analysis of the wholesale market depth when relying on front office transactions to meet its immediate capacity needs. In addition, REC recommends that the Commission not acknowledge PacifiCorp's proposed year for when it plans to acquire a new thermal resource; however, REC does not propose an alternative year in these comments because it does not impact the company's immediate Action Plan and it is unclear how the IRP will impact the calculation of avoided cost rates.

II. RENEWABLE ENERGY COALITION

REC represents 32 small power producers with over 50 qualifying facility base-load projects selling power under QF contracts primarily to PacifiCorp in Oregon, Idaho, Washington and Utah. All of these projects are also end use consumers; however, REC's primary interests are concentrated on the relationship between the IRP and avoided costs, and on the continued viability of operating QFs under the Public Utility Regulatory Policies Act. QFs are generally renewable resources or otherwise resources that provide the utility with an expanded resource base to counter its extensive reliance on coal.

III. COMMENTS

Over time, the relationship between the IRP and avoided cost rates has increased in scope, primarily due to the Commission's reliance upon inputs from an acknowledged IRP for calculation of avoided cost rates. One of the purported benefits of this approach is that the IRP process includes significant stakeholder review. However, the IRP process does not allow intervenors to have any ability to change or obtain a Commission order regarding the major planning assumptions, inputs, or final result. Although the current process provides parties with many opportunities to comment on key planning assumptions, the Company is free to make whatever decisions it wishes in establishing the plan.

1. IRP and Avoided Cost Concurrent Filings

In recent testimony in UM 1610, the ODOE, REC, and other parties have recommended that avoided cost filings be coordinated to occur at the same time as an

IRP filing. This is an excellent idea, since they are increasingly linked and their concurrent filings would facilitate review of each. The Commission in Order 11-505 in the UM 1396 proceeding concluded that the IRP is the appropriate venue for resource deficiency issues, which significantly impacts avoided cost pricing. The resource deficiency demarcation and other critical aspects of an IRP relevant to avoided cost pricing are not always adequately reviewed in a Commission acknowledgment process. In addition, even if the issues are reviewed by the Company or raised by the parties, the Commission is not required to address any specific issue, and frequently the final order only addresses issues that have a major impact on the planning assumptions and the immediate term action plan.

There are three major difficulties with the current process:

1. The IRP acknowledgment process does not adequately consider the potential impact of acknowledgment decisions on avoided cost rates.

2. By the time an avoided cost filing is made, key assumptions from the IRP are unchangeable, regardless of their effect on avoided cost rates. The parties do not have an opportunity to thoroughly review, challenge, or obtain Commission resolution on major or minor inputs and assumptions that impact avoided cost rates.

3. If PacifiCorp's GRID model is used to calculate avoided costs, it should use inputs and have results that are entirely consistent with the IRP inputs and results. A concurrent filing would more easily ensure this consistency.

2. Wholesale Market Depth

REC questions whether the wholesale market has sufficient depth to meet PacifiCorp's summer peak for the next 12 years. The PacifiCorp 2015 IRP asserts that the Northwest Power Pool and the Rocky Mountain Reserve Group are capacity rich through 2024 and 2021, respectively. Given that it is only six years out, REC questions whether how much can Rocky Mountain Reserve Group help meet the Company's summer peak through 2021.

For the ten-year period of 2015 through 2024, PacifiCorp's average annual purchases on the wholesale market are 843 MW of capacity. Under any reasonable measure, this would constitute resource deficiency, if the Company were not using these short-term wholesale contracts to fill it. The Company is actually "deficient" and needs resources, it is just planning to meet this need with market purcahses.

REC notes that Puget Sound Energy has concerns with the availability of wholesale market purchases to meet its resource needs, and is conducting a more thorough analysis in its IRP than is PacifiCorp. PSE's analysis includes assumptions regarding shutting down Northwest thermal plants, assumptions regarding the amount of regional thermal plant additions needed to ensure an acceptable loss of load probability, and increased California imports. REC recommends that PacifiCorp conduct additional Mountain and Northwest market reliance studies before assuming that it can rely upon wholesale market purchases for the short and medium term.

3. Year of Deficiency

PacifiCorp's current year of deficiency is alleged to be 2028. However, REC questions that for five reasons:

1. The decision to establish the year of deficiency at the time of a major new resource addition (100 MW or more and duration of five years or more from the competitive bidding rules) may not be the proper demarcation point, considering that so many utilities are relying heavily on the wholesale market to meet their new resource needs. The wholesale market may change substantially in the next 13 years.

2. The Company is acquiring capacity during the sufficiency period, inasmuch as its wholesale purchases are for both capacity and energy.

3. One may reasonably assume that a major environmental upgrade at an existing coal plant is equivalent to a new major resource addition, because that upgrade is giving the coal plant a second life and therefore it is equivalent of a new major resource.

4. The year of deficiency could change dramatically, given the uncertainties surrounding haze regulations and EPA Rule 111(d) Clean Power Plan limiting CO2 emissions. State Implementation Plans are due in September of 2016, but states can apply for up to a two-year extension, and the compliance averaging period does not begin until 2022 with emission reductions phased in to 2030.

5. There are reasons to question the Company's ability to achieve its greatly increased DSM targets, and the potential impact of that on other resource needs.

IV. CONCLUSION

REC is asking the Commission to review two major policy positions:

1. Whether to continue having avoided cost filings after an IRP plan acknowledgment or, as ODOE has recommended, have concurrent filings in order to better facilitate review of each. The Commission should make this determination in UM 1610, which is considering the issue of the appropriate forum (for resolving issues related to the appropriate forum) for disputed avoided cost rate issues.

2. The determination of year of deficiency. The current demarcation point of 2028 is, at best, uncertain and most likely completely wrong. At a minimum, the Commission should not acknowledge any resource sufficiency/deficiency demarcation that is outside of the Company's Action in this proceeding because of the lack of analysis and the uncertainty associated with market liquidity, environmental upgrades, greenhouse gas policy, and DSM implementation. For the purposes of setting avoided cost rates, we encourage the Commission to be flexible when applying its "Major New Resource" policy. The company is planning on the acquisition of hundreds of MW of capacity this very year and significant investments in its coal plants, which should allow for the payment of capacity costs to QFs.

Respectfully submitted this 27th day of August 2015.

_*John Lowe*_______________
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