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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

In the Matter of PACIFICORP, dba PACIFIC POWER, 2019 Integrated Resource Plan	Docket LC 70

SIERRA CLUB'S COMMENTS ON STAFF'S RECOMMENDATIONS

April 29, 2020

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1. INTRODUCTION

Sierra Club opens by expressing our gratitude towards Staff's rigorous work on the 2019 Integrated Resource Plan ("IRP"), a process which began prior to the close of the 2017 IRP. Staff's persistence, attention to detail, and balance of parties' concerns has rendered this IRP the most meaningful planning process conducted by PacifiCorp in the decade of Sierra Club's engagement in Oregon.

At the close of the 2017 IRP, Staff issued a key discovery request to PacifiCorp, asking that the utility demonstrate that its coal plants were in the continued best interests of ratepayers on a unit-by-unit basis, rather than as clustered in the finalized IRP. PacifiCorp refused, stating that such an analysis was beyond its capacity and outside the reasonable bounds of the IRP process. This Commission came to the conclusion that the 2017 IRP—and IRP processes preceding it—were fundamentally flawed, and required that PacifiCorp open its 2019 IRP with an assessment of its existing coal fleet, the June 2018 Coal Analysis. That mandated analysis, and the December 2018 Coal Analysis that followed, fundamentally shifted the way that PacifiCorp conducted planning and has led to a more sound process overall.

Throughout the 2019 IRP process, Staff pressed PacifiCorp to look more closely at its existing coal units and also opportunities for improving the overall process. Staff's recommendations appear to be based in a clear read of the IRP process. We commend Staff's work here to ensure IRP development is transparent, rigorous, and unbiased.

Sierra Club's goal is to keep the momentum. PacifiCorp's work to develop a more thorough review process should continue for the 2021 IRP, especially in terms of Staff's recommendations to continue to assess the value of PacifiCorp's existing resources.

Importantly, Sierra Club requests that the Commission require PacifiCorp to produce a targeted IRP Update in 2020 that describes how the company is responding to the rapid and dramatic changes in the U.S. economy brought about by COVID-19.

2. THE 2021 IRP COAL ASSESSMENT MUST LEAD, NOT LAG IN THE 2021 IRP

Staff recommends that PacifiCorp be directed to "include in its 2021 IRP development process updated analysis identifying the most cost-effective coal retirements for the 2021 IRP."[1] Sierra Club joins Staff's recommendation that PacifiCorp be required to include such analyses in the development of the 2021 IRP, but seeks to clarify that timing and an order of operations are critical to the integrity of such a study. Specifically, the analysis of the Company's existing coal units must lead, not lag in the 2021 IRP.

The 2018 Coal Analyses (June and December, 2018) were critical milestones in helping stakeholders, regulators, and PacifiCorp itself realize the relative merit—and liability—posed by its coal units. Such an analysis could not have been conducted with nearly the same veracity later in the IRP: it required substantial attention, and numerous revisions from PacifiCorp to be accurate, without the complications imposed by also juggling other planning elements in the IRP. Sierra Club is concerned that if PacifiCorp perceives only a need to present an assessment of its most cost-effective coal retirements as part of the final IRP submission, the necessary attention to detail and outcome will be lost.

Indeed, in the 2017 IRP, the entirety of the coal analyses offered by PacifiCorp were wrapped into woefully inadequate "regional haze" assessments, which PacifiCorp argued were sufficient. In its final comments in the 2017 IRP, PacifiCorp spent nearly four pages insisting that its IRP process was appropriately robust with respect to coal,[2] and that Sierra Club's request for a unit-by-unit coal analysis was unsupported and should not be required.[3] The 2019 IRP, the degree of change realized under the analytical framework recommended by Staff and Sierra Club, and required by the Commission at the close of the 2017 IRP, all speak to the importance of the unit-by-unit coal analysis, and its importance in PacifiCorp's IRP process.

In order to preclude a repeat of the 2017 process in 2021, Sierra Club supports Staff's recommendation with respect to coal retirement analysis, making clear that such an analysis must precede or be presented in concert with other input studies.

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[1] Staff Report, p. 26.
[2] LC 67, PacifiCorp Reply Comments, pp. 37-41.
[3] *Id.*, p. 39.

3. THE IRP MUST BE ASSESSED FOR CHANGES IN THE U.S. ECONOMY

The world in mid-2020 was unimaginable at the IRP's filing date in October 2019. Indeed, when parties submitted final comments in early March 2020, it was just beginning to dawn on some Americans that our way of life might change—but the order of magnitude was still unthinkable. The economic havoc wreaked by COVID-19 has been substantial. The U.S. Energy Information Administration ("EIA") expects demand in Pacific's region to fall by 3 percent over the next two years relative to 2019,[4] and expects wholesale electric prices in CAISO to fall by nearly 1/3rd in 2020 relative to 2019 prices.[5] And while gas prices are down today, various entities are projecting a potential rebound as current low-cost gas associated with Permian oil is substantially reduced.[6]

Much of PacifiCorp's 2019 IRP was focused on change processes, including a small number of coal retirements, large transmission projects, and new generation. While long-term projections remain tenuous, it is critical that PacifiCorp remain prepared to update this Commission and regulators in other states on the status of action plan items—as well as retirements that may be accelerated due to a changed economy—in a timely fashion. Rather than simply rely on PacifiCorp to report changes to individual action items, or waiting for the completion of the 2021 IRP, it should instead be incumbent on PacifiCorp to produce an interim resource plan, similar in construction to an IRP update. While an update does not need to be comprehensive, it should affirmatively assess each action item contemplated by the Company, as well as any major supply decisions continued or deferred. For example, PacifiCorp reports to the EIA that its contract for coal received at Hunter from Wolverine's (previously Bowie) Sufco mine in Utah will expire at the end of this year.[7] PacifiCorp's decision on continuing to fuel that coal plant should be contingent on its assessment of future costs and risks as it nears that contract end period.

The Commission consented to PacifiCorp's request to skip a 2020 IRP Update, with the explanation that the two delays on the receipt of the 2019 IRP had rendered a 2020 IRP Update unnecessary or redundant. That redundancy, or assumption of *de minimus* change is no longer accurate. We ask that the Commission identify an interim date for the submission of a 2020 IRP Update, focused on the Company's Action Plan and elections to maintain its existing coal plants under drastically changed conditions.

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[4] U.S. EIA, *Short Term Energy Outlook*, Electricity Total Sales: Pacific Contiguous (April 7, 2020), *available at* https://www.eia.gov/outlooks/steo/.

[5] U.S. EIA, *Short Term Energy Outlook*, Wholesale Electricity Price, CAISO SP15 zone (April 7, 2020) *available at* https://www.eia.gov/outlooks/steo/.

[6] Avi Salzman, *Why Natural Gas Prices Could Double by Next Winter*, Barron's (March 24, 2020), *available at* https://www.barrons.com/articles/natural-gas-prices-could-double-by-next-winter-goldman-sachs-analyst-says-51585072900.

[7] U.S. EIA, Form 923 (retrieved April 27, 2020), *available at* https://www.eia.gov/electricity/data/eia923/.

Again, we thank the Commission for its consideration of this letter, and Staff's active participation and thoughtful comments throughout the 2019 IRP.

Dated: April 29, 2020

Respectfully submitted,

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