

ELLEN F. ROSENBLUM
Attorney General



FREDERICK M. BOSS
Deputy Attorney General

DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

August 24, 2017

VIA ELECTRONIC MAIL ONLY

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street, Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Re: *In the Matter of PACIFICORP, dba PACIFIC POWER, 2017 Integrated Resource Plan*
OPUC Docket: LC 67
DOJ File No.: 330030-GN0379-16

Filing Center:

Enclosed for filing today in the above-captioned docket from the Oregon Department of Energy:

INTERIM COMMENTS OF THE OREGON DEPARTMENT OF ENERGY.

Sincerely,

Jeffery R. Seeley
Legal Secretary
Natural Resources Section

JRS:jrs/#846379

c: Jessica Reichers, ODOE
Jesse Ratcliffe, DOJ
Wendy Simons, ODOE

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 67

In the Matter of)
)
PACIFICORP, dba PACIFIC POWER,) INTERIM COMMENTS OF THE
) OREGON DEPARTMENT OF ENERGY
2017 Integrated Resource Plan)
_____)

Introduction

These interim comments by the Oregon Department of Energy (ODOE, or Department) on the 2017 PacifiCorp Integrated Resource Plan (IRP, or Plan) represent our view of the Plan’s potential to further the state’s energy and climate goals. Energy resource choices have a large effect on the state’s likelihood of achieving these goals, and both the process and the final result are important to the Department. It was within this context that the Department expressed in our opening comments that we have concerns regarding the process that resulted in significant last minute changes to the Company’s IRP Action Plan before it was filed earlier this year with the Commission.¹

The Department appreciates that PacifiCorp has taken the time to update its economic analysis through its Energy Vision 2020 Update filing with the Commission.² We also understand that the Action Plan proposed by the Company in its IRP filed earlier this year has not changed as a result of this latest filing. The Department appreciates this opportunity to submit interim comments in response to PacifiCorp’s Energy Vision 2020 informational filing

¹ LC 67 – Oregon Department of Energy Opening Comments (June 23, 2017), Section 3, p. 7-12.

² 2017 Integrated Resource Plan: Energy Vision 2020 Update (July 28, 2017). (According to PacifiCorp’s filing, the Energy Vision 2020 projects refer collectively to three components of its 2017 IRP Action Plan: wind repowering, segment D2 of the Gateway West transmission project, and 1,100 MW of new wind in eastern Wyoming.)

and the subsequent workshop hosted by Commission staff on August 17, 2017. The Department's comments focus on three specific areas: (1) system-wide benefits and value to Oregon ratepayers; (2) risks associated with project timing; and (3) PacifiCorp's overall coal transition planning.

(1) System-wide Benefits and Value to Oregon Ratepayers

The Company builds upon the analysis that it provided in its 2017 IRP filing to demonstrate the near-term and long-term benefits of both the wind repowering and the new wind and transmission projects. In addition to the near-term benefits these projects would contribute to PacifiCorp's ability to meet system load and capacity needs, the Company reiterated the value these projects would provide in the near-term with respect to reduced transmission line derates, avoided line losses due to congestion relief, and incremental value through increased participation in the Energy Imbalance Market.³

ODOE finds it helpful that PacifiCorp brought these near-term benefits into clearer focus and provided a visual evaluation of the projects' overall impact on the Company's total system annual revenue requirement over the 20-year planning horizon of the IRP. The information is summarized in Figures 3.2⁴ for wind repowering and 4.1⁵ for new wind and transmission, and is included herein for reference:

³ Energy Vision 2020 at p. 13-14.

⁴ Energy Vision 2020 at p. 19.

⁵ Energy Vision 2020 at p. 26.

Figure 3.2 – Total-System Annual Revenue Requirement with Wind Repowering (\$ million)

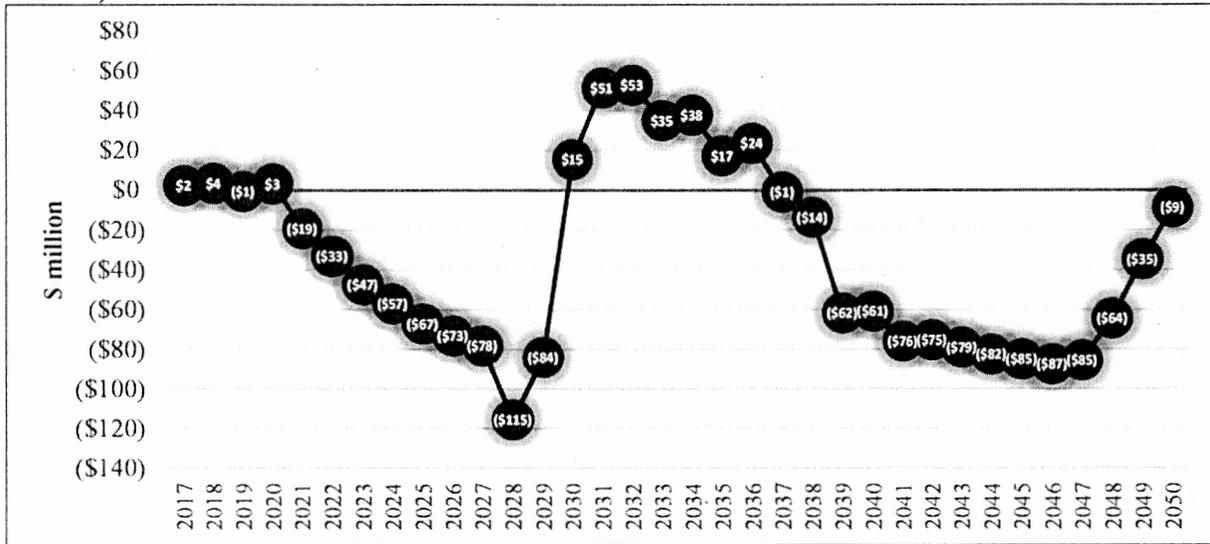
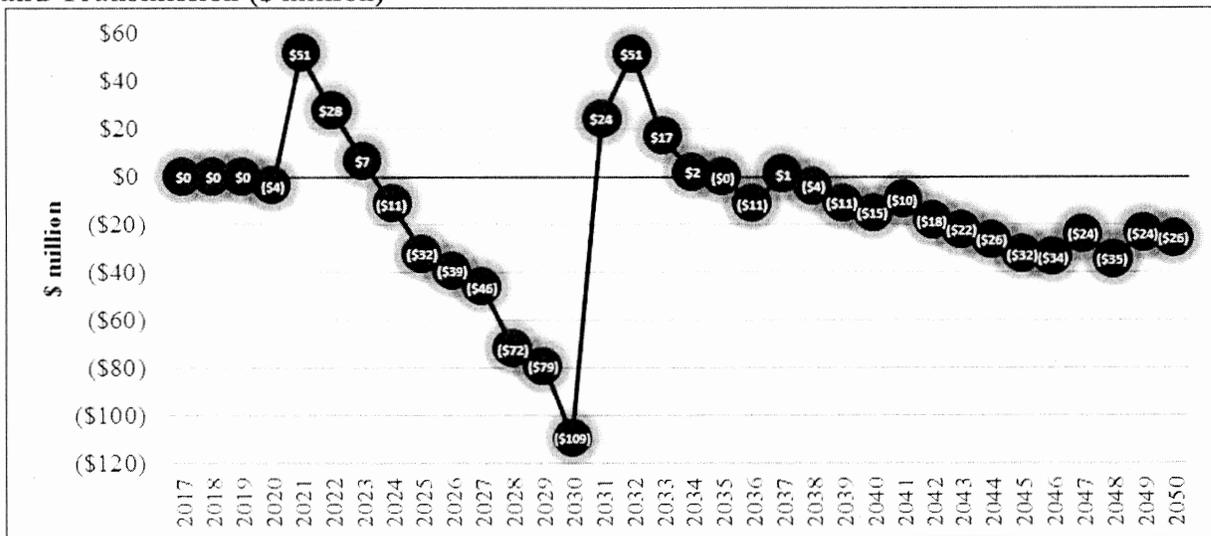


Figure 4.1 – Total-System Change in Annual Revenue Requirement Due to the New Wind and Transmission (\$ million)



As both of these figures show, there are significant near-term economic benefits to the deployment of the Energy Vision 2020 projects. It is also significant, particularly given the Company’s projected RPS compliance position through the next decade, that the analysis found

this to be the case even before calculating the economic value of RECs generated from the projects.⁶

The Department finds PacifiCorp's overall analysis of the system-wide economic benefit of deploying the Energy Vision 2020 projects to be compelling. In addition to the analysis provided by PacifiCorp, ODOE contends that the prioritization of these carbon-free resources also minimizes (a) ratepayer exposure to stranded asset risks associated with the procurement of non-renewable generating resources, (b) future economic risks associated with failing to meet potential greenhouse gas emission targets, and (c) other risks associated with acquiring non-renewable resources when doing so would be inconsistent with a broad expression of customer desires.

We recognize that the system-wide benefits of these projects identified by PacifiCorp can ultimately benefit all Oregon ratepayers. The Department would like to see PacifiCorp provide more direct analysis of those specific values to Oregon ratepayers, in terms of economic benefit or other operational benefits to the system.

(2) Risks Associated with Project Timing

In our opening comments, the Department indicated that we would like to see a more thorough analysis and description of the potential timeline risks associated with the preferred portfolio identified in the 2017 IRP.⁷ While we find the system-wide economic analysis compelling, as noted above, the Department still has concerns about the risks associated with project timing, particularly for the Energy Vision 2020 projects. These concerns were not addressed by the Energy Vision 2020 filing.

⁶ *Id.* at p. 23.

⁷ Opening Comments at p. 12.

In particular, as shown above in in Figures 3.2 and 4.1, significant value comes from the ability of these projects to capture the federal production tax credit (PTC), as shown by the negative impact on PacifiCorp's system-wide annual revenue requirement that both the wind repowering and the new wind and transmission projects would have through the 2020s. These benefits turn sharply once the PTC expires after the first 10 years of production, roughly around 2030. According to these figures, the projects will still add value beyond 2030, but significantly less than in the years in which the Company can capture the PTC. This is especially evident with respect to the new wind and transmission project, as shown in Figure 4.1.

This analysis stresses the importance of PacifiCorp being able to capture the PTC. The Department still has concerns about the risks associated with the Company failing to meet the aggressive timelines required to repower over 900 MW of wind turbines, to build a significant new 500 kV transmission line, and to build over 1 GW of new wind projects all by the end of 2020. ODOE has no specific reason to believe that PacifiCorp cannot accomplish this, but it would appreciate seeing a more thorough evaluation of the timeline risks associated with these projects. For example, while the repowering projects, according to the Company, would be operated in such a way as not to require changes to the existing interconnection agreements, ODOE is concerned that other permitting issues could arise that could delay those projects (e.g., increasing the height of the turbines could impact state or local permits). Similarly, permitting, building, and energizing a large new transmission project on such a short timescale seems particularly challenging. The Department would like for PacifiCorp to provide this type of risk analysis in its next submission of comments on this docket.

///

///

(3) PacifiCorp's Overall Coal Transition Planning

At the August 17, 2017 workshop, several parties voiced support for establishing a stakeholder process to develop a transparent and comprehensive plan for PacifiCorp to transition away from its existing coal fleet. For example, the Northwest Energy Coalition raised issues at the workshop surrounding the current dependency of the Company's system on voltage support provided by existing coal plants that are scheduled to retire. The Dave Johnston Plant is one such plant, scheduled to retire in 2027, that provides voltage support in the area where PacifiCorp proposes to develop 1,100 MW of new wind as part of its Energy Vision 2020. What options (e.g., synchronous condenser) does the Company have to maintain voltage support and other ancillary services once this plant retires? What impact does this have on ratepayers? What impact does this have on the proposed 1,100 MW wind project?

Several other parties, including the Sierra Club, Renewable Northwest, and ICNU, raised questions at the workshop about whether the Company could provide a more unit-specific analysis of its coal fleet. ODOE recognizes the challenges raised by PacifiCorp in doing this type of analysis, and the Department appreciates that a coal-screening tool was previously developed as part of a prior IRP cycle. However, ODOE also appreciates stakeholders raising these types of questions and agrees that it is important for PacifiCorp to develop a transparent stakeholder process to consider a more comprehensive coal transition plan ahead of, or as part of, its next IRP cycle. This would be a positive step that would allow for a more robust understanding by stakeholders and the public of the various opportunities and trade-offs associated with actions to specific coal units and the impacts of those actions on the grid and increased renewables deployment.

Conclusion

ODOE appreciates the opportunity to submit these comments and the thoughtful engagement by PacifiCorp and the intervening parties. As we expressed in our opening comments, the Department is encouraged by the Company's overall approach in its preferred portfolio to accelerate coal retirements and to increase renewable procurement.⁸ While the Department finds the system-level analysis of the benefits of the Energy Vision 2020 projects to be compelling, we would like to see additional analysis of the specific value to Oregon ratepayers and of risks associated with the aggressive timeline for these projects given their scale and complexity. Finally, ODOE supports the development of a more transparent, stakeholder-driven evaluation of the Company's coal transition planning.

DATED this Thursday, August 24, 2017.

Respectfully submitted,

ELLEN ROSENBLUM
Attorney General

Matt DeVore 063103

for Jesse D. Ratcliffe, #043944
Assistant Attorney General
Of Attorneys for Oregon
Department of Energy

⁸ Opening Comments at p. 4.