

BEFORE THE PUBLIC UTILITY COMMISSION

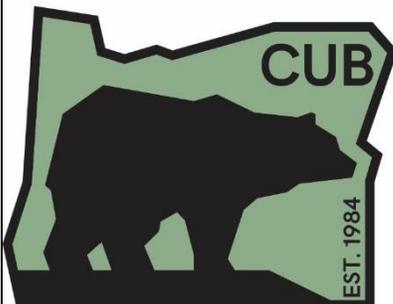
OF OREGON

LC 70

In the Matter of)
)
PACIFICORP, dba PACIFIC POWER,)
)
2019 Integrated Resource Plan.)
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OPENING COMMENTS
OF THE
OREGON CITIZENS' UTILITY BOARD

January 10, 2020



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I. INTRODUCTION

CUB commends PacifiCorp (the Company) on the volume of work and level of stakeholder engagement it has put towards developing its 2019 Integrated Resource Plan (IRP). PacifiCorp’s 2019 IRP Preferred Portfolio accelerates retirement of six coal plants that were scheduled to retire at a later date in the 2017 IRP. The Preferred Portfolio also selects retirement of sixteen coal units by 2030 and retirement of twenty of its twenty-four coal units by the end of the planning period in 2038.¹ That would reduce coal-fueled generation capacity by almost 4500 MW by 2038. CUB appreciates the Company’s effort in cleaning up its system as other utilities in the West have already made significant strides in that direction. CUB continues to believe that coal-fired generation is an economically risky resource for customers and is pleased to see the Company moving in a direct that reduces that risk on its system.

¹ PacifiCorp 2019 Integrated Resource Plan, Volume I, p. 252.

In these comments, CUB will focus on PacifiCorp’s coal study assumptions-- specifically, the base case assumptions for Jim Bridger Units 1 and 2--and the action items presented by the Company in its 2019 IRP.

II. COAL STUDY BENCHMARK ASSUMPTIONS

PacifiCorp conducted a thorough three-phase analysis of its coal plants including unit-by-unit, stacked, and reliability-related coal studies. The Company did this with stakeholder input at each step. CUB has concerns regarding the benchmark coal study retirement assumptions for Jim Bridger 1 and 2.² The retirement assumptions for the benchmark case include selective catalytic reduction (SCR) installation for both units in 2022 and 2021, respectively. These investments were not found to be cost effective in the last IRP. CUB believes they are unlikely to be found cost effective in this IRP, and, therefore, should not have been included in the benchmark case. CUB recognizes that we have previously reviewed these assumptions and, at the time, did not object to them. CUB recognizes that these assumptions inflate the cost of the base case and make coal retirements seem more appealing in the unit-by-unit and stacked coal studies. Ultimately, because the coal studies were primarily used to identify the coal retirements that were included in various portfolios, it was the comparison of portfolios against each other that identified the preferred portfolio. Therefore, CUB does not think that this modeling error influenced the outcome of the IRP.

However, the modeling error contradicts the coal study modeling requirements specified in Public Utility Commission of Oregon Staff (Staff) comments on PacifiCorp’s 2017 IRP. Staff comments mentioned that PacifiCorp’s economic analysis of its coal units should begin with a ‘base case’ assuming, among other things, “Reference Case Regional Haze assumptions,

² PacifiCorp 2019 Integrated Resource Plan, Volume II, p. 280.

but remove all costs for impending SCR requirements at Bridger, Hunter and Huntington...”.³ In response, the Company expressed “its willingness to conduct the additional coal analysis requested by Staff, which includes an additional 25 System Optimizer (SO) model runs.” In the 2017 IRP update, the Company reiterated that the findings from its coal studies—including those for Jim Bridger 1 and 2—implied no incremental SCR emissions-reduction system was needed to meet regional haze compliance obligations.⁴

CUB fails to understand why the Company includes SCR installations for Jim Bridger Units 1 and 2 in its Benchmark Coal Study in the 2019 IRP. This would clearly create misleading cost estimates in the economic analysis of coal units conducted relative to the base case. SCRs cost hundreds of millions of dollars and are not cost-effective for coal plants that are set to retire in the next five to ten years. PacifiCorp’s 2019 Preferred Portfolio sets the retirement date for Jim Bridger Unit 1 to 2023 and that of Jim Bridger Unit 2 to 2028. Moreover, PacifiCorp itself made this argument and excluded SCR installations for these coal units in its previous IRP. CUB believes that the economics of coal plant retirements will continue to be an issue in future IRPs and that more effort should be made to ensure that the baseline is based on reasonable assumptions.

III. EXISTING RESOURCE ACTIONS

PacifiCorp’s Preferred Portfolio includes gas-conversion and accelerated retirement of several of its coal units. The Company’s Action Plan is oriented towards the development of its Preferred Portfolio. CUB found a conflict between PacifiCorp’s economic analysis of Cholla 4

³ Staff Final Comments on PacifiCorp 2017 IRP, Page 30 of 47.
<https://edocs.puc.state.or.us/efdocs/HAC/lc67hac111634.pdf>.

⁴ PacifiCorp 2017 IRP Update, p 18.
<https://edocs.puc.state.or.us/efdocs/HAH/lc67hah9232.pdf>.

and its proposed action plan regarding the closure of this plant in the IRP. Recently, however, PacifiCorp announced closure of the plant by the end of 2020, thereby resolving the conflict.

Closing Cholla 4 has economic benefits to PacifiCorp customers. CUB applauds PacifiCorp's movement on this issue and appreciates that the Company's action is consistent with its economic analysis of close plant closures and its Preferred Portfolio.

CUB Recommendation

CUB recommends that the Commission acknowledge Action Items 1a -1e.

IV. NEW RESOURCE AND TRANSMISSION ACTIONS

PacifiCorp has planned for a significant volume of new resources and transmission to build its Preferred Portfolio. CUB would like to review comments from Staff and other parties before making any recommendations towards acknowledgement of Action Items 2a, 2b and 3a through 3g.

V. DEMAND-SIDE MANAGEMENT (DSM) ACTIONS

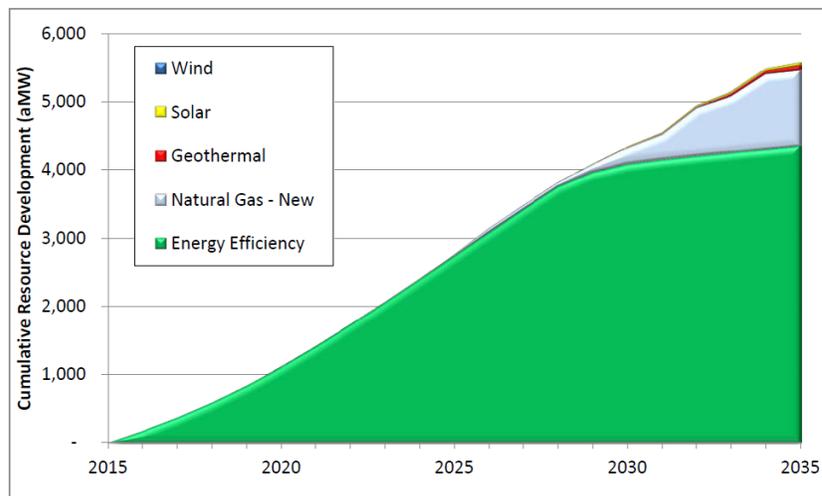
PacifiCorp's DSM resources are classified into four categories. These are Class 1 DSM or Demand Response; Class 2 DSM or Energy Efficiency; Class 3 DSM or Pricing Response and Load Shifting; and, Class 4 DSM or Education and Information based measures. PacifiCorp's Action Plan 4a sets Class 2 DSM (energy efficiency) targets through 2022 (annual incremental capacity reaching 143 MW in 2022) and acquisition of cost-effective Class 1 DSM (demand response) in Utah targeting approximately 29MW of incremental capacity between 2020 and 2023.

CUB is surprised to see that there are no Class 1 DSM resources planned for Oregon in the near term. CUB is concerned about the disparity between Portland General Electric (PGE) and PacifiCorp in acquiring demand response resources. Demand-side resources, like supply-

side, can provide both energy and capacity. It is now well understood that coal plant closures will create regional capacity and reliability needs. Customer resources are going to play a significant role in dealing with these regional energy and capacity shortfalls.

Also, as noted in the Northwest Power Council’s Seventh Power Plan⁵, “energy efficiency consistently proved the least expensive and least economically risky resource.” The Power Plan found that in more than 90% of future conditions, cost-effective energy efficiency could be used to meet “all electricity load growth through 2030....”⁶ The following figure from the Seventh Power Plan shows the Resource Portfolio developed in the Plan through 2035:

Figure 1 - 1: Seventh Plan Resource Portfolio¹



Source: Northwest Power Council’s Seventh Power Plan. The figure shows average resource development across all 800 futures tested in the Regional Portfolio Model.

The Power Plan makes acquiring energy efficiency its primary near-term resource action. The Power Plan also identifies demand response as its second priority and considers this resource to be best suited to meet capacity needs under low water and extreme weather conditions.

⁵ Northwest Power Council, 2016 Seventh Power Plan, p 1-1, 1-2, Executive Summary. https://www.nwcouncil.org/sites/default/files/7thplanfinal_chap01_execsummary_6.pdf.

⁶ *Id.*

Other utilities in the region, for example, PGE, are also planning actively towards acquiring demand response resources. As PGE notes in its 2019 IRP, “customer participation will be critical to achieving long-term decarbonization at the lowest cost to customers.”⁷ CUB would like to point out that customer resources cannot be acquired overnight and is concerned that PacifiCorp is not planning actively towards achieving more of these resources.

CUB would also like to point out that as PacifiCorp is committed to deploying advanced metering technology in Oregon, they would have increased opportunities for Class 1 DSM measures. CUB believes that PacifiCorp’s 2019 IRP DSM actions do not reflect these future possibilities.

CUB Recommendation

CUB recommends that the Commission does not acknowledge Action Item 4a, Energy Efficiency Targets. CUB believes the Company has not fully explored energy savings opportunities while developing its preferred portfolio. In particular, the Company needs to bring in more Class 1 DSM resources in its system, and especially in Oregon.

VI. CONCLUSION

CUB has reviewed the IRP and the Action Plan. With regards to the Action Plan, CUB recommends the following:

A. Acknowledgement

1. CUB recommends that the Commission acknowledge Action Item 1a-1e, Existing Resource Actions.

⁷ Portland General Electric, 2019 Integrated Resource Plan, p 215.
<https://edocs.puc.state.or.us/efdocs/HAA/lc73haa162516.pdf>

2. CUB recommends that the Commission acknowledge Action Item 5a, Front Office Transactions.
3. CUB recommends that the Commission acknowledge Action Items 6a (Renewable Portfolio Standard) and 6b (Renewable Energy Credit Sales).

B. Non-Acknowledgement

1. CUB recommends that the Commission not acknowledge Action Item 4a, Energy Efficiency Targets

CUB has no recommendations for acknowledgement or otherwise, for New Resource Actions and Transmission Actions. CUB would like to review comments provided by OPUC Staff and other parties before making recommendations for these two Action Items.

CUB looks forward to PacifiCorp's response to the concerns presented in these opening comments.

Dated this 10th day of January, 2020

Respectfully submitted,



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