

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1209

In the Matter of MidAmerican Energy)	
Holdings Company Application for)	OPENING COMMENTS
Authorization to Acquire Pacific Power &)	OF THE RENEWABLE
Light, dba PacifiCorp)	NORTHWEST PROJECT

The Renewable Northwest Project (RNP) appreciates the opportunity to submit these opening comments for the Commission's consideration. RNP has had the opportunity to meet with the Applicant, review their opening testimony and attend the August workshops. As a result, we have developed preliminary thoughts about the Application which are reflected in these comments and which we will share with the Commission on October 25.

Renewable Energy

The joint application offers several specific commitments related to renewable energy, including "affirmation of PacifiCorp's goal of 1400 MW of cost-effective renewable resources." Joint Application at 18. This includes a specific commitment to 100 MW of new wind energy within one year of the close of the transaction and 400 MW "after the transmission line projects are completed." Joint Application at 18. The Applicants also offer a utility "own/operate" option in renewable RFPs as a benefit of the transaction. Joint Application at 19. Finally, the proposed transmission investments offer benefits in the form of facilitating or enhancing the ability of PacifiCorp to access new renewable resources. We discuss transmission and the related commitments further below.

One of the traditional barriers to renewable resource development is a lack of familiarity with what may be seen as new or untested resources. MidAmerican's experience with owning and operating both geothermal and wind resources means they have the knowledge and skill to meet a renewables target, particularly in combination with PacifiCorp's experience with renewable resources. PPL/300 Gale/17. Making a commitment to a goal is a valuable first step, but being able to follow through on that target is even more important.

Obviously, we are very pleased that the Applicant includes specific benefits related to renewable resources. Renewable resources help stabilize rates and reduce risks, valuable benefits to ratepayers in the long run. However, affirmation of what would happen anyway does not represent a substantial benefit. PacifiCorp's 2004 IRP Action Plan calls for the addition of 1,400 MW of renewable resources over the next 10

years. Presumably, this level of acquisition would occur even in the absence of the current Application.¹ We, therefore, strongly encourage the Applicant to increase its commitment to renewable resources to achieve a target of meeting 10% of PacifiCorp's total load with new, nonhydro renewables in 10 years (by 2015) and 20% of its load within 20 years (by 2025).

The specific target of 400 MW is tied to the completion of the transmission projects. A footnote on pg. 18 reads in part "it is possible that upon further review of this investment and the two which follow, the investments may not prove to be cost-effective or optimal for customers. If that should occur, MEHC pledges to propose an alternative with a comparable benefit to the Commission." First, given long lead times for transmission construction, the 400 MW commitment is potentially many years away and thus difficult to consider as a solid benefit. Further, we'd request additional detail from the Applicant first on the viability of these transmission projects and second on what the alternative with "comparable benefit" might be.

We note that the specific commitments of 100 MW and 400 MW are both wind energy. Given MidAmerican's experience with geothermal resources, we would like to see a commitment to PacifiCorp acquiring additional cost-competitive geothermal resources. As a base load resource, geothermal energy is a good match for PacifiCorp's portfolio needs.

Finally, while the inclusion of a utility own/operate option in renewable RFPs may offer benefits to customers in terms of lower cost resources, we believe there must be a level playing field in all resource solicitations. Owned resources must compete fairly with contracted resources. Docket UM 1182 is currently examining competitive bidding in Oregon and the issue of how an RFP is structured when a utility intends to bid a self-build or owned resource.

Transmission

MidAmerican and PacifiCorp agree in testimony to "support the Bonneville Power Administration in its development of short-term products such as conditional firm and redispatch products. PacifiCorp will also initiate a process to collaboratively design similar products at PacifiCorp." PPL/100 Abel 15. We appreciate and support this commitment, and we request that MidAmerican and PacifiCorp commit to implement a Conditional-Firm pilot program within a year of concluding the purchase.

Transmission products like conditional firm and redispatch can make the most efficient use of the existing transmission system, benefiting PacifiCorp customers by providing more revenues from transmission services, and aiding the utility in making more transmission capacity available to acquire new resources. New products can also be implemented in a far shorter time frame than it takes to construct new lines and so can be

¹ In fact, according to the September 13th update on its renewables solicitation provided to the Commission, PacifiCorp is currently negotiating with four renewable projects for a potential total of 350 MW. This is great news and we hope the Applicant is supportive of this progress.

critical in allowing the company to bring on more wind power prior to the sunset of the Federal Production Tax Credit, currently set for the end of 2007.

During the development of its Conditional-Firm product, we ask that PacifiCorp evaluate flows on its major transmission paths, and continue to report on their utilization every other year. This type of study should also help PacifiCorp accurately analyze the available transfer capability (ATC) on their system. BPA recently updated its ATC methodology and was able to identify a significant amount of new ATC. As part of the development of new transmission products, we encourage PacifiCorp to take a close look at its ATC methodology to make sure the company is making available all reasonable transmission capacity.

PacifiCorp has been a strong supporter of the Grid West development process, and we ask that this support continue. We are, therefore, concerned about MidAmerican's cautious position on RTOs around the country. PPL/300 Gale/22. The independent transmission function of the Grid West organization has multiple benefits for future development of renewable resources. One of the important functions is ensuring fair and seamless access to transmission for wind developers and other independent power producers. Grid West's ability to facilitate competitive generation markets will assist the companies in achieving their commitment to reach the renewables target. Another significant function of Grid West is that of transmission planning. It is critical that PacifiCorp participate in Northwest regional transmission planning and we ask that they continue this participation in whatever future forum examines Northwest transmission planning, regardless of the future of the Grid West.

Finally, we appreciate the Applicant's understanding that new transmission lines may be needed for PacifiCorp to access and integrate additional renewable resources in the region. But, again, it is an uncertain benefit due to the caveat that the projects may not be pursued due to cost. We are certainly interested in the potential transmission link between PacifiCorp's Walla Walla and Yakima load bubbles or reinforcing the link between the Walla Walla bubble and Mid-C. Creating one of these links should increase the amount of wind the company can integrate in these areas. We are also interested in the Path C transmission upgrade, particularly because we understand that it may delay the need for additional fossil resource acquisition. We would like additional information from the Applicant about this project following the filing of PacifiCorp's IRP Update.

Global Warming

We believe how the issue of global warming is addressed by the Applicant represents one of the most significant issues of this transaction. We appreciate the recognition that PacifiCorp was the first utility in the region to assign a financial value to carbon dioxide emissions and the commitment for PacifiCorp to continue to assign that value in the IRP process. PPL/100 Abel/19. But we do not believe the proposal for no increase in the "CO2 emissions rate" offers much value or benefit. PPL/100 Abel/17. As the largest coal burning utility in the West, PacifiCorp must plan for real emissions

reductions in order to be prepared for likely mandatory limits on emissions imposed in the future. Given the significance of this issue in Oregon and nationally, we believe the Applicant must provide additional commitments to working towards slowing, stopping and, ultimately, reversing the growth in greenhouse gas emissions.

SB 1149

The Applicant states that it expects to “continue its relationship” with the Oregon Energy Trust. For renewable resource development in Oregon, the 3% public purpose charge and the investments made through the Energy Trust are vital. We would ask that MidAmerican provide a commitment to the implementation of SB 1149. Further, we note PUC Staff’s direction in the Proposed Order in LC 39 directing PacifiCorp to execute an agreement with the Energy Trust to reserve funds for the above-market costs of renewable resources to enable timely completion of resource agreements. We hope MidAmerican will support this Master Agreement between PacifiCorp and the ETO as well.

Blue Sky

PacifiCorp’s voluntary green power program, Blue Sky, has been a very successful program at the company. In an effort to continue to improve the program, we ask that the Applicant commit to having PacifiCorp design and implement a stable rate product to offer customers. This kind of fixed price product will pass the benefits of renewable resources directly to participants which is particularly important given the increasing cost of electricity and natural gas.

Summary

In conclusion, RNP is pleased with many of the commitments made by the Applicant and PacifiCorp. However, we believe some of these need to be strengthened or clarified in order to represent real benefits of the transaction. We also think there are risks of this transaction – particularly related to global warming – that require additional information from the Applicant.

We specifically ask for the following:

1. A greater commitment to new renewable resources by agreeing to meet 10% of PacifiCorp’s load with new, nonhydro renewables within 10 years and 20% within 20 years. In addition, MidAmerican will make a specific commitment to PacifiCorp acquiring new geothermal resources.
2. Additional insight into what the comparable alternative would be if the transmission projects are not implemented.

3. PacifiCorp will implement a pilot Conditional Firm product within one year of the transaction closing. PacifiCorp will evaluate flows on its transmission system and report this information every two years.

4. Explicit continued support by PacifiCorp for Grid West and Northwest transmission planning efforts.

5. Additional information on the viability of the Walla Walla transmission line as well as the Path C transmission upgrade, following the filing of PacifiCorp's IRP Update.

6. MidAmerican will make a strong commitment to reducing PacifiCorp's greenhouse gas emissions.

7. Explicit support for the implementation of SB 1149 and the activities of the Energy Trust of Oregon.

8. PacifiCorp will implement a stable rate Blue Sky product.

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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing **OPENING COMMENTS OF THE RENEWABLE NORTHWEST PROJECT** on the following persons on October 14, 2005, by e-mailing, hand-delivering, faxing, or mailing (as indicated below) to each a copy thereof, and if mailed, contained in a sealed envelope, with postage paid, addressed to said attorneys at the last known address of each shown below and deposited in the post office on said day at Portland, Oregon:

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