BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of	)	DOCKET UE-140546
	)	
	)	COMMENTS OF BOISE WHITE
Pacific Power and Light Company	)	PAPER, L.L.C.
2015 Integrated Resource Plan.	)	
	)	

I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission's ("WUTC" or the "Commission") notice of opportunity to file written comments, Boise White Paper, L.L.C. ("Boise") submits the following comments regarding the Pacific Power and Light Company ("Pacific Power" or the "Company") 2015 Integrated Resource Plan ("IRP").

II. COMMENTS

2 The preferred portfolio in Pacific Power's 2015 IRP has few major resource additions in the near- and medium-terms; instead, it plans to meet near-term capacity requirement with conservation and market purchases.[1/] Similar to its 2013 IRP, the Company's major planned capital investments in the preferred portfolio consist primarily of upgrades and retrofits to coal plants located in the eastern balancing area.[2/] Boise is not addressing the reasonableness or appropriateness of those resource decisions in these comments. Those investments will not provide any incremental benefit to the Western Control Area ("WCA"), and it is not necessary for the Commission to evaluate

[1/] PacifiCorp 2015 IRP, Volume I at 2 (Table 1.1).
[2/] PacifiCorp 2015 IRP, Volume II, App. K at 173.

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

resource decisions that fall outside of the Commission's inter-jurisdictional allocation methodology. In addition, Boise recommends that the Commission continue to proceed with caution in response to the Company's ongoing requests to alter the Washington inter-jurisdictional cost allocation methodology, given the expensive and risky investments in Eastern Control Area ("ECA") resources that have not benefited Washington ratepayers and that possess environmental qualities not conforming to the Washington state energy policy.

3 The structural separation sensitivity study performed by the Company in this IRP is of particular concern to Boise. In Docket UE-120416, the Commission requested that the Company model its two control areas separately as a prerequisite for IRP acknowledgment.[3/] In response, the Company has prepared a sensitivity study in this IRP in an attempt to develop a least cost capacity plan for the WCA and ECA, both on a stand-alone basis. Boise has performed a high level review of this sensitivity study and is concerned with how the study is structured, as well as the conclusions reached by the Company regarding the study results.

4 The principal flaw in the structural separation sensitivity study prepared by the Company (Sensitivity S-10 in the IRP) is that it is based on a series of incompatible capacity expansion studies, which cannot be appropriately compared to one another. The baseline study is PacifiCorp's preferred system portfolio and was developed solely for the purpose of evaluating the cost of fulfilling summer peak capacity requirements. This baseline was compared to two control area studies, both performed on a stand-alone basis. The first control area study evaluated the cost of fulfilling the

---

[3/] Re PacifiCorp's 2013 Electric IRP, Docket UE-120416, IRP Acknowledgment Letter, Att. at 5-6 (Nov. 25, 2013).

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

summer peak capacity requirements in the ECA and the second evaluated the cost of fulfilling the winter peak capacity requirements in the WCA. This comparison between the baseline and two control area studies is inappropriate, however, because no capacity costs associated with meeting the winter peak capacity requirements were included in the baseline. For example, the baseline did not account for, nor attempt to optimize, the costs of Front Office Transactions ("FOTs") used to meet the January peak loads in the WCA. Comparing this baseline to a WCA control area study, which did include the incremental costs associated with January FOTs and other winter resources, is an inconsistent comparison. The proper baseline comparator would have been a system capacity expansion plan that includes incremental capacity costs required to meet both the summer and winter peaks loads. In addition, the Commission has imposed the WCA methodology and the IRP is not the appropriate forum to advance a rolled-in or system approach.

5 The structural separation study illustrates a serious problem with the Company's overall IRP methodology which is potentially damaging to customers located in the WCA. The Company's overall methodology makes an incorrect assumption that the winter peak in the WCA will always be satisfied, as long as capacity is available to meet the larger, summer peak loads driven by the ECA. As a result of transmission limitations and the seasonality of many of the summer capacity resources included in the IRP, however, this is not an accurate assumption.

6 The Company is only capable of importing a limited amount of capacity, primarily from Jim Bridger, from the intermountain region into the Northwest. The amount of winter capacity that can be imported, however, is already being fully utilized.

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

The Commission recognized this in the 2013 IRP when it stated that "there is no unused long-term transmission capacity to deliver peak generation capacity between the two control areas and no plans by the Company to build any in the next 10 years."[4/] As a result, the development of a new capacity resource in the ECA for purposes of meeting summer peaks will provide no additional capacity that can be used to meet winter peaks in the WCA.

7 In addition, the Company's preferred portfolio currently includes up to 1,443 MW of capacity from Q3 FOTs.[5/] These purchases are designed solely for the purpose of meeting summer peak loads and provide no winter peaking capacity to the WCA. These factors demonstrate that, even though the Company has capacity available to meet the summer peak, much of that capacity cannot be used to meet winter peak loads. Since the Commission recognizes that the Company "experiences both a summer peak and a winter peak,"[6/] ignoring the winter peak in its capacity expansion plan is a gross omission by the Company—particularly as the summer peak is only approximately 1,100 MW larger than the winter peak.

8 Boise is concerned that the Company's undue emphasis on summer peak loads is adding unnecessary capacity costs into the winter peaking WCA. It is possible that the system could be more optimally planned if the Company considered both the summer and winter peaks. For example, the Company's rights to the unowned portion of the Hermiston power plant, called the Hermiston Purchase contract, recently expired. This expiration resulted in the loss of 237 MW of winter peaking capacity that now must

---

[4/] Id. at 5.
[5/] PacifiCorp 2015 IRP, Volume II, App. K at 204.
[6/] WUTC v. PacifiCorp, Docket UE-100749, Order 06 at ¶ 304 (Mar. 25, 2011).

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

be met with January FOTs. The Company has not sought to renegotiate these rights or to find a long-term source of replacement capacity. Actions like these are concerning because the Company has performed no analysis in the IRP to demonstrate that FOTs are, in fact, the most economical way to meet winter peaks compared to other capacity resources, such as extending the Hermiston Purchase contract. It is possible that this deficiency in the Company's planning methodology has already added a great deal of unnecessary capacity cost into the WCA.

9 Another flaw with the structural separation sensitivity study is how the Company modeled the Environmental Protection Agency's proposed 111(d) Clean Air Act regulations. The Company has made a number of speculative assumptions surrounding the ultimate implementation of 111(d) that has produced implausible results in the stand-alone WCA capacity plan. In its baseline study, the Company makes speculative assumptions about its ability to freely transfer compliance obligations between each of its states, an option which may not be possible. In the WCA study, however, the Company makes the assumption that, as a result of eliminating shared compliance obligations, Chehalis would have to be retired at the end of 2019, only to be immediately replaced with a new, similar combustion turbine gas resource.[7/] This sort of 111(d) compliance scenario—which would add unnecessary costs into the Company's system without substantially impacting its fuel mix—does not make sense and would likely not be implemented in Washington's compliance plan, further demonstrating the flawed nature of the Company's structural separation sensitivity study.

[7/] PacifiCorp 2015 IRP, Volume II, App. K at 203.

10 Finally, the Company's structural separation sensitivity study is an inaccurate representation of the WCA methodology for inter-jurisdictional allocation. The structural separation sensitivity study did not properly account for the ratemaking mechanism that allows for limited market-based sales and purchases between the Western and Eastern Control Areas. This "Eastern Control Area Sale," a mechanism that was expanded in 2011 to include purchases, would provide an additional amount of capacity not captured in the Company's sensitivity study. Properly accounting for this mechanism would likely eliminate any capacity impacts of a structural separation study.

11 In addition to the structural separation sensitivity study, Boise is also concerned about PacifiCorp's reserve margin calculations. In the previous IRPs, parties have raised technical and policy concerns regarding the Company's use of a 13% planning reserve margin. In this 2015 IRP, the Company has proposed to continue to use the same 13% planning reserve margin that was used in the last two IRPs.[8/] As a result of the Company's participation in the Energy Imbalance Market, as well as the Northwest Power Pool reserve sharing group, the planning reserve requirements associated with meeting the Company's peak loads should be declining relative to the prior Integrated Resource Plans. Boise is concerned that these costly regional efforts to reduce the Company's need for planning reserves have yielded no benefit to customers with respect to overall capacity planning obligations.

12 From a technical perspective, Boise is specifically concerned that the reserve margin calculations, which are applied only to the single peak load hour, are based on stochastic energy-not-served calculations performed in every hour of the year.

8/ PacifiCorp 2015 IRP, Volume II, App. I at 143.

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

An event leading to energy not served can occur in any hour of the year, not just in the summer peak hour, and as such the studies performed on that metric are not necessarily representative of the reserve margin requirements of meeting the single hour of summer system peak.

13 In this current 2015 IRP, the Company does not plan to build a new thermal resource until 2028, and plans to meet its loads with conservation, FOTs, coal plant conversions, and small amounts of utility and distributed solar generation. While Boise continues to oppose the use of a 13% planning reserve margin, the Company's planning reserve margins are less important due to what appears to be the Company's now distant plans for the acquisition of new large thermal resources. Thus, Boise is not raising issues relating to the planning reserve margins in this proceeding, and the issue of the Company's planning reserve margins should be addressed once it has a more direct impact on the Company's planned resource acquisitions.

III. CONCLUSION

14 Boise appreciates this opportunity to provide comments on Pacific Power's 2015 IRP. Boise recommends that no action is required of the Commission with respect to the Company's plans to retire or convert coal resources that are outside of, and do not impact, the WCA inter-jurisdictional allocation methodology. Boise also recommends that, because there are no other near-term resources in the 2015 preferred portfolio, little to no action will be required of the Commission in this proceeding. In addition, Boise rejects the conclusions that the Company has drawn from the structural separation study, which are fundamentally flawed. This study actually raises a number of concerns about whether the Company is prudently planning for the costs associated with

DAVISON VAN CLEVE, P.C.
333 S.W. Taylor, Suite 400
Portland, OR 97204
Telephone: (503) 241-7242

meeting winter peak loads, potentially adding unnecessary costs to Washington ratepayers. Boise looks forward to continued discussion with the Commission and parties on this matter.

Dated this 18th day of May, 2015.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ Jesse E. Cowell
Jesse E. Cowell
333 S.W. Taylor, Suite 400
Portland, Oregon 97204
(503) 241-7242 phone
(503) 241-8160 facsimile
jec@dvclaw.com
Of Attorneys for Boise White Paper, L.L.C.