BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

LC 67

In the Matter of PACIFICORP, dba PACIFIC POWER, 2017 Integrated Resource Plan	NORTHWEST AND INTERMOUNTAIN POWER PRODUCERS COALITION'S COMMENTS TO STAFF PUBLIC MEETING MEMO

I. INTRODUCTION

The Northwest and Intermountain Power Producers Coalition ("NIPPC") submits these comments regarding PacifiCorp's (or the "Company") 2017 integrated resource plan ("IRP"). NIPPC previously submitted written and oral comments and does not repeat them herein, but focuses these comments in response to the Oregon Public Utility Commission (the "Commission" or "OPUC") Staff Public Meeting Memo ("Staff Report"). NIPPC specifically recommends that the Commission:

- Acknowledge PacifiCorp's least-cost and least-risk 1,200 megawatt ("MW") renewable resource need, but not limit the need by resource type or location;
- Adopt Staff's proposed ratepayer protections that would have the practical effect of capping costs at PacifiCorp's estimates and ensuring that PacifiCorp first acquire long-term power purchase agreements ("PPAs") that have an equal or greater benefit than benchmark resources;
- Acknowledge Staff's recommended process for evaluating the capacity benefits of contracted qualifying facilities;
- Recognize that PacifiCorp is capacity resource deficient no later than 2019; and
- Not acknowledge PacifiCorp's wind repowering.

The Staff Report and other parties' comments focus on the fact that PacifiCorp did not identify the full size of its renewable resource acquisition plan until late in the IRP and has provided numerous and varying explanations for its decision to issue wind, and now solar, requests for proposals ("RFPs"). NIPPC recognizes that PacifiCorp's analysis prior to and during this IRP has been less than optimal and that the Company has provided changing justifications for its decision to acquire major new renewable resources. While the Commission and Staff may have reason to question PacifiCorp's proposals, however, the information available to the Commission at this time demonstrates that PacifiCorp's resource need should be acknowledged.

In the end, the Commission should not let PacifiCorp's confusing presentation of the evidence prevent the Commission from acknowledging a fundamentally reasonable proposal: meeting significant near- and long-term resource needs with the most economic and least-risk resources available. The Commission should be mindful that its "primary goal must be the selection of a portfolio of resources with the best combination of expected costs and associated risks and uncertainties for the utility and its customers."[1] If PacifiCorp is not allowed to test the market and potentially acquire renewable resources, which have reached historically low costs now, then PacifiCorp could end up acquiring higher cost resources in the future, which would be inconsistent with the goals of integrated resource planning.

[1] Re Commission Investigation into Integrated Resource Planning, Docket No. UM 1056, Order No. 07-002 at 5-6 (Jan. 8, 2007).

II. COMMENTS

A. The Commission Should Recognize that PacifiCorp Has a Resource Need that Can Be Met with Low-Cost Renewable Resources Anywhere on Its System

PacifiCorp has a major near-term energy and capacity need that the Company has demonstrated can be met in a least-cost and least-risk manner by the immediate acquisition of over 1,000 MW of renewable resources. PacifiCorp's IRP analysis, as well as its actual decision to propose two renewable RFPs for both wind and solar, demonstrate that PacifiCorp should be allowed to proceed with its RFPs to determine if its resource need should be met with the least-cost and risk electric generation facilities located anywhere on its system.

This IRP, like all of PacifiCorp's recent IRPs, shows that the Company is both energy and capacity resource deficient to the amount of over 1,000 MW. The change in this IRP is not that PacifiCorp's resource "need" has changed, but instead how PacifiCorp is planning on meeting its resource need. Historically, PacifiCorp planned to meet its near-term energy and capacity resource need with short-term market purchases (also called front office transactions or "FOTs") and planned to meet its medium to long-term energy, capacity and renewable portfolio standard ("RPS") need with physical resources (gas and renewable generation).

The primary substantive change in this IRP is that PacifiCorp identified a lower cost economic opportunity to meet its energy and capacity needs. Instead of using FOTs PacifiCorp has determined that renewable resources will better meet this near-term energy and capacity need, as well as put the Company significantly ahead of fulfilling its RPS obligations. PacifiCorp's analysis (supported by declining renewable resource costs), the unique and expiring production tax, and (to a lesser degree) investment tax credits show that renewable resource acquisitions (physical or PPAs) are the least-cost and least-risk resources. NIPPC believes that PacifiCorp has adequately presented analysis showing that meeting its current resource needs with renewable resource acquisitions rather than FOTs is the least-cost and least-risk option at this time.

The Utah Public Service Commission recognized that PacifiCorp should focus on the lowest-cost resources regardless of geography or technology, an argument also made by NIPPC, and PacifiCorp expanded its Wyoming wind RFP to include wind resources in any location. The Company has also since issued a solar RFP for solar PPAs in any location. As PacifiCorp is no longer pursuing a Wyoming wind-only resource strategy, the Commission's IRP acknowledgment should also recognize a resource need that is agnostic as to renewable resource type or location.

The Staff Report appears to recognize that PacifiCorp's preferred portfolio (including the over 1,000 MW of renewable resources) is the least-cost portfolio, but Staff is primarily concerned about whether it is the least-risk portfolio. Given the long-term nature of these resource acquisitions, especially compared to FOTs, Staff's concern is reasonable but not sufficient to prevent PacifiCorp from moving forward with its reconstituted resource acquisition plans.

To address these concerns, Staff has proposed reasonable ratepayer protections. Specifically, Staff has proposed that the Commission recognize the unique benefits of PPAs to mitigate risks by recognizing the unique value of PPAs and hold PacifiCorp to its cost estimates. These conditions are straightforward ideas that NIPPC and ratepayer advocates have championed for years and should be included in PacifiCorp's near-term action plan to mitigate risks.

Staff recommends that the Commission should only acknowledge PacifiCorp's action plan, if it recognizes that PPAs will protect ratepayers from the risks associated with higher costs or lower revenues and other benefits. Specifically, Staff recommends:

> Wind Development through Long-term PPAs: Many (though not all) of the risks outlined by Staff in final reply comments are associated with resource ownership. Long-term PPAs that span the Company's modeling analysis (i.e., that extend to 30 years or beyond) are not subject to many of these risks. Long-term PPAs that have a benefit equal to or greater than any proposed benchmark resource acquisition should be considered first.[2]

Understanding "benefit" to mean net benefits, NIPPC agrees with this recommendation. As NIPPC has explained in numerous proceedings over the years, PPAs mitigate the risks historically associated with utility ownership by eliminating ratepayer exposure to cost overruns, containing environmental compliance risk, and minimizing capital demands. These benefits while improving the utility balance sheets, may reduce return on revenue for stockholders, but will ultimately serve ratepayer interests and prevent utilities from locking in long-term resources in a risky or declining resource cost environment.

Staff also proposed additional short-list conditions including reasonable cost protections in the pre- and post-commercial operation phase. While the Commission does not typically address ratemaking treatment in an IRP proceeding, such protections are warranted given the unusual and changing nature of this IRP, the strong opposition by Staff and ratepayer advocates, and that PacifiCorp has already issued two renewable RFPs.

[2] Staff Report at 24.

Prior to completion and in the construction phase, Staff recommends that the Commission communicate to PacifiCorp that any costs in excess of the Company's current estimates "will be presumed imprudent."[3] If the Company's detailed construction and purchase cost figures are reasonable, as they appear to be, then the Company should be able to stand behind any cost estimates associated with utility ownership. It is self-evident that an executed PPA would entirely remove this risk since independent power producers are unable to pass on any cost increases to ratepayers.

Staff also proposes a reasonable ratepayer protection condition after commercial operations have begun "to ensure that from the customers' perspective, project revenue is at least as favorable as modeled."[4] Staff recognizes that a number of assumptions must turn out to be accurate for PacifiCorp's proposal to be the least-cost and least-risk, including that market prices must be as high as modeled forward prices, that capacity factors and the units' availability rates must be met, and that the production tax credit does not expire early. Staff does not propose the creation of protections for each of these risks, but instead recommends "that if actual revenues do not materialize as favorably as the model expected, it is the *modeled* revenues that are used in the Company's *net* power cost calculation."[5] NIPPC agrees with Staff that these conditions should be applied insofar as they are necessary to ensure that customers will not be harmed if the anticipated benefits do not materialize or costs and revenues depart from PacifiCorp's current estimates.

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3 Id. at 25.
4 Id. at 26.
5 Id. (second emphasis added).

B. Existing and Contracted-for Qualifying Facility Purchases Provide Capacity Value for Ratepayers

The Staff Report appropriately recognizes that the Commission previously directed PacifiCorp to analyze in this IRP how it calculates the capacity value that existing qualifying facilities provide to the Company when the qualifying facilities renew their contracts; PacifiCorp failed to perform this analysis. Staff recommends that rather than waiting for the next IRP, PacifiCorp should perform this QF valuation analysis immediately or explain why it is impossible to do so.[6] NIPPC supports this recommendation but notes that both existing and contracted-for (but not yet operating) projects provide capacity value, and both should be included in any studies.

C. PacifiCorp's Capacity Deficit Should Be Recognized for Avoided Cost Rates

The Staff Report recognizes that PacifiCorp's claims that FOTs cannot or should not be counted when examining how capacity need impacts the Company's avoided cost rate filings.[7] Without taking a position on the capacity value of FOTs, the Commission should recognize that PacifiCorp is not relying upon them to meet its capacity and energy needs in this IRP, even though it has an asserted a capacity need date of 2019. Therefore, NIPPC supports Staff's recognition that PacifiCorp's avoided cost filings should reflect this asserted need, including setting an avoided cost deficiency date of 2019 for capacity and at least a 2025 deficiency date for renewable resources. NIPPC believes that since PacifiCorp has currently issued wind and solar RFPs the renewable resource deficiency date should be set earlier, but this issue can be addressed in a post-IRP acknowledgment rate filing.

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6 Id. at 49-50.
7 Id. at 25.

D. The Commission Should Not Acknowledge PacifiCorp's Wind Repowering

NIPPC originally recommended that the Commission not acknowledge PacifiCorp's wind repowering but allow PacifiCorp to proceed as long as the Company tested the economics of the acquisition through a request for proposal. PacifiCorp is proceeding with the wind repowering without sharing the underlying economics of its repowering plan. In addition, Staff presents compelling arguments regarding why the wind repowering is not the least-cost and least-risk approach. Therefore, NIPPC recommends against acknowledgment of this aspect of the Company's plan.

IV. CONCLUSION

The Commission should recognize that PacifiCorp has a significant renewable resource need that can be met with renewable resources of all generation types and in multiple locations. While PacifiCorp's renewable resource plans have been clearly demonstrated to be the least-cost, Staff and other parties raise legitimate concerns regarding the associated risks that warrant inclusion of Staff's ratepayer protections that recognize the unique value of PPAs and hold PacifiCorp to its pre- and post-commercial operation date cost, revenue and benefit estimates. In addition, the Commission should recognize an early capacity deficiency for avoided cost rate purposes. Finally, the Commission should not acknowledge PacifiCorp's wind repowering.

Dated this 28th day of November 2017.

Respectfully submitted,

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