Renewable
Northwest
Project

421 SW 6th Avenue, Suite 1125 • Portland, OR 97204
phone: 503-223-4544 • fax: 503-223-4554 • www.RNP.org

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BY EMAIL (to secretary@puc.idaho.gov)

Commission Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, ID 8370-0074

Re: Case No. PAC-E-13-05
Renewable Northwest Project's Comments on PacifiCorp's 2013 Integrated Resource Plan

Honorable Commissioners:

Renewable Northwest Project (RNP) appreciates the opportunity to comment on PacifiCorp's 2013 Integrated Resource Plan (IRP). As a longtime northwest renewable energy advocacy group, we have regularly participated in PacifiCorp's IRP process.

RNP urges the Idaho Public Utility Commission (Commission) to caution PacifiCorp on the risks of using outdated federal policy assumptions to justify investing many hundreds of millions of dollars in its legacy coal fleet. Instead the Commission should advise PacifiCorp to strongly consider how an alternative action plan would avoid risks associated with increasing CO_2 regulation.

Although Renewable Northwest Project and PacifiCorp ultimately disagree on important elements of the company's 2013 Integrated Resource Plan, RNP wishes to commend PacifiCorp for a robust public process. RNP appreciated the opportunity to comment throughout the workshop phase and thanks company staff for their responses to our questions. Having participated extensively in the workshop process and reviewed the three IRP volumes, RNP asks the Commission to consider these comments that argues for a less risky resource strategy than PacifiCorp's action plan.

PacifiCorp is Investing in the Past, Not the Future

Approving this IRP gives PacifiCorp a green light to make long-term investments at four coal units and to delay the acquisition of new clean energy resources until 2022. Recently proposed federal CO_2 regulations are more stringent than the base case CO_2

forecast used in this IRP; the company and the Commission should review the proposed action plan items under the plan's high CO_2 price forecast instead. Such a review will call into question the prudence of investing in PacifiCorp's legacy coal fleet. For these investments to be in the best interest of ratepayers, the underlying coal units must continue to operate for decades to come and it's simply too risky to make these investments based on conservative assumptions about future carbon regulation.

The IRP's assumed CO_2 price has a considerable influence on PacifiCorp's resource decisions. PacifiCorp finalized its base CO_2 assumption in fall of 2012. In recognition that future regulation addressing carbon dioxide emissions may take many different forms, PacifiCorp chose to use a CO_2 price as a proxy to capture all costs of future regulatory compliance. The CO_2 price proxy is meant to capture the possibility of carbon regulation through a tax, a cap and trade program, or emission performance standards (Volume I , pg. 167). In the fall of 2012, PacifCorp settled on its final CO_2 price, then citing the 2010 collapse of federal energy legislation and the lack of federal action as its primary rationale for assuming base case CO_2 prices beginning in 2022. The base case CO_2 price was set at a level that would induce utilities and other power producers to switch from coal to gas fired generation. (Pages 167 & 170 Volume I). The fall 2012 CO_2 price assumptions were retained for the final IRP.

Since fall of 2012, the landscape of federal energy policy has shifted further than any time in the last five years. The President and his administration have revealed that CO_2 emissions will be regulated sooner and at a higher present value than PacifiCorp had expected. In June of this year, President Obama unveiled his administration's approach. The president has order EPA to develop regulations to limit carbon emissions from modified power plants within one year, and to thereafter develop greenhouse gas emission restrictions for existing power plants. The regulations will add costs to the operation of coal units, and may not allow these facilities to operate at today's level of output. Importantly, PacifiCorp's action plan is at odds with the Administration's recently proposed rulemaking.

In contrast to PacifiCorp, other utilities are planning for an energy future compatible with pending regulation and in best long-term interest of their ratepayers. MidAmerican Energy has announced that it will add an additional 1,050 MW of wind resources in Iowa by 2015, lowering the utility's carbon emissions by 10.3 percent. NV Energy, proposed for acquisition by MidAmerican, is planning to retire 800 MW of coal resources to be replaced with 350 MW of wind resources and additional natural gas. Xcel energy has also just announced the acquisition of another 2,000MW of wind capacity, arguing that adding wind resources today creates long-term value for its ratepayers. PacifiCorp's resource strategy stands in sharp contrast to that of its utility peers (and, strangely, to MidAmerican's other affiliate subsidiaries). Both strategies cannot be right; PacifiCorp's strategy of investment in coal resources and the suspension of renewables acquisition is becoming increasingly isolated, and now directly runs counter to the federal Administration's policy objectives and plans.

PacifiCorp also has underestimated the costs of complying with Wyoming's regional haze program that regulates emissions other than CO_2. When evaluating the pollution control investments required on its coal facilities, PacifiCorp tried to capture a range of compliance uncertainties by including scenarios with expected regional haze requirements and scenarios with more stringent regional haze requirements. However, EPA's 2013 proposed rule on

Wyoming's regional haze program reveals that even PacifiCorp's more stringent scenario assumed less expensive compliance costs than the EPA will likely require. The result is an IRP action plan that assumes that retrofitting old coal units is less expensive than we now know it to be.

RNP recommends that the Commission review the IRP and action plan with an eye toward the reasonableness of the preferred portfolio and action plan investment decisions under the high CO_2 price, rather than the base CO_2 assumption on which many of these investment decisions are based. Thankfully, in its review of the IRP the Commission can take advantage of recent clarifications of federal energy policy. Carbon regulations are to be more restrictive and are to occur sooner than was foreseen by the company. The action will not require a vote of congress. The most appropriate CO_2 price to serve as a proxy for all carbon related regulation in the planning horizon is now the high CO_2 price forecast rather than the base case CO_2 price forecast.

Generally speaking, investing in pollution control investments becomes less favorable compared to the replacement alternative under higher CO_2 costs. PacifiCorp's action plan includes pollution control investments at Hunter I, Jim Bridger 3 & 4, and Cholla 4. We strongly encourage the Commission to review page 9 of Confidential Volume III to inspect the value of making coal investments given the now expected higher CO_2 proxy costs. The fall 2012 base case CO_2 price was set at a level that is expected to induce coal plant switching to gas plants. Nonetheless, PacifiCorp's plan results in investments at 80% of the coal fired units with near term pollution compliance requirements. However, with increased clarity that carbon will be regulated sooner and in a more restrictive manner, the Commission should question whether the company should invest in expensive pollution control investments at all.

Utilities throughout the West have seen the writing on the wall and are planning for the early retirement of coal units. Portland General Electric negotiated an early retirement of its Boardman coal plant. NV Energy negotiated an agreement with state policy makers and stakeholders to close some of its largest coal units, as did the owners of Centralia. Just recently, the shared owners of the Navajo Generating Station have decided to shutter one of its three units, with the others committing to a firm retirement deadline thereafter. Utilities all around PacifiCorp have are planning for the future; PacifiCorp has not. While the IRP does not advertise this fact, over half of PacifiCorp's capacity need is served by coal fired generation. We recommend that the Commission communicate to the company that it expects PacifiCorp to be abundantly cautious in the face of quickly changing CO_2 regulation. Following the precipitous drop in the costs of diverse replacement generation, making long-term bets on PacifiCorp's expansive coal portfolio is very likely not in the best interest of ratepayers.

PacifiCorp's IRP Discounts the Resources of the Future

Accelerating Energy Efficiency Saves Customers Money

The IRP's highest performing portfolio featured accelerated energy efficiency and the use of cheaper gas peaking units rather than large combined cycle units. The results clearly demonstrate that accelerating the acquisition of energy efficiency throughout the company's service territory saves ratepayers money and reduces their exposure to volatility in the natural gas and wholesale power market. Despite this strong performance, the energy efficiency heavy portfolio was not selected as the preferred portfolio. The company argues that because it is not confident these energy efficiency measures can be accelerated, it would prefer to not plan on accelerating their acquisition. The company did not provide evidence that the energy efficiency measures could not be accelerated.

It is very encouraging that this IRP confirms that energy efficiency is the least cost and least risk resource; PacifiCorp should be doing everything it can to accelerate and implement these measures. RNP recommends that the Commission communicate to PacifiCorp that it expects the company to clarify what definitive and quantifiable actions will be taken to implement an aggressive energy efficiency program. Not doing so leaves money on the table for ratepayers.

Assumptions Depress Renewable Resource Selection

The 2013 IRP includes a series of inaccurate assumptions for renewable resources that contribute to the limited selection of wind and solar resources in the preferred portfolio. The most problematic of these is how the 2013 IRP measures renewable resources' contribution to the portfolio capacity needs. Renewables are further disadvantaged by low capacity factors assumed for western wind resources that do not consider improvements in turbine technology and that overestimate costs for utility scale solar resources.

The 2013 IRP uses a new methodology to measure how renewable resources contribute to portfolio capacity needs. In past IRPs, PacifiCorp had used a sophisticated methodology in step with national best practices. This method, known as ELCC, measured renewable's capacity contributions whenever the resource was able to prevent an outage, known as an "energy not served" event. In this IRP, PacifiCorp uses a simpler but less accurate methodology that simply considers the likelihood that renewables will be generating during the 'super-peak' period. The result is to credit renewable resources with less capacity value, which makes portfolios with renewable resource appear more expensive due to excess capacity resources. We recommend that the Commission asks the company to consider using multiple capacity evaluation methodologies, in an effort to demonstrate the effect of this assumption to its stakeholders and the to the Commission staff.

PacifiCorp's IRP Made Great Headway in Modeling Transmission Resources

The Energy Gateway transmission analysis was a focus of this year's IRP. The scope of the transmission analysis, compared to last year's IRP, was greatly expanded. Multiple transmission topologies were modeled for each scenario and a new System Benefits Tool was designed to capture transmission benefits that the System Optimizer and Planning and Risk models cannot measure. Together these methodological improvements allowed the company to quantify the costs and benefits of proposed transmission lines better than any other regional utility, and RNP commends PacifiCorp for their ingenuity on this analysis.

The methodological improvements were ambitious and increased the IRP's complexity, but RNP considers the results impressive. Stakeholders generally expressed some concern about how to measure the "customer and regulatory benefits" in the System

Benefit Tool. RNP agrees with the company that the tool is preliminary and there remains considerable flexibility as to how these benefits should be measured. In the intervening year, PacifiCorp should work with stakeholders and Commission staff to identify a robust methodology to capture this important segment of transmission benefits. RNP recommends that the Commission allow that discussion to develop regionally, and allow room for this important new transmission benefit analysis to improve even further.

PacifiCorp's IRP provides the Commission with a good opportunity to communicate to the company that investments in existing coal plants are risky for ratepayers. This risk is increasing in the face of quickly changing regulatory requirements. Before PacifiCorp can justify a resource strategy so different from regional utilities, the Commission needs to see additional analysis that accounts for new policy realities.

Thank you for the opportunity to comment on PacifiCorp's 2013 Integrated Resource Plan.

Respectfully Submitted,

Jimmy Lindsay
Regulatory Analysis Manager
Renewable Northwest Project