

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 67

In the Matter of)	
)	
PACIFICORP, dba PACIFIC POWER's)	RENEWABLE ENERGY COALITION'S
)	COMMENTS
2017 Integrated Resource Plan.)	
)	
)	
)	

I. INTRODUCTION

The Renewable Energy Coalition (the “Coalition”) submits these comments regarding Pacific Power & Light Company’s (“PacifiCorp” or the “Company”) 2017 integrated resource plan (“IRP”). The Coalition raises the following issues regarding PacifiCorp’s IRP:

- The 2029 date for its first planned major thermal resource acquisition is speculative and should not be acknowledged;
- PacifiCorp’s 2021 renewable resource need is real and should be acknowledged;
- PacifiCorp renewable resource need is not just limited to Wyoming wind and any renewable need acknowledgment should be generic and not specific to any location or technology type;
- PacifiCorp’s first year of renewable resource deficiency is 2021;
- PacifiCorp ignored the Commission’s directive to estimate the capacity value provided by existing QFs that renew their contracts, and required the Company to provide a capacity value payment during the resource sufficiency period in its avoided cost rates that will be filed after IRP acknowledgment;
- PacifiCorp should use an independent third party gas forecast; and
- Staff and stakeholders should be allowed to use at low or no cost any computer models relied upon in the IRP process.

Significant uncertainties call into question PacifiCorp's 2029 thermal resource date, which make it even less accurate than an educated guess. The specific date of any resource acquisition that is outside of the IRP Action Plan (especially over a decade out) is entirely meaningless for planning purposes, is not rigorously studied in the IRP, and has historically been largely ignored by Staff and the Commission.

The practical impact for avoided cost rate purposes of a 2029 date, however, cannot be overstated because QFs are not paid for capacity during the years prior to the date of the next major resource acquisition. As this self-declared resource sufficiency period continues to get longer, the more reasonable it is to assume that PacifiCorp will actually acquire additional capacity resources earlier than the claimed date of deficiency. Continued use of an arbitrary date for a thermal capacity resource more than a decade out will continue to lead to zero qualifying facilities ("QFs") being able sell power to PacifiCorp at standard, non-renewable rates. The Commission should, for the first time in an IRP proceeding, rigorously review PacifiCorp's proposed thermal resource date, and explicitly reject PacifiCorp's 2029 date. Without such an analysis and review, the 2029 date should be considered for informational purposes only and not in any way be used as a basis to determine avoided cost prices.

The Commission should acknowledge PacifiCorp's need for renewable resources beginning January 1, 2021, as the Company has demonstrated early renewable acquisition is reasonable. Despite this renewable resource need, PacifiCorp may be preparing a novel argument that QFs should not be paid a renewable resource rate with a renewable deficiency date of 2021 because the Company is focused on acquiring only Wyoming wind. The Commission should reject this approach and simply acknowledge a

2021 renewable resource need rather than a specific need for Wyoming wind. The Coalition has reviewed and supports the comments being filed by the Northwest and Intermountain Power Producers Coalition (“NIPPC”) on PacifiCorp’s renewable resource need.

The Commission directed PacifiCorp to study, review, and calculate the capacity benefits provided by QFs renewing their contracts. In the IRP stakeholder process, the Coalition asked PacifiCorp to perform this analysis, which the Company refused to do. The Commission should take definitive action to assure this is properly and timely completed and direct PacifiCorp to immediately conduct such an analysis. This is important to avoided cost determination and is yet another example of the utility cherry-picking its regulatory responsibilities to its advantage and the disadvantage of clean energy competition. In the meantime, the Commission should increase the capacity payments paid to QFs when revised avoided cost rates are set after acknowledgment of this IRP to account for the capacity benefit provided by existing QFs.

Finally, the Commission should require PacifiCorp to use an independent third party for gas price forecasts for all timeframes included within the IRP planning period, and it long overdue that both Staff and interested parties have access to and the ability (including training) to run and/or review PacifiCorp’s IRP models at no cost.

II. COMMENTS

A. PacifiCorp Has Flagrantly Disregarded the Commission’s Direction to Study the Capacity Benefits Provided By Existing QFs

The Commission has previously determined that the utilities should compensate all QFs for at least a portion of the capacity value associated with the fact that the utilities’ plan and rely on existing QFs to help avoid and defer capacity investments.

While the Commission directed PacifiCorp to calculate some of that capacity value in the IRP, the Company simply refused to comply with this direction. PacifiCorp should be required to expeditiously determine that capacity value, and include it in the calculation of its avoided cost rates that will be filed after acknowledgement of this IRP.

1. Prudent Utilities Plan on Most Existing QFs Renewing their Contracts and Providing Capacity Benefits

Currently, existing QFs that renew their contracts are providing the utilities with free capacity. Specifically, Oregon avoided cost rates for QFs do not currently recognize that QFs that renew their contracts provide capacity value to their serving utility, which results in the QFs not being paid for capacity during the resource sufficiency years prior to the next major resource acquisition. While the Commission has rejected the Coalition's efforts to obtain full capacity payments in all years for QFs that renew their contracts, as Washington and Idaho currently permit, the Commission accepted the Coalition's recommendation in UM 1610 that the utilities at least partially remedy this inequity by estimating this capacity value with an alternative IRP scenario. The Coalition had assumed that PacifiCorp would at least comply with this order and propose a capacity calculation methodology that could be reviewed and vetted. However, despite the Commission ruling against PacifiCorp in UM 1610, the Company simply disregarded this order and elected not to even attempt to value the capacity in its IRP.

The Coalition has advocated in numerous states that avoided cost rates should recognize that existing QFs that renew their contracts provide capacity value to the utilities and that the QFs should be paid for this capacity. Paying existing QFs for capacity is based on the fact that many large and almost all small existing QFs enter into new contracts when their current contracts expire. Without these contract renewals,

PacifiCorp and other utilities would need to acquire new, more expensive capacity resources sooner.

Paying renewing QFs full capacity payments would treat QFs more comparably with utility-owned resources. While Oregon QFs are not provided the opportunity to obtain capacity payments for their full resource life, PacifiCorp is able to recover its capacity costs for the full useful life of its generating resources. Not providing existing QFs with full avoided cost pricing (including capacity payments) for their useful lives is inequitable as compared to the treatment afforded utility-owned resources.

An illustrative example demonstrates how existing QFs are not fully paid for capacity under Oregon's avoided cost rate structure. Assume that a hydroelectric QF has a sixty-year useful life, PacifiCorp has ten-year resource sufficiency periods during this time period, and QFs are entitled to fifteen-year fixed price contracts. The QF has no other alternatives to sell its power, and enters into four fifteen-year contracts over its sixty-year useful life. PacifiCorp's ten-year resource sufficiency periods mean that the QF is only paid for capacity based on a thermal resource for five years of each contract. The QF could operate, and PacifiCorp could plan on the QF operating, for sixty years, but the QF would be paid forty years of market prices and only twenty years of capacity payments. In contrast, a PacifiCorp is paid for capacity for its owned resources in each and every year they operate.

Existing QFs in Idaho and all Washington are paid for capacity in all contract years, unlike Oregon. The Idaho Public Utilities Commission ("IPUC") recognizes the value that renewing QFs provide, and ensures that they are paid capacity, regardless of

the utility’s resource “sufficiency” position, and that existing QFs should not be paid market based rates and their electricity is not “surplus power.” The IPUC explained:

we find merit in the argument made by the Canal Companies that contract extensions and/or renewals present an exception to the capacity deficit rule that we adopt today. It is logical that, if a QF project is being paid for capacity at the end of the contract term and the parties are seeking renewal/extension of the contract, the renewal/extension would include immediate payment of capacity. An existing QF’s capacity would have already been included in the utility’s load resource balance and could not be considered surplus power. Therefore, we find it reasonable to allow QFs entering into contract extensions or renewals to be paid capacity for the full term of the extension or renewal.¹

The IPUC recently reaffirmed this policy.² Washington does not distinguish between existing and new QFs, but requires that all QFs to be paid a full capacity payment based on a peaking resource during the years before the acquisition of a major thermal resource (when QFs are paid a capacity payment based on the capacity costs of the thermal resource).³ The Oregon Commission, however, has rejected numerous efforts over the years to require the utilities to pay existing (or even any QFs) capacity payments during

¹ Re the Commission’s Review of PURPA QF Contract Provisions, IPUC Case No. GNR-E-11-03, Order No. 32697 at 21-22 (Dec. 18, 2012) clarified in Order No. 32871 (Aug. 9, 2013).

² Re Idaho Power Company’s Petition to Modify Terms and Conditions of PURPA Purchase Agreements, IPUC Case Nos. IPC-E-15-01, AVU-E-15-01, PAC-E-15-03, Order No. 33357 at 25-26 (Aug. 20, 2015).

³ E.g., WUTC v. Pacific Power & Light Co., Docket No. UE-144160, Order 04 at 37-38, 42 (Nov. 12, 2015) (The Washington Utilities and Transportation Commission rejected PacifiCorp’s proposed avoided cost rate proposal that would have eliminated capacity payments during the years before the next major resource acquisition.); Puget Sound Energy Advice 2016-31—Schedule 91 – Cogeneration and Small Power Production, Docket No. UE-161240, Staff Open Meeting Memo (Feb. 9, 2017) (Puget Sound Energy withdrew its proposal to pay QFs either no or an extremely low market capacity payment during years prior to the next major resource acquisition). Thus, Washington has twice rejected Oregon’s approach of paying little to no capacity to QFs during resource “sufficiency” years.

the years prior to the next major resource acquisition.

2. PacifiCorp Has Violated the Commission's Order that PacifiCorp Calculate in this IRP at least a Portion of the Capacity Benefit that Existing QFs Provide to the Company and Ratepayers

The Commission finally agreed with the Coalition last year and concluded that existing QFs that are relied upon to renew their contracts provide capacity value, which should be calculated and paid for. In UM 1610, the Commission adopted the Coalition and other QF parties (the Community Renewable Energy Association, Obsidian Renewables, and OneEnergy) proposal to provide at least a minimal capacity payment during the resource sufficiency years to QFs that renew their contracts. Staff supported this recommendation.

The Coalition, other QFs and Staff argued that existing QFs provide the utilities and ratepayers with capacity benefits that are not recognized in the current avoided cost rate setting methodology, and the utilities should compensate QFs for these benefits by using an alternative analysis during the IRP process. While this approach would not capture all the benefits created by existing QFs that renew their contracts, it would at least partially compensate them.

Evidence was presented by the Oregon Department of Energy and the QF advocates that the utilities' IRPs assume that small QFs will renew their contracts upon expiration.⁴ Existing QFs help defer new capacity resources since the utilities plan on the QFs selling power after the expiration of their contracts. While opposing the recommendation, even PacifiCorp agreed that existing QFs help defer its next capacity

⁴ Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610 ODOE/400, Carver/7, Coalition/102, Lowe/3, and Joint QF Parties/100, Higgins/4-5.

resource because the “capacity contribution of all signed QF contracts executed subsequent to the development of the IRP preferred portfolio reduce the deferrable capacity of the next avoidable resource”⁵ In lieu of a full capacity payment, the QF advocates recommended that an alternative IRP scenario be performed to calculate a portion of the benefits contributed by existing QFs that renew their contracts.⁶

Ultimately, the Commission adopted the recommendations of the QF advocates and Staff concluding:

We agree with Staff and the Joint QFs that a certain amount of capacity deferral may not be valued when utilities assume in their IRPs that existing QFs nearing contract expiration will automatically renew. We direct each utility to work with parties to address this issue in its next IRP.⁷

The Coalition was concerned about how PacifiCorp might attempt to value this capacity, and requested information regarding this Commission directive to implement this order in the IRP process.⁸ Specifically, the Coalition requested information regarding PacifiCorp’s actual QF contract renewals, the assumptions in the IRP, and what actions PacifiCorp is taking to comply with the Oregon PUC’s order to work with the parties to more accurately calculate the capacity value provided by existing QFs.

PacifiCorp’s IRP counts on existing QFs renewing their contracts. Specifically, “[f]or planning purposes, PacifiCorp assumes that current purchases from small qualifying

⁵ Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610 PAC/100, Dickman/15.

⁶ Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610 Joint QF Parties/100, Higgins/4-5, 7-9. Commission Staff witness Brittany Andrus supported this recommendation. Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610, Staff/600, Andrus/19.

⁷ Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610, Order No. 16-174 at 2 (May 13, 2016).

⁸ http://www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Integrate_d_Resource_Plan/2017_IRP/RECComments_FeedbackForm_02_21_17.pdf

facility and interruptible load contracts are extended through the end of the IRP study period.”⁹ However, the Company simply refused to take any actions to comply with the Commission’s direction to value this capacity.

The Coalition recommends that the Commission take strong action to admonish PacifiCorp for its refusal to comply with its directive. The deck is normally stacked against QFs in all administrative processes, especially in the IRP process in which PacifiCorp generally ignores or disregards suggestions or recommendations by independent power producers. This time, however, PacifiCorp is also ignoring and violating a Commission order. The Commission should penalize PacifiCorp, and require PacifiCorp to immediately develop a methodology to fairly compensate QFs for the capacity value they provide. PacifiCorp should file its proposed methodology and incorporate the increased capacity payments with its avoided cost rate update filing following the acknowledgment of this IRP.

B. The Commission Should Acknowledge PacifiCorp’s 2021 Renewable Resource Need, But Not Acknowledge the Action Plan’s Proposed Wyoming Wind Resources

PacifiCorp has a renewable resource need in 2021, but that need can be filled with renewable resources other than simply Wyoming wind. All renewable resources in all locations should be acquired, if they are the least cost, rather than just Wyoming wind facilities that the Company will own alongside its planned Gateway West transmission line. The Coalition has reviewed NIPPC’s comments on this issue, and supports NIPPC’s recommendation.

⁹ PacifiCorp 2017 IRP at 85.

In a separate proceeding (UM 1794), PacifiCorp has raised an unusual issue regarding avoided cost rates for renewable QFs. Despite issuing a renewable request for proposal and proposing a 2021 renewable resource acquisition date in its IRP, PacifiCorp argued in UM 1794 that Oregon avoided cost rates should not include a 2021 renewable sufficiency date because Oregon QFs allegedly will not be able to defer the planned 1,100 MW of Wyoming wind resources in the preferred portfolio.¹⁰ While PacifiCorp has not made any specific QF related proposal in this IRP, PacifiCorp vaguely asserted in UM 1794 that this issue should be vetted in the IRP proceeding.¹¹ Specifically, PacifiCorp argued that “QF projects that would not interconnect with or use PacifiCorp’s Wyoming transmission system to deliver energy and capacity in this timeframe would not partially displace or defer any of the 1,100 MW of new wind associated with the project.”¹²

The Coalition simply does not know how to respond to PacifiCorp’s assertion in UM 1794 that this issue be addressed in the IRP, because PacifiCorp has not made any specific proposal in the IRP itself. Is PacifiCorp proposing to change Commission policy regarding avoided cost rates, so that Oregon QFs will no longer be paid for capacity when PacifiCorp acquires a resource in another state? Is PacifiCorp’s proposal limited only to resources that PacifiCorp needs to build transmission to reach? If there is going to be a change in avoided cost policies based on its IRP, PacifiCorp should be required to inform the Commission and QFs what it is seeking.

¹⁰ Re PacifiCorp dba Pacific Power Investigation into Schedule 37 - Avoided Cost Purchases from Qualifying Facilities of 10,000 kW or Less, Docket No. UM 1794, PacifiCorp Reply Comments at 3 (June 9, 2017).

¹¹ Id.

¹² Id.

The Commission's current policy is the that avoided cost rates include a full capacity payment once the utility needs a thermal or renewable resource of 100 MW or more and of a duration of 5 years or longer. In addition, if it can be demonstrated that the utility's resource needs to have transmission built to reach Oregon load, then the QF should be paid for both the avoided generation and avoided transmission costs.¹³

PacifiCorp has not even vaguely articulated in this IRP docket whether it is seeking a change in process and has only obliquely claimed that some sort of issue should be addressed in this IRP when it made its final reply comments in UM 1794.

As PacifiCorp has not clearly made any proposals in this proceeding, the Commission should specifically reaffirm its existing policy that PacifiCorp will at least make a full capacity payment to the QFs when it plans on acquiring its next major resource regardless of location, plus additional transmission costs if new transmission is needed to wheel the generation to load.

C. PacifiCorp Is Likely to Acquire a Major Baseload Capacity Resource Well Before 2029

PacifiCorp's 2017 IRP is not a least cost and risk plan because it is inaccurate. Specifically, the plan to not acquire a major capacity resource until 2029 is vague, suspect, and does not account for the actual capacity additions that the Company is likely to need. Although PacifiCorp acknowledges that it will lose significant amounts of capacity in the near future, the Company does not address how those reductions are accounted for. Specifically, PacifiCorp states that Naughton 3 will retire in 2019 (losing

¹³ See Re Investigation Into QF Contracting and Pricing, Docket No. UM 1610, Order No. 16-174 at 8 (May 13, 2016) (avoided transmission costs will be included if Staff and other parties "demonstrate that a renewable proxy resource has incremental transmission costs that can actually be avoided by the purchase of QF energy."

100 MW), Cholla 4 will retire in 2021 (losing another 100 MW), and then in 2028 all four Dave Johnson units will retire (losing 400 MW). Perhaps the wind repowering, which may happen immediately, or new Wyoming wind, which must happen before 2020 to take advantage of federal tax credits, will make up for some of those capacity reductions. These variable wind resources are unlikely to fully replace the capacity value of baseload coal.

PacifiCorp's IRP fails to explain how its plan demonstrates the lowest reasonable cost manner of replacing its coal capacity resources. PacifiCorp has taken the position in its current resource planning that it will not acquire a major new resource until 2029. PacifiCorp acknowledges that it has a huge need for new capacity resources over its planning period. PacifiCorp's preferred portfolio calls a new SCCT (300 MW) resource in 2029, a new CCCT (436 MW) resource in 2030, another new SCCT (200 MW) resource in 2033, and another new CCCT (477 MW) resource in 2033. This portfolio includes retirements of Naughton 3 in 2019, Cholla 4 in 2021, Craig 1 in 2036, all four Dave Johnston units in 2028, Naughton 1 and 2 in 2030, Hayden 1 and 2 in 2031, Gadsby 1 through 6 in 2033, and Craig 2 in 2035. These capacity resource acquisitions are likely to occur much earlier than 2029. It also includes new demand side management ("DSM") investment, and significant annual short term purchases (around 700 average MW over the next 10 years).

Several additional uncertainties raise questions about PacifiCorp's claim that 2029 is the next year that a major new non-renewable resource will be added:

- Federal clean air rules under the Clean Power Plan are currently unknown and could require early closure of some coal plants and acquisition of replacement power.

- Federal Regional Haze regulations may also require earlier coal plant retirements. This is now the major environmental rule driving near-term coal plant decisions. It has been finalized by EPA for Utah and Wyoming. If allowed to operate within PacifiCorp’s model, it would require earlier shut-down of some of the Company’s coal units and acquisition of replacement power.
- State clean air rules are in flux, but will require additional renewable resources and perhaps retirement of some coal plants which would lead to the acquisition of a major resource much sooner than 2029.
- Adequate transmission may not be available. It is already constrained in northeast Wyoming, Oregon, and southern Utah.
- The Company may have difficulties achieving its aggressive demand side management targets.
- There will be increasing, uncertain amounts of distributed generation in the coming 20 years.
- There is pending litigation regarding certain emission control equipment on Hunter 1 and 2, Huntington 1 and 2, Craig 1, and Wyodak.
- The wholesale market may become constrained, leading to volatile pricing. The Company identifies 400 MW available at Mid-Columbia, 400 MW at DOB, 100 MW at NOB, and 300 MW at Mona. Still, PacifiCorp acknowledges that there may be a Pacific Northwest deficit around 2021, and all of the Western Electricity Coordinating Council’s sub-regions may be sufficient only through the 2025 winter and summer seasons. Additionally, coal plant retirements in the region may lessen the availability of wholesale market purchases and trading hub liquidity.

D. PacifiCorp Should Use a Neutral Third Party Gas Forecast

Aside from the Company’s questionable assumptions underlying its projected year of acquisition of a major new resource, a second major objection to PacifiCorp’s IRP is that the gas price forecast comes from the Company’s own expert instead of a widely recognized and accepted gas price forecast like the Energy Information Administration (“EIA”). Although there may be arguments for a Company-paid expert, the use of such an expert raises questions of bias and objectivity that have not been

resolved. The IRP discusses the development of the natural gas price forecast only briefly, and never mentions EIA. And the figures show little variation between low, medium and high forecasts. PacifiCorp should explain why and how it has deviated from its past gas forecasts.

E. Stakeholders and Staff Should Have Reasonable and Low Cost Access to PacifiCorp's Models

Finally, the Company's use of a capacity expansion model is opaque to interested parties, unless they have the means and expertise to acquire the model and use it to verify the Company's results. It seems imprudent that major resource decisions are made without requiring reasonable access to the tools that establish the IRP's results. The second stage of IRP modeling is the stochastic investigation to determine production costs under changing input assumptions. It is also opaque. We encourage the Commission to authorize the necessary funding to the Commission Staff to acquire these models and run them to verify the veracity of the inputs. In PacifiCorp's 2015 IRP review, Sierra Club's expert acquired the capacity expansion model and identified modeling constraints that the Company never advised the stakeholder group about, such as inputting coal plan unit retirements rather than allowing the model to determine the most reasonable retirement years. There are toggles within the model that allow or restrict certain behaviors that must be verified. Only a non-Company review of the modeling can determine if those toggles have been used. Given the size of the investment at stake, PacifiCorp's modeling needs third-party auditing.

III. CONCLUSION

Thank you for the opportunity to provide comments in this proceeding. We look forward to the next phase of this investigation into PacifiCorp's 2017 IRP.

Dated this 23rd day of June, 2017.

/s/ John Lowe
John R. Lowe
Executive Director
Renewable Energy Coalition

/s/ Nancy Esteb
Nancy Esteb
Renewable Energy Coalition