

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 67

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

I. INTRODUCTION

The Renewable Energy Coalition (the "Coalition") submits these comments on Staff's Public Meeting Memo ("Public Meeting Memo") regarding Pacific Power's ("PacifiCorp's" or the "Company's") 2017 integrated resource plan ("IRP"). While the Coalition does not agree with all aspects of the Public Meeting Memo, the Coalition appreciates Staff's thoughtful and serious approach to reviewing what may be the most meaningful IRP in over a decade. The Coalition's specific recommendations are that the Commission should: 1) require PacifiCorp to comply with Order No. 16-174 in Docket No. UM 1610 and complete an analysis of the benefits of contracted-for qualifying facilities ("QF"); 2) acknowledge PacifiCorp's plan to issue a request for proposal ("RFP") for up to 1,270 megawatts ("MW") of new wind resources; 3) acknowledge Staff's recommendation for PacifiCorp to perform additional analysis of its coal resources, including the additional unit by unit coal model runs; 4) request that PacifiCorp accurately incorporate its 2019 need for capacity in its upcoming avoided cost rate filing; and 5) identify a 2020 renewable deficiency date (rather than the 2025 date proposed by Staff or the 2030 or later date proposed by PacifiCorp).

II. COMMENTS

A. The Commission Should Require PacifiCorp to Immediately Calculate the Capacity Benefits Provided by Contracted QFs

Staff's Public Meeting Memo recommends that PacifiCorp either comply with Order No. 16-174 in Docket No. UM 1610 or explain why PacifiCorp cannot comply.¹ The Coalition's previous rounds of comments explained that the Commission required PacifiCorp to conduct an analysis of the capacity benefits provided by contracted QFs and that PacifiCorp ignored that direction. The Public Meeting Memo recognizes that PacifiCorp should have but did not conduct this analysis, and it recommends a path that may eventually result in PacifiCorp complying with this order.²

Staff recommends that PacifiCorp conduct the analysis of the capacity benefits of QFs in Docket No. UM 1610, rather than in this IRP. The Coalition supports this recommendation to review the benefits in UM 1610 because it is too late to incorporate the results in this IRP. However, the analysis is already long overdue, and the Coalition requests that a date certain be set for this analysis to be completed and recommends that PacifiCorp make its filing by February 1, 2017. This timeline would allow the methodology to be promptly reviewed and incorporated into PacifiCorp's next avoided cost rate filing.

The Coalition opposes Staff's language that could allow PacifiCorp to avoid its responsibility. By providing the Company an opportunity not to conduct the analysis, if it provides an explanation to the Commission as to why it cannot do the analysis, Staff may allow PacifiCorp to continue evading the Commission's directive. The issue as to

¹ Public Meeting Memo at 3.

² Id. at 49-50.

whether PacifiCorp should provide such an analysis was litigated in UM 1610. If PacifiCorp were not able to do the analysis, it could have elected to seek reconsideration of Order No. 16-174 or make another filing. PacifiCorp has already had over a year to comply with Order No. 16-174 and conduct the requisite analysis. There is no reason to offer PacifiCorp yet another opportunity to delay.

Finally, the Coalition recommends that the analysis include the benefits provided by existing QFs that renew their contracts, as well as QFs under contract that reduce PacifiCorp's capacity needs. It has become apparent in PacifiCorp's large renewable avoided cost rate case,³ as well as Portland General Electric Company's IRP,⁴ that QFs under contract reduce the utilities' capacity needs, which should be recognized in avoided cost rates.

B. The Commission Should Acknowledge PacifiCorp's Renewable Resource Need and its Proposal to Complete Its Renewable RFPs

PacifiCorp, Staff and other parties have exhaustively analyzed the issues associated with PacifiCorp's RFPs and associated transmission. The Coalition believes that PacifiCorp has adequately demonstrated a resource need that can be satisfied with immediate renewable resource acquisitions. The Coalition focuses these comments on the avoided cost rate implications of any acknowledgement of PacifiCorp's plan to acquire renewable resources.

For years, PacifiCorp relied upon front office transactions to fulfill its short- and medium-term capacity and energy needs. From a practical point of view, PacifiCorp has

³ See Staff's Final Comments at 17 (Oct. 6, 2017) (addressing PacifiCorp's statements in UM 1802).

⁴ Re Portland General Electric Company 2016 Integrated Resource Plan, Docket No. LC 66, Order No. 17-386 at Appendix B at 32 (Oct. 9, 2017) (discussing the impact of PGE's proposed PURPA contracts on its capacity need).

been resource deficient and needed power but has opted to rely upon the short-term market to fulfill that need instead. The Coalition has long believed that PacifiCorp was not truly planning on relying upon the market, but was simply using front office transactions as a delaying tactic until PacifiCorp decided it wanted to own new generation resources. The Coalition previously warned that PacifiCorp would suddenly abandon its reliance upon front office transactions once an opportunity presented itself to own and acquire new generation assets, which is exactly what has happened in this proceeding.

The practical impact of PacifiCorp's approach has been devastating on PacifiCorp's avoided cost rates, which currently assume that PacifiCorp will not acquire new renewable resources until 2028, and PURPA development in the Company's service territory has died. This is despite PacifiCorp's over two-year effort to acquire new renewable resources, including the issuance of three renewable RFPs.

Now that PacifiCorp is planning on owning new renewable resources to fill its capacity need, rather than primarily rely upon front office transactions, "Staff recommends that the Commission request clear and consistent deficiency dates from PacifiCorp that accurately incorporate PacifiCorp's asserted 2019 need for capacity."⁵ Staff's recommendation is based on a recognition that if PacifiCorp's front office transactions are not counted when examining capacity need, then the Company's capacity need date of 2019 must be reflected in its avoided cost rate filings.⁶ The Coalition supports Staff's recommendation (as explained above), believes that PacifiCorp was never truly planning to rely upon front office transactions long term, and appreciates

⁵ Public Meeting Memo at 25.

⁶ Id.

Staff's understanding of the logical implications of PacifiCorp's decision to (publicly) change its position on its reliance upon front office transactions.

The Coalition, however, opposes Staff's recommendation that PacifiCorp's avoided cost rates include a renewable resource deficiency date of 2025. The Commission should not set PacifiCorp's renewable deficiency period to reflect the Company's regulatory compliance needs. This would mean that PacifiCorp's avoided cost rates would not be based on its plans to acquire actual resources. This approach ignores PacifiCorp's renewable resource acquisition, which is still planned, and its future renewable needs are still avoidable.

More importantly, as the Coalition suggested at the conclusion of PGE's IRP, this is not the kind of change to make at this time and especially not at the end of a single utility's IRP. The Commission has consistently declined to address the methodology for setting avoided cost rates in a proceeding focused only on one utility's avoided cost rates.⁷ The Commission has explained, "avoided cost methodologies are examined in recurring generic investigations" and opted to use other, generic proceedings to "address whether the approved methodologies should be modified."⁸

The Commission is already planning to consider this issue more fully, most likely as a generic investigation. In fact, upon closing UM 1794, the Commission acknowledged the need to consider "avoided cost implications where a utility is pursuing near-term capacity investments that are not driven by reliability, renewable portfolio

⁷ See e.g., Re Commission Investigation to Determine if Pacific Power's Rate Revision is Consistent With the Methodologies and Calculations Required by Order No. 05-584, Docket No. UM 1442, Order No. 09-427 at 4 (Oct. 28, 2009).

⁸ Id.

standard (RPS), or load-service needs.”⁹ The proceeding that will be opened pursuant to Order No. 17-239, which should involve both utilities, is a better place to consider a new approach to determining renewable resource sufficiency. Until then, the date should be set by the next planned resource acquisition. Because similar issues have been raised for both PGE and PacifiCorp, it makes little sense to make any policy decision that would affect only PacifiCorp.

PacifiCorp itself has acknowledged that it wants to address this issue in a generic investigation. Specifically, PacifiCorp questioned, “how cost effective renewable resources (rather than renewable resources needed to comply with renewable portfolio standard (RPS)) identified in an integrated resource plan (IRP) should be considered when developing renewable non-standard avoided cost pricing.”¹⁰ PacifiCorp then proposed that this should be addressed in a generic proceeding.¹¹

If the Commission is going to change PacifiCorp’s renewable avoided cost rate methodology outside of a generic proceeding, at a minimum, stakeholders should be allowed an opportunity to comment, which could occur in the post-IRP avoided cost rate update proceeding. The current proceeding does not provide an adequate opportunity to address alternative methodologies for deficiency determinations.

⁹ Re PacifiCorp Investigation into Schedule 37 – Avoided Cost Purchases from Qualifying Facilities, Docket No. UM 1794, Order No. 17-239 at 3 (July 7, 2017).

¹⁰ Re Investigation of PacifiCorp’s Non-Standard Avoided Cost Pricing, Docket No. UM 1802, PacifiCorp’s Motion to Amend the Procedural Schedule at 1 (June 28, 2017).

¹¹ Re Investigation of PacifiCorp’s Non-Standard Avoided Cost Pricing, Docket No. UM 1802, PacifiCorp’s Opening Testimony at PAC/300, MacNeil/5 (July 21, 2017) (“PacifiCorp therefore believes that the appropriate path forward is to investigate these issues in a generic docket involving a full range of stakeholders and all Oregon utilities with mandatory [PURPA] obligations”).

PacifiCorp’s position is inconsistent with its recommendation in the docket that adopted the Commission’s renewable avoided cost rate policy. In that proceeding PacifiCorp explained, “the Company acquires renewable resources on the basis of cost effectiveness and risk mitigation, not to meet individual RPS requirements”¹² Thus, PacifiCorp’s renewable resource acquisitions have never been entirely dependent upon RPS requirements but have instead been based on traditional cost and risk factors.¹³ In UM 1396, PacifiCorp even opposed using specific renewable resource mandates (like the RPS) to set renewable avoided cost rates and advocated to rely only upon the next major renewable resource identified in the IRP. PacifiCorp explained that it:

continues to support the use of the next avoidable renewable resource identified in the IRP preferred portfolio to determine the start of the resource sufficiency period. PacifiCorp clarifies that the period should be based on the next major avoidable renewable resource. First, this treatment is consistent with the existing framework for determining non-renewable resource deficiency. Second, because PacifiCorp may be required to secure small amounts of renewable resources to meet specific renewable mandates outside of PURPA, small renewable acquisitions in the IRP may not reflect purchases that are avoidable by QF purchases.¹⁴

The Commission’s rationale for adopting a renewable avoided cost rate was that a utility can have different resource needs, including requirements imposed by an RPS.¹⁵

¹² Re Commission Investigation into Resource Sufficiency Pursuant to Order No. 06-538, Docket No. UM 1396, PacifiCorp Reply Comments at 6 (June 28, 2011).

¹³ If any of PacifiCorp’s past renewable resource acquisitions were needed based on RPS rather than least cost and least risk planning purposes, then these would be considered above market costs under the Company’s inter-state cost allocation methodology. Docket No. UM 1396, Order No. 11-505 at 6 (Dec. 13, 2011) (“costs associated with resources acquired pursuant to a State Portfolio Standard, which exceed the costs that the utility would have otherwise incurred, are assigned on a situs basis to the state adopting the standard.”). Therefore, PacifiCorp has been careful to ensure that its major planned renewable resource acquisitions were based on economic and risk factors, and not RPS needs.

¹⁴ Docket No. UM 1396, PacifiCorp Reply Comments at 4 (June 28, 2011).

¹⁵ Docket No. UM 1396, Order No. 11-505 at 4.

While this was the primary justification, the Commission did not base the renewable deficiency period based on the next planned acquisition of renewable energy certificates for RPS purposes or specific RPS requirements.¹⁶ The Commission specifically rejected proposals by industrial customers and QF advocates to use state or federal RPS standards or renewable energy certificate purchases as the basis for renewable avoided cost rates.¹⁷

The Commission relied upon PacifiCorp's comments that:

the company's acquisition of renewable resources is done on a system-wide basis and **driven by cost-effectiveness and risk mitigation.** [PacifiCorp] states that **it does not acquire renewable resources to meet any one state's RPS requirements.**¹⁸

The Commission concluded that it would base renewable avoided cost rates on the next deferrable renewable resource because PacifiCorp's "renewable resource deficiency status is determined for the company as a whole and is not driven by individual state conditions."¹⁹

C. PacifiCorp Should Study the Economics of Its Current Coal Fleet

The Public Meeting Memo also recognizes that many of PacifiCorp's individual coal plants may be underwater and that PacifiCorp should conduct a unit-by-unit analysis to ascertain their economics. Specifically, Staff recommends that PacifiCorp conduct an additional coal analysis including: 1) performing 25 System Optimizer ("SO") runs - one for each coal unit and a base case; 2) providing the results of the SO runs to parties in LC 67 by March 30, 2018; and 3) providing a summary report resulting from the early

¹⁶ Id. at 6-7.

¹⁷ Id.

¹⁸ Id. at 6.

¹⁹ Id. at 7.

retirement of each unit.²⁰ The Coalition supports these recommendations as Sierra Club has provided compelling evidence that a thorough analysis should be conducted to determine if additional coal fired generation resources should be shut down because they are too expensive.

III. CONCLUSION

The Coalition recommends the Commission acknowledge PacifiCorp's plan to issue a RFP for new wind resources and update its avoided cost rate filings to include the Company's 2019 need for capacity and 2020 renewable resource deficiency date. The Commission should also require PacifiCorp to expeditiously analyze the benefits provided by existing QFs and the economics of PacifiCorp's existing coal resources.

Dated this 28th day of November, 2017.

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²⁰ Public Meeting Memo at 42.