BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

LC 67

In the Matter of PACIFICORP, dba PACIFIC POWER, 2017 Integrated Resource Plan	**SIERRA CLUB COMMENTS ON STAFF'S PUBLIC MEETING MEMORANDUM**

Coal Analysis

Sierra Club appreciates Staff and parties' comprehensive comments and review of the issue of economic coal plant retirement, and is supports a deadline of March 30, 2018 for Staff's requested coal unit assessment.[1] Sierra Club recommends that that the Commission include in its order:

(1) An analysis to be filed under the instant docket (LC 67):

(2) That PacifiCorp accompany the filing with the (confidential) workpapers identical in nature to those filed with the IRP, including System Optimizer input assumption files, output and modeling files, and summary workbooks;

(3) A technical workshop following the submission;

(4) An opportunity to formally comment on the analysis within the docketed process.

Sierra Club looks forward to actively participating in this inquiry and assessment.

New Wind Investments

Sierra Club supports new investments in renewable energy projects, particularly when those projects explicitly are both in the interests of ratepayers and are definitively geared to reduce emissions and the use of aging fossil infrastructure. We have thus far declined to comment substantially on the new wind and repowering projects except to point out that these projects cannot be examined fully independently of the disposition of the Company's coal fleet – a fleet that accounts for a substantial amount of the Company's capacity and yet does not provide flexibility to integrate wind. Were PacifiCorp specifically seeking to decarbonize its fleet through the replacement of carbon-intensive resources with new wind and solar investments, Sierra Club would – subject to the review of ratepayer impacts – likely have lent strong support to the initiative. However, parties' concerns about transparency, and the conspicuous disconnect

[1] Staff November 21, 2017 Memo on PacifiCorp IRP, Page 42.

between this massive investment and the Company's refusal to assess its existing fleet, cannot be dismissed.

We understand Staff's comments as advancing two key criteria in the consideration of an investment: need and economic benefit, where the Staff has expressed concern regarding the lack of definitive need for the wind investments. Sierra Club understands and concurs with Staff's concern about the changing nature of the "need" as characterized by PacifiCorp from April to October 2017, and agrees that PacifiCorp has made an inadequate, inconsistent, and *post-hoc* demonstration of need. However, for purposes of future dockets, we want to caution against a narrow focus on "need-based planning."[2] We appreciate Staff's cautious and thoughtful approach, and hope to contribute to a consistent view of resource planning by Staff and the Commission.

As Staff points out, Oregon's IRP guidelines require that that utilities seek a "portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers."[3] At the end of the day, Oregon and most other states with IRP guidelines define the purpose of the planning exercise as seeking to serve customers at the lowest reasonable cost. Amongst the minimum criteria of a resource plan is that the utility must plan to meet customer demand through owned, contracted, or available market resources. Like many other states, however, Oregon's IRP guidelines are silent on if the utility may plan to over-procure on behalf of ratepayers. Instead, utilities are simply required to provide an "identification of capacity and energy needed to bridge the gap between expected loads and resources."[4] However, the resulting portfolio is not specifically required to bridge that gap with utility-owned resources, nor is it restricted from exceeding that gap.

Staff's comments imply that needs-based planning could be separable from least-cost planning, arguing that "the traditional IRP process is not designed to accommodate economic opportunity."[5] While Staff provides helpful caveats to this construct, Sierra Club believes that this interpretation of "needs-based planning" could lead to problematic and unnecessarily narrow results. In particular, what is the threshold at which an economically advantageous decision is overridden by a "needs" demonstration?

Staff seeks to prevent Oregon utilities from continuously overbuilding as new "economic opportunities" arise with no check on rate-based growth. Fortunately, the Commission's existing rules have such a check in place: building much more infrastructure than is required by the utility's customers entails relying on wholesale market sales to ensure that economic benefits are realized – a substantial "associated risk and uncertainty." The utility should not use ratepayer funds to support what are effectively merchant generation activities; and can review such activities through the existing lens of risk reduction. The Commission can simply clarify that part

[2] Staff November 21, 2017 Memo on PacifiCorp IRP, Page 21.
[3] Staff November 21, 2017 Memo on PacifiCorp IRP, Page 4, referring to OPUC Order No. 07-002 at 1-2.
[4] OPUC Order No. 07-002 at Appendix A, Page 4 at Guideline 4(c).
[5] Staff November 21, 2017 Memo on PacifiCorp IRP, Page 22.

of "least-risk" planning requires that the utility not build for the express purpose of providing wholesale energy or capacity sales outside of its own system. We believe that this criterion minimizes the investment risks of the Company while allowing for cost-effective decisions on both purchases and retirements.

Sierra Club appreciates Staff's recommendation for a comprehensive review of economic opportunities if needs-based testing is not adopted. Staff states that economic opportunity review should include the "comprehensive review of all opportunities, including those that may not be advantageous to the electric company's shareholders, such as a greater reliance on distributed generation or third parties as resource providers," and that "if [existing unit] retirements are potentially economic, then they must be considered alongside the preferred economic opportunity."[6] We agree in full, but assert that this principle applies today under the current guidelines for least-cost/least-risk planning.

Finally, Sierra Club fully supports Staff's emphasis on a comprehensive decarbonization management plant for the continuous review of existing and potential resources.[7]

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Respectfully submitted,

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[6] Staff November 21, 2017 Memo on PacifiCorp IRP, Page 28.
[7] Staff November 21, 2017 Memo on PacifiCorp IRP, Page 23.