



Oregon Citizens' Utility Board

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July 19, 2024

via electronic filing

Public Utility Commission
Attn: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

RE: LC 84 – CUB's Comments on the Staff Report for the July 30, 2024, Special Public Meeting

The Oregon Citizens' Utility Board (CUB) appreciates the opportunity to provide comments on the Staff Report for the July 30, 2024, Special Public Meeting (Staff Report), filed on July 3, 2024, CUB provides these high-level written comments and is prepared to provide oral comments at the Special Public Meeting on July 30, 2024.

In CUB's Comments filed on May 23, 2024, we expressed concerns about the lack of analysis supporting Staff's recommendation to acknowledge IPC's IRP, particularly acknowledgment of the Valmy 1 and Valmy 2 units' (Valmy Units) conversions to natural gas generating facilities. CUB appreciates that Staff's Report included Staff's explanation that the Company's modeling supported their recommendations. However, CUB respectfully disagrees and finds that Staff's explanation and conclusions support the opposite. Further, Staff's concerns about energy efficiency (EE), particularly EE bundles, remain unaddressed, which CUB agrees is problematic.¹ As such, CUB also respectfully requests that the Company not be permitted to waive its 2023 IRP Update filing, or at least limit it to addressing the recommendations CUB makes below.

IPC's Request for Waiver of 2023 IRP Update Filing

CUB disagrees with Staff's recommendation to allow the Company a waiver of its next IRP Update, particularly because there are concerns with IPC's resource selection that need to be addressed before a reasonable and informed decision can be made on certain items under review in his IRP, particularly Staff's recommendation for acknowledgment of the Valmy Units

¹ See LC 84 - CUB's Final Comments on Staff's Final Comments at 2, citing LC 84 - PUC Staff's Opening Comments at 34): *The record does not appear to show that IPC provided additional information Staff sought to address issues raised in its Opening Comments, including the request for an explanation as to why additional EE and DR resources were not considered in alternative to the Valmy conversion, and the issues Staff's raised regarding concerns that mitigating commercial and industrial (C&I) EE measures are lost in the methodology IPC chose to model EE. There needs to be consistency among the utilities regarding expectations for EE and rate impacts on customers. CUB believes the record would benefit from a better understanding of Staff's reasoning to acknowledge the Valmy conversion action item in particular.*

conversions. With a waiver of the IRP, neither the Commission nor parties will be able to get a chance to review the risks associated with conversions until 2025 at the earliest even though Valmy is expected to be online July 2026.

Valmy Unit Coal-to-Gas Conversions

After reviewing Staff's explanation in support of their recommendation to acknowledge the Valmy Units conversions, CUB is not convinced the reasoning supports their conclusion. While Staff recommends acknowledging the conversions, their Valmy-related "Expectations"² are inconsistent with the recommendation as they explicitly recognize the lack of information supporting acknowledgment. Staff suggests the Company should:

1. Evaluate two alternative portfolios to address risks associated with coal to gas conversions:
 - Exit all coal plants by 2030 without Valmy and Bridger 3 and 4 conversions.
 - Delay Valmy conversion with a November 2026 online date for B2H.
2. The company should provide workpapers for the projected number of hours for both baseload and peaking operation of the Valmy coal-to-gas converted units, and the corresponding hours for CCCT, SCCT, 4-hour and 8-hour batteries, in the Preferred Portfolio.³

These suggestions go to the heart of Staff's and CUB's prior concerns to address the risk associated with coal to gas conversions and we do not see that they are overcome by the information provided in the Company's modeling. CUB does not understand how the Commission could acknowledge the Valmy conversions while at the same time asking for the operating logistics and hours, etc., which are critical to understanding the value and efficacy of the resource. Staff recommendation reads that the Commission should acknowledge Valmy Units because they think it will be cheaper since B2H is delayed. First, CUB asks: should ratepayers bear the costs of this delay? Second, Staff's reasoning does not reconcile these concerns that are raised in the Expectations Staff is merely suggesting the Company address. While it is CUB's understanding that NV Energy is the managing partner of Valmy, so Idaho Power cannot delay the conversion (leaving it the only alternatives of existing the plant and pay an exit fee, or stay in and go along with NV Energy), we expect the Valmy Units will be converted - that's clear, but we all shouldn't have to fight a prudency review down the road if there are still questions about the costs and operations.

The modeling which, again, reiterates Staff's previous acknowledgement that IPC appears not to envision a plan where the gas conversions do not take place. If IPC has not modeled at least the above alternatives suggested by Staff, it should not get a rubber stamp on its proposal.

Even IPC acknowledges that there is little value in the first suggestion given that by 2025 the conversion of Valmy 1 & 2 is expected to be underway given they are expected to be completed

² CUB is uncertain whether "Expectations" are binding and reads them as "suggestions" which may or not be binding, since they appear to be intended to be even directive than "Recommendations".

³ LC 84 – Staff Report for the July 30, 2024, Special Public Meeting, ,Attch 2, 1-2 (July 3, 2024) (hereinafter "Staff Report").

by summer 2026.⁴ And CUB agrees. IPC should conduct this necessary modeling prior to any acknowledgement of any preferred portfolio item, particularly one that invests in continuing to rely on fossil fuels which is explicitly contrary to Oregon policy and our energy future, The Valmy units will likely be converted, however, we all shouldn't have to fight a prudency review down the road when there currently are still questions about the costs and operations that can be addressed now.

CUB is also concerned about how realistic Staff's expectations of the capacity value of the converted Valmy units as both peaker and baseload plants. In general, coal plants converted to gas make poor peakers. They are slow to ramp up and down. While coal plants no longer have to be run as baseload with annual capacity factors of 90% or so and can move their output up and down based on load, it can't happen quickly. This is a concern that should be addressed before acknowledgment of conversion of the Valmy Units. Accordingly, CUB respectfully asks that the Commission not acknowledge the conversion of the Valmy Units, and instead direct the Company through Recommendations to respond to the above directives in its 2023 IRP Update.

Energy Efficiency and Demand Side Management

CUB remains concerned about Staff's conclusions around the Company's modeling around EE and Demand Side Management (DSM), particularly the decline of cost-effective energy efficiency measures.⁵ Particularly what seems like an acceptance that "there will always be lag" in EE modeling – is that truly acceptable? These are skilled companies that should be able to provide the actual EE costs just as they can do with other resources. And as expected of other utilities in Oregon, such as the recent EE cost process used by PAC and PGE.

Staff's initial concerns related to EE bundles was never addressed. The record does not appear to show that IPC provided additional information Staff sought to address issues raised in its Opening Comments, including the request for an explanation as to why additional EE and DSM resources were not considered in alternative to the Valmy conversion, and the issues Staff's raised regarding concerns that mitigating commercial and industrial (C&I) EE measures are lost in the methodology IPC chose to model EE.⁶ The Company did not right-size its EE bundles as Staff requested in initial comments. Accordingly, staff's NPVRR reasoning for acknowledging Valmy conversion, which is based on the Aurora models, is tainted because of the improperly bundled EE.

As shown in PGE's IRP, right-sizing EE bundles can reveal additional economic MWs, which, when paired with other economic resources, such as solar, may be able to offset Valmy. Because the Company never provided the rightsized EE bundles – which PGE did in its IRP process – it is possible these models conflated the costs of EE compared to the costs of a Valmy conversion.

At a time of persistent, rising utility rates, EE and DSM opportunities should be robustly modeled, particularly given the Company's projected 9% ESA growth in Idaho (135 aMW in

⁴ LC 84 - Idaho Power Company's Final Reply Comments, 6 (May 23, 2024).

⁵ Staff Report at 38.

⁶ *Id.* at 34.

2024 to 712 aMW in 2043), and the lack of oversight for ESA customers' load growth forecasting.⁷ IPC says that Idaho does not require its large load customers to optimize EE.⁸ This means that large load customers in Idaho such as Meta/Facebook – which are driving demand – are passing on their costs to ratepayers in Oregon because they are driving up the need to acquire new capacity and also rising the average system costs. Staff found that there has been a “consistent overestimation of commercial and industrial load, both in the econometric models and special contract customers” and that:

The accuracy of Idaho Power's forecast of system load may become compromised if the near-term growth of special contract load does not materialize. This may increase the magnitude of overestimation beyond what the occasional underestimation of residential and irrigation load can balance. Idaho Power is ultimately responsible for the reasonableness of these special contract customers' load forecast and should be prepared to provide oversight to avoid the over-procurement of resources.⁹

It's no secret that large load customers' capacity needs are on everyone's minds. The Company should look into how to better manage expectations of those customers load, particularly with the expected load growth. This is necessary to protect residential customers from impacts of overestimated and any underestimated load needs.

Finally, CUB doesn't really understand Staff's reasoning to retract its draft EE Recommendation to an “Expectation”. Notably, the Commission gave a similar directive as a Recommendation for PGE's 2025 IRP.¹⁰ And as such, CUB requests that the Commission include, at a minimum, Recommendations that the Company the following its 2024 IRP Update, rather than as an “Expectation” for the future:

- IPC should work with and provide workpapers to Staff that explore the costs and benefits of portfolio runs with more ‘low-cost’ bundles, such as bundles of measures costing below \$30/MW;
- IPC should consider and demonstrate the steps taken to provide oversight for ESA customers' forecasting of load growth.

Conclusion

CUB's position remains that the Commission should not acknowledge the gas conversion of Valmy units 1 & 2 and requests the Commission direct the Company to come back in its annual update addressing the directives raised in the “Coal to Gas Conversion” and “Energy Efficiency” section of *Staff Expectations for Future IRPs*, as discussed above. Given rising rates and uncertainty about future capacity needs from the large load customers

⁷ Staff Report at 37-38; IPC 2023 IRP, Appx. A at 33.

⁸ Staff Report at 16.

⁹ Staff Final Comments at 24.

¹⁰ See LC 80 – Order No. 24-096 at 21.

Accordingly, CUB reiterates our recommendation that the Commission not adopt Staff's recommendation to acknowledge the gas conversion of Valmy units 1 & 2 and that it would be better for customers if the Commission adopted the above-mentioned Expectations as Recommendations for the Company's 2023 IRP Update, which should not be waived for the reasons expressed above.

Respectfully submitted,

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