UE-210829

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Re: Comments of Renewable Northwest regarding PacifiCorp's Clean Energy Implementation Plan, Docket UE-210829

I. INTRODUCTION

Renewable Northwest thanks the Washington Utilities and Transportation Commission ("the Commission") for this opportunity to comment in response to the Commission's January 7, 2022, Notice of Opportunity to File Written Comments on PacifiCorp's 2021 Clean Energy Implementation Plan ("CEIP") filed pursuant to WAC 480-100-640. PacifiCorp planned for this first CEIP alongside the ongoing rulemaking at the Commission and the Department of Commerce to implement the Clean Energy Transformation Act ("CETA"). We recognize that the uncertainty around the state agencies' pending interpretation of the statute likely impacted the way PacifiCorp planned to show progress toward RCW 19.405.040(1) and .050(1) in its 2021 CEIP, and we appreciate the guidance provided by Commission Staff to PacifiCorp ahead of the December 30, 2021, CEIP filing.[1]

Renewable Northwest acknowledges that PacifiCorp must grapple with unique complexities stemming from the variable state policies governing its multi-state service territory. These include but are not limited to portfolio modeling requirements that are unique to CETA and a resource / cost allocation methodology to which the other Washington investor-owned utilities are not subject. We hope PacifiCorp and the Commission will work to demystify the allocation process – which is currently in flux as indicated by PacifiCorp's variable allocation methodologies applied pre- and post-2024 – in the next CEIP cycle, ensuring CETA is driving PacifiCorp to target clean resource procurements that benefit its Washington customers.

[1] Staff Informal Comments on PacifiCorp's Draft Clean Energy Implementation Plan, Docket UE-210829 (Dec. 10, 2021), UE

Considering PacifiCorp's split allocation methodology to determine the energy forecasted to serve its Washington customers -- which applies the Washington Inter-Jurisdictional Allocation Methodology ("WIJAM") for existing resources and a "tentative proposed future allocation methodology for resources added in 2024 and beyond"[2] -- we find that PacifiCorp is in a position to acquire more renewable and nonemitting resources in the 2022-25 compliance period than its 2021 CEIP proposes.

Per WAC 480-100-645(2), the Commission must now "enter an order approving, rejecting, or approving with conditions the utility's CEIP…at the conclusion of its review," an order which may "recommend or require more stringent targets than those the utility proposes."[3] As such, we recommend that the Commission incorporate the following elements into its decision on PacifiCorp's CEIP: (1) reject the interim targets set for the 2022-25 compliance period considering among other things PacifiCorp's -0.7% incremental cost of compliance; (2) require PacifiCorp to revise its renewable energy specific targets; (3) direct the company to revise its specific actions to include missing elements from its 2022 All-Source Request for Proposals ("2022AS RFP"); and (4) direct the company to explore via its 2022AS RFP whether a portfolio that replaces the capacity from the preferred Natrium demonstration project with commercially-available renewable and nomemitting resources could meet the company's resource needs at a lower risk, cost, or both.

II. FEEDBACK

1. The Commission should reject PacifiCorp's interim targets.

<u>Considering inconsistencies within PacifiCorp's CEIP</u>

PacifiCorp's CEIP does not maintain consistent interim targets throughout the plan. While it is semi-apparent upon reading the full CEIP that the 2025 interim target is 55% renewable and nonemitting generation, there are inconsistencies throughout that confuse the company's projection for meeting the 2030 and 2045 clean energy mandates.[4] We recommend that the Commission address this by revising the 2025 target to consider our below comments and by providing direction to the company to aim toward its most ambitious targets cited within the CEIP, which are 92% by 2030 and 100% by 2040.[5]

[2] PacifiCorp 2021 CEIP at 13.
[3] WAC 480-100-645(2).
[4] PacifiCorp 2021 CEIP at 5, 10, and 15.
[5] PacifiCorp 2021 CEIP at 15.

Considering the incremental cost of compliance

Renewable Northwest recommends that the Commission push PacifiCorp to increase its interim targets to take advantage of the company's net *reduction* of approximately $0.23 million in its average annual incremental revenue requirement. As PacifiCorp notes, this reduction in revenue requirement "would result in customer rates impact of approximately -0.7 percent and is well below the annual threshold for alternative means of compliance per RCW 19.405.060(3)."[6] Given that this forecasted incremental cost falls well below the two percent threshold for alternative compliance, we recommend that the Commission reject PacifiCorp's interim target of 55% and provide the company guidance to invest more in renewables and nonemitting resources in this first CETA compliance period.

This recommendation also considers that PacifiCorp's compliance planning in this CEIP assumes the company will take full advantage of alternative compliance from 2030 to 2045:

> For purposes of this CEIP, PacifiCorp relies on the use of unbundled RECs to satisfy the alternative compliance component of the 2030 greenhouse gas neutral standard. PacifiCorp may meet up to 20 percent of its aggregate retail electric sales over the four-year compliance period with alternative compliance from January 1, 2030, through December 31, 2044.[7]

Given PacifiCorp's leverage to spend a considerable amount more in the 2022-25 compliance period on renewable and nonemitting resources, and considering that a negative incremental cost of compliance is antithetical to the concept of a cost threshold, we recommend that the Commission require the company to follow a trajectory of progress toward CETA's mandates that tracks closer to the two percent cost threshold established in RCW 19.405.060(3).[8]

Because our above comments consider PacifiCorp's CETA-compliant incremental cost calculation – CEIP Portfolio (P02-MM-CETA) and Alternative Portfolio (P02-SCGHG-MM) – we want to briefly address PacifiCorp's decision to include two alternative calculations for "informational purposes."[9] The descriptors for these calculations are as follows, with the CETA-compliant calculation listed first:

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[6] PacifiCorp 2021 CEIP at 95.
[7] PacifiCorp 2021 CEIP at 14.
[8] We recognize that including the social cost of greenhouse gases means that there is not a 1:1 map from the Commission's required incremental cost calculation to the costs reflected on customer bills. However, we reiterate our observation in earlier comments that the social cost of greenhouse gases is nevertheless a real cost that the Commission is correct to account for and seek to mitigate via CETA implementation.
[9] PacifiCorp 2021 CEIP at 94.

1. CEIP Portfolio (P02-MM-CETA) and Alternative Portfolio (P02-SCGHG-MM)
2. CEIP Portfolio (P02-MM-CETA) and P02-MM (the company's lowest cost portfolio if not for CETA requirements)
3. CEIP Portfolio run with SCGHG cost assumptions (P02-MM-CETA-SC) and P02-MMSC (the company's lowest cost portfolio if not for CETA requirements run with SCGHG cost assumptions)[10]

Though PacifiCorp notes that the first calculation "leads to some unintuitive outcomes due to the specific requirements of the Alternative Portfolio study as interpreted in rulings," the company gives no further explanation as to why the outcomes are "unintuitive." Assuming the company is alluding to the negative incremental cost produced via the CETA-compliant calculation methodology, we understand there is a history of Commission Staff urging PacifiCorp to model the social cost of greenhouse gases ("SCGHG" or "SC-GHG") such that the "[p]rice-policy assumptions…determine resource selection," and the "[d]ispatch cost adder…appropriately price[s] the SC-GHG into actual utility operations."[11] Had the company accomplished this during development of the 2021 IRP versus in the weeks before the 2021 CEIP filing, perhaps the 2022-25 resource selections and the corresponding incremental cost of compliance would have seemed more intuitive.

In reviewing the two alternative incremental cost calculations – one calculation scraps the SCGHG in the non-CEIP portfolio, and the other calculation uses a potential future policy scenario to drive the company's dispatch operations – we do not think either calculation satisfies the requirements of WAC 480-100-660(1)(c).

2. The Commission should require PacifiCorp to revise its renewable energy specific targets.

PacifiCorp's specific targets are informed by the company's 2020AS RFP final shortlist resources, which are also reflected in the company's 2021 integrated resource plan ("IRP") preferred portfolio.[12] In reviewing Lazard's Levelized Cost of Energy Analysis, Version 15.0, we can see why PacifiCorp's modeling selected a renewables-driven portfolio as the least-cost, least-risk solution. In fact, Lazard's latest analysis reveals that the levelized cost of new-build

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[10] PacifiCorp 2021 CEIP at 94.
[11] Utilities and Transportation Commission Staff Feedback for PacifiCorp 2021 IRP: Public Interest Meeting #6 (Dec. 3, 2020). *Available at* https://www.pacificorp.com/content/dam/pcorp/documents/en/pacificorp/energy/integrated-resource-plan/2021-irp/2021-irp-comments/2021.069_PacifiCorp-2021%20IRP_Feedback%20form_PIM%206_WA-UTC%20staff_20201211.pdf.
[12] PacifiCorp 2021 IRP at 292.

renewables is typically lower than the marginal cost of running an existing emitting resource.[13] Further, the recent surge in natural gas prices will only exacerbate these trends.[14] The Northwest Power and Conservation Council ("the Council") recently provided an update to the natural gas price forecast informing the 2021 Power Plan, noting that observed prices for all major gas hubs currently fall near the "high" price trends (see Fig. 1).

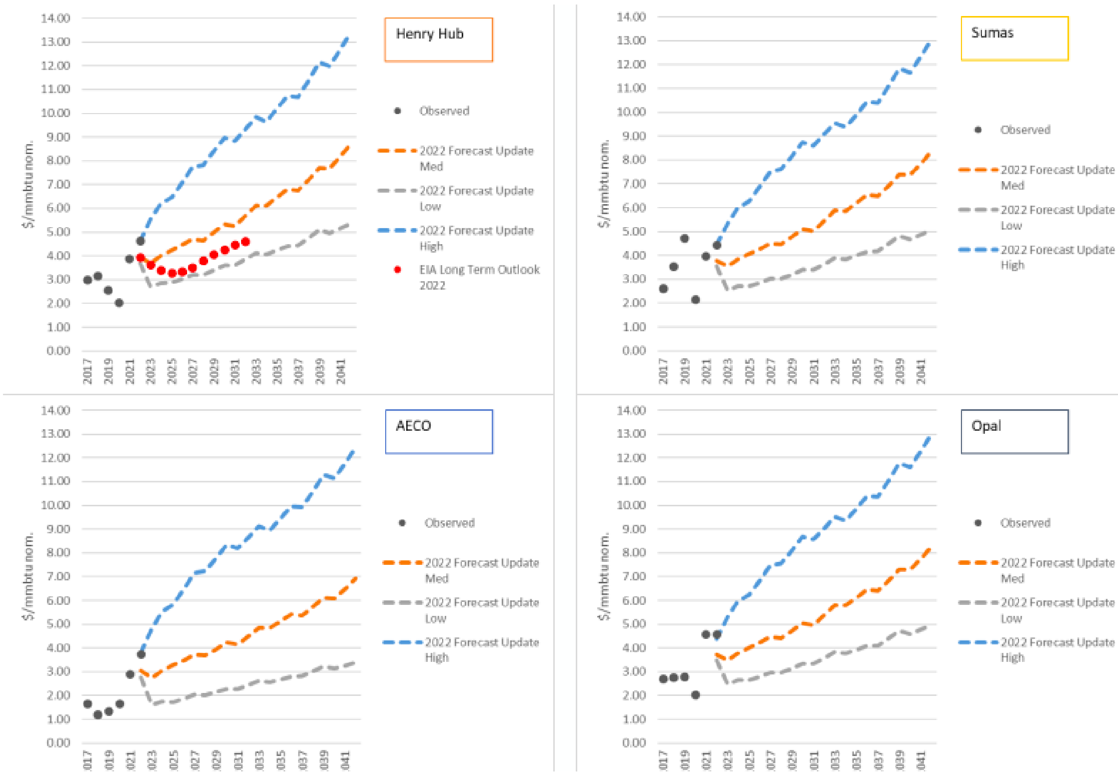

Figure 1. 2022 Forecast Update - annual prices for selected hubs. The Council provided this information in its Update to the Natural Gas Price Forecast, informing the 2022 update to the 2021 Power Plan.[15]

Given the latest industry-supported resource cost analyses and the high natural gas price projections, we support PacifiCorp's exclusion of procurement costs associated with its 2020AS

[13] Lazard's Levelized Cost of Energy Analysis – Version 15.0 (Oct. 2021), at 7. *Available at* https://www.lazard.com/media/451905/lazards-levelized-cost-of-energy-version-150-vf.pdf.
[14] Penn, Ivan. "Get Ready for Another Energy Price Spike: High Electricity Bills." The New York Times, May 3, 2022. *Available at* https://www.nytimes.com/2022/05/03/business/energy-environment/high-electric-bills-summer.html.
[15] Update to the Natural Gas Price Forecast. The Northwest Power & Conservation Council, Apr. 5, 2022. *Available at* https://www.nwcouncil.org/fs/17717/2022_04_p2.pdf.

RFP from the incremental cost calculation on the basis that these investments do not meet all of the criteria in WAC 480-100-660(3) regarding directly attributable costs.[16]

Further, we recommend that PacifiCorp look more closely at what renewable and nonemitting resources can be procured *in addition to* its least-cost, least-risk selection for the 2021 IRP, specifically to demonstrate progress toward CETA's greenhouse gas neutrality standard. Washington's other investor-owned utilities are making this effort. For example, after its 2021 IRP filing and in preparation for its 2021 CEIP filing, Puget Sound Energy ("PSE") refreshed its modeled generic resource costs and concurrently considered the guidance provided by WAC 480-100-660 regarding the cost of compliance threshold. As a result PSE increased its IRP-supported 2025 renewable energy target of 56% up to 63% for the CEIP, a target which falls very near the two-percent incremental cost of compliance threshold.[17] We would like to see PacifiCorp similarly revise its renewable energy specific targets to go beyond the 2021 IRP preferred portfolio selections, and we recommend that the Commission provide guidance enabling the company to do so.

3. The Commission should advise PacifiCorp to update its specific actions to reflect information from the company's 2022AS RFP.

Though PacifiCorp includes in its specific actions the 2021 IRP proxy resources to be confirmed by its 2022AS RFP, the company does not include the following positive, CETA-supporting element addressed in this latest resource procurement effort:

> After PacifiCorp selects the least cost, least risk resources on behalf of all system customers consistent with the resource need identified in the 2021 IRP, PacifiCorp may find it requires additional resources to comply with regulations in one or more of its six states. Following the selection of system resources for the final shortlist on behalf of PacifiCorp's six-state customers, PacifiCorp will consider additional compliance requirements for specific states with clean energy compliance obligations, and potentially add state-specific resources to ensure those compliance obligations are met.[18]

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[16] WAC 480-100-660(3) considers directly attributable costs those that meet *all* conditions specified in the provision. PacifiCorp has noted that procurement costs from the 2020AS RFP are not additional to the costs that it would incur for the alternative lowest reasonable cost and reasonably available portfolio.

[17] Puget Sound Energy 2021 Clean Energy Implementation Plan at 24. *Available at* https://irp.cdn-website.com/dc0dca78/files/uploaded/2022_0201_PSE%202021%20Corrected%20Clean%20Energy%20Implementation%20Plan.pdf.

[18] PacifiCorp 2022AS RFP at 2.

PacifiCorp more explicitly notes in the 2022AS RFP that it may "add … resources allocated to Washington customers in order to meet CETA goals."[19] Renewable Northwest has consistently recommended that PacifiCorp use this RFP to identify cost-effective renewables beyond the company's IRP-identified need in order to meet state policy mandates for clean energy and greenhouse gas reduction,[20] so we were pleased to see this component of the RFP. We see this additional step in the RFP to consider the possibility of acquiring additional resources to meet CETA as potentially relevant to the specific actions PacifiCorp will take in the 2022-25 compliance period. We encourage the Commission to support the company's pursuit of more CETA-compliant resources earlier in the planning horizon, considering the urgency of the climate crisis and potential cost savings associated with earlier procurements. [21]

4. The Commission should address PacifiCorp's planned Natrium demonstration project in a consistent manner with the Oregon Public Utility Commission's determination on the company's 2021 IRP.

PacifiCorp carries over a lot of material from its 2021 IRP into the CEIP, including mention of its planned 500 MW advanced nuclear Natrium demonstration project, which is "assumed to come online by 2028."[22] Renewable Northwest has commented in PacifiCorp's IRP docket on the "brute-force manner" in which the company modeled this demonstration project into its 2021 preferred portfolio.[23] Other stakeholder concerns include the uncertainty around the commercial readiness timeline and the overall viability of the project.

In a March 23, 2022, special public meeting on PacifiCorp's 2021 IRP, the Oregon Public Utility Commission ("OPUC") concluded that the Natrium demonstration project is premature and that PacifiCorp will have to leave the project out of its preferred portfolio for the time being. While OPUC has yet to issue a written order, Commissioners discussed at the March meeting that a sensitivity will be required for PacifiCorp's 2022AS RFP to exclude the Natrium project. For the sake of consistency with OPUC on the matter of the Natrium demonstration project, as it is unclear whether CEIP approval would have implications for rate recovery, and acknowledging the significant uncertainty around this project's viability, we recommend that the Commission require in its order on PacifiCorp's 2021 CEIP a sensitivity analysis in PacifiCorp's 2022AS RFP

[19] PacifiCorp 2022AS RFP at 39.
[20] *See, e.g.,* Comments of Renewable Northwest, Washington Utilities and Transportation Commission Docket UE-210979 (Feb. 14, 2022).
[21] We note briefly that Commission action on our earlier suggestions -- directing PacifiCorp to set higher renewable specific targets -- could provide helpful guidance to the company in determining how much additional procurement in the 2022AS RFP to pursue.
[22] PacifiCorp 2021 CEIP at 15.
[23] Comments of Renewable Northwest, Oregon Public Utilities Commission Docket No. LC 77 (Dec. 3, 2021).

exploring whether commercially available renewable and nonemitting resources could replace the Natrium demonstration project in meeting the company's capacity need at a lower risk, cost, or both.[24]

III. CONCLUSION

Renewable Northwest thanks the Commission for its consideration of this feedback. We look forward to continued engagement as a stakeholder in this 2021 CEIP process.

Sincerely,

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[24] Direction from the Commission to undertake this analysis could be additive to the Oregon Public Utility Commission's decision particularly if the Commission does direct the company to set higher renewable specific targets.