

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 67

In the Matter of PACIFICORP, dba PACIFIC POWER
Comments on Staff's Public Meeting Memo

Comments of Robert J. Procter, Ph.D.
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I. Overview

Having worked on solar energy as far back as the late 70's, and did unpaid research for the Sierra Club in their San Francisco offices having just finished my B.A. in economics at Berkeley, I wish it was reasonable to support PacifiCorp's proposed wind investments. However, such is not the case.

As my comments submitted in October argued, "...PacifiCorp's (The Company) 2017 Integrated Resource Plan (IRP):

- Proposed new wind for economic development purposes in Wyoming that is neither needed to meet its Oregon obligations – or its obligations anywhere else in this system;
- Proposed new investments in wind as a carbon reduction strategy ignoring less costly and more successful ways of reducing carbon emissions;
- Proposed new investments with almost non-existent potential benefits in the form of lower rates to its Oregon retail customers while the risk exposure is great.”¹

II. The Commission is advised to sustain the existing methodology and requirements that define how IRP is practiced in Oregon.

Staff has provided a thorough summary of all the attempts the Company has made to identify an actual system need upon which to justify its proposed investments in new wind and repowered wind. In the end, the Company was unable to identify such a need.

In the section titled “*Risks to Customers of the Present Projects*,”² Staff describes issues that go to the heart of risk management as a critical part of the IRP process.

¹ “In the Matter of PACIFICORP, dba PACIFIC POWER 2017 Integrated Resource Plan,” Comments of Submitted October 11, 2017, p. 1.

Staff's discussion is especially on point in light of the arguably small *potential* benefit to ratepayers.

When a need has been clearly identified, then the IRP analysis must identify and evaluate various approaches, including but not limited to, resource acquisition. Roughly speaking, doing so is designed to meet that need with the approach determined to be least cost for a given risk exposure.

However, when the issue before the Commission is a request by a utility to receive favorable regulatory treatment of an economic opportunity, such a request lies fully outside the scope of least-cost utility resource planning as that is practiced in Oregon.

Therefore, the Commission must tread carefully since a decision to acknowledge wind repowering and investments in new wind proposed by the Company in their 2017 IRP. If you acknowledge the Company's proposed capital spending on new wind and re-powered wind, you will be signaling entities that fall under the Commission's economic regulation that they may propose capital projects for regulatory review that are not needed to meet loads.

Staff has anticipated this issue in proposing "sideboards" to any such acknowledgement. However, in doing so, their proposal runs the risk of making it easier for the Commission to do the wrong thing.

Changing the IRP framework should not occur in such a de-facto way. Rather, if the Commission desires to alter the requirements a utility must meet regarding determination of need and the economic analysis methods of IRP then it ought to open a docket expressly focused on that set of issues. The coherent framework that currently exists within which IRP is practiced in this state are too essential a part of effective economic regulation by this Commission to be modified in such a piece-meal fashion.

III. Buying renewables is a very expensive approach to reducing carbon emissions.

Using RPS to cut CO2 emissions is very costly. My comments (submitted on October 11, 2017) contains a table of costs and CO2 emissions reductions that are obtained from alternative CO2 reduction strategies. As I wrote there, "...closing coal plants (Policy C) resulted in a greater net reduction in CO2 emissions ... than was obtained through building new renewables (132MMT), and at a fraction of the costAs a result of the greater amount of CO2 reductions and the significantly lower cost, results in a cost per mega-ton of CO2 reduced of \$78/MMT [from shutting coal plants] rather than \$349/MMT for the new renewables strategy."³

² "Public Utility Commission of Oregon Staff Report Public Meeting Date December 5, 2017," Docket LC67 PAC 2017 IRP, November 21, 2017, pp. 21-24.

³ Procter comments submitted October 11, 2017, p. 4.

IV. The benefits of the Company's proposed investments in wind are virtually non-existent

While the Company argued that there are positive benefits to ratepayers by its taking advantage of the economic opportunity offered through production tax credits, using PV gives a distorted picture of the benefits to customers.

PV methodology is important when comparing different approaches to meeting a resource need. Since that is not the case here, a better metric is to look at what the Company's analysis suggests the impact on rates might be.

As my October 11th comments indicated, "To more accurately reflect potential gains to customers via rates, those PV results were levelized using a 20-year timeframe and The Company's discount rate, 6.57%...the average maximum monthly potential benefit to each of the Company's Oregon customers from re-powering wind ranges between \$0.16 and \$0.50."⁴

When new wind is added to repowered wind, the results are even worse. In this case, the levelized monthly (benefit/cost) for each of the Company's Oregon customers ranges between a cost decrease of roughly \$1.03 to a cost increase of about \$1.04.⁵

Against these "benefits," the Company requests that this Commission tip its hat in favor of a multi-billion dollar project with the potential to incur costs that could easily wipe out any benefit.

V. Conclusions and Recommendations

Absent an affirmative demonstration of a system need for new near-term investments in intermittent generation and supporting transmission, the OPUC must resist making a de-facto revision of its existing IRP Guidelines.

If The Company had demonstrated a need for capacity and/or energy in its IRP, then it would be incumbent on the Commission to work to balance potential benefits to customers with potential risks. However, the Company failed to demonstrate a need for new near-term investments upwards of \$2.5 billion on re-powered wind, new wind, and new transmission.

Further, for the reasons laid out in section III, acquiring new wind as a de-carbonization strategy is to pursue a path that would produce few benefits in the form of reduced carbon emissions while exposing customers to the risks associated with investments totaling over \$2 billion.

⁴ Ibid, p. 7.

⁵ Ibid, p. 8.

If The Company wishes to pursue a de-carbonization strategy, the Commission should direct it to evaluate the risks and benefits to customers in terms of both reduced CO2 emissions, as well as the delivered cost of electricity, that would result from shutting down its coal fleet earlier than planned.

The Company's desire to re-power existing wind, develop new wind in Wyoming, and make needed transmission investments should be seen as efforts by the Company to augment its rate base to help enhance its stock prices and returns to its investors. It is not the role of the Commission to assist the Company in sustaining or enhancing its stock price.

Additionally, the benefits to its Oregon customers – using its own analysis – are virtually non-existent, when those benefits are expressed in terms closer to the time frame used by the Company to set its retail rates.

This concludes the comments of Robert J. Procter

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