PACIFIC POWER
A DIVISION OF PACIFICORP

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May 23, 2024

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

RE: UM 2273 – In the Matter of Public Utility Commission of Oregon's Investigation into House Bill 2021 Implementation Issues

Enclosed for filing is PacifiCorp's, dba Pacific Power, Supplemental Initial Cost Cap Brief in the above captioned proceeding. Informal inquiries may be directed to Cathie Allen, Regulatory Affairs Manager, at (503) 813-5934.

Sincerely,

Matthew McVee
Vice President, Regulatory Policy and Operations

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2273

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Investigation Into House Bill 2021 Implementation Issues.	PacifiCorp d/b/a Pacific Power Supplemental Initial Cost Cap Brief

I. Introduction

PacifiCorp d/b/a Pacific Power (PacifiCorp) respectfully submit this supplemental brief in response to the Public Utility Commission of Oregon's (OPUC or Commission) April 15, 2024 request for briefing on select questions of law and policy related to HB 2021's cost cap (ALJ Memo).[1] PacifiCorp supports the Joint Utility comments filed concurrently with this supplemental brief, and provides the additional comments below to inform the Commission's investigation of cost cap issues.

II. Additional Issues

Consistent with the ALJ's Memorandum, PacifiCorp believes the Commission should provide guidance on several additional cost cap issues.

First, there are several utility HB 2021 compliance strategies that would presumably fall within the Joint Utility's second category of proposed cost cap expenses (where a Commission investigation would need to determine the portion of the investment or cost is relevant to the cost cap).

For example, both utility Clean Energy Plans (CEP) anticipate increased load growth over HB 2021's planning period, and both CEPs anticipate serving this new load with primarily non-emitting resources. If utilities use HB 2021-compliant resources to meet this increased load growth, should a portion of these resources qualify for cost cap analyses? This second category of expenses could also include the costs associated with utility conversions of coal resources to operate on natural gas, or costs associated with coal plant retirements, if these decisions had their basis in HB 2021 compliance. This category could also include the acceleration or ramp-up of energy efficiency resources beyond the amount of resources that was identified as cost-effective in a utility's IRP or CEP. And finally, if the Commission creates an HB 2021 compliance adder for ORS 469A.210-complaint resources in UM 2000, because those resources contribute to and

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[1] *In re Commission HB 2021 Investigation*, Docket No. UM 2273, Memorandum (Apr. 15, 2024).

are for the purpose of utility HB 2021 compliance obligations, then some or all of the adder should be relevant to HB 2021's cost cap.

In these scenarios the Commission would need to determine what percentage of these decisions qualify for cost-cap purposes through, perhaps, the forecasted incremental emissions reductions that result from a given strategy. Though if there is a colorable argument that a given solution contributes to HB 2021 compliance, the Commission should retain the discretion and flexibility to entertain these discussions when appropriate. This is because HB 2021 is an actual emissions reduction mandate, and all strategies or resources that are made "for the purpose of" reducing utility greenhouse gas emissions should be relevant for cost cap purposes, including strategies or resources that do not involve only non-emitting resources, or that have dual purposes.

Second, will the Commission ensure that HB 2021 strategies, either through the cost cap or some other mechanism, are excluded from net power cost sharing bands? If utilities procured several HB 2021-compliant resources through PPAs, presumably the Commission would *not* seek to adjust these costs based on any actual or forecasted impacts from Commission-ordered sharing bands in utility-specific net power cost proceedings.

Third, does the cost cap result in a spending cap: Can PacifiCorp purchase all reasonably priced HB 2021-resources—even if slightly more expensive—to the extent the overall investments and costs do not exceed the Company's cost cap, despite least-cost, least-risk planning and procurement principles? In any given procurement effort, economic analyses will demonstrate that many resources are not cost-effective, yet PacifiCorp nonetheless needs to procure significant amounts of HB 2021-compliant resources to reduce greenhouse gas emissions. This leaves PacifiCorp in the position of either procuring not enough HB 2021-compliant resources because not enough are strictly cost-effective, or over-procuring resources though risking potential disallowance from these generally more expensive resources in a future proceeding.

It is important to know how much latitude utilities have to pursue sub-optimal resources in advance of making procurement decisions. For example, does the cost cap, because it serves to limit revenue requirement impacts to customers, allow utilities to procure resources that are a certain percentage more expensive than what the utility's respective economic analyses indicates are least-cost, least-risk resources?

Relatedly, though equally as important, should utilities prioritize investments for the near-term to accelerate the reduction of greenhouse gases (though likely trigger the cost cap sooner), or spread investments over a longer time period to avoid triggering the cost cap (though achieve less greenhouse gas reductions in the near-term)? This is a ramping question. For example, the IRP and CEP will provide information about the relative merits and costs of emissions-reducing actions over time. To the extent a CEP or economic analyses projects that costs will exceed the cost cap, the Commission could acknowledge an action plan item identifying the maximum incremental cost per ton of emissions reductions in a given year, along with limits on the total cost or emissions reductions through time. These values could then be used in procurement processes, including requests for proposals, energy efficiency and demand response cost-effectiveness tests, and qualifying facility pricing, and would effectively transform the cost cap into a spending cap: Utilities could spend up to that incremental cost per ton of emissions reductions, even if the specific resources procured were not the least-cost, least-risk resources. This may simplify later determinations of incremental costs for specific resource commitments, while also providing utilities with appropriate sideboards when procuring slightly more expensive resources that nonetheless contribute to reduced emissions.

While several of these issues are not directly related to how the cost cap applies to specific investments or costs, they are important policy implications of the cost cap that would greatly inform utility procurement strategies. PacifiCorp requests Commission guidance on these supplemental issues.

III. CONCLUSION

PacifiCorp continues to appreciate the Commission and Commission Staff's diligent efforts with HB 2021-related issues, and respectfully request the Commission consider the supplemental issues discussed above.

Respectfully submitted May 23, 2024,

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