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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning Framework
and to Coordinate and Refine Long-Term
Procurement Planning Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**COMMENTS OF PACIFICORP (U 901-E) ON THE PRELIMINARY SCOPE OF THE
ORDER INSTITUTING RULEMAKING**

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March 21, 2016

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ORDER INSTITUTING RULEMAKING**

In accordance with Rule 6.2 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure and the Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements (OIR), PacifiCorp (U 901-E), d/b/a Pacific Power (PacifiCorp) hereby provides comments on the preliminary scope for the proceeding set forth in the OIR. In addition to the issues included within the preliminary scope, PacifiCorp requests that the Commission:

1. Fully consider PacifiCorp's unique characteristics as California's only multi-jurisdictional utility (MJU) (including the fact that PacifiCorp operates its own balancing authority area, which encompasses its six-state service territory, and already conducts a multi-state Integrated Resource Planning (IRP) process), and,
2. Based on such unique characteristics, determine whether different considerations should apply in implementing and adopting any requirements for an IRP framework.

I. Introduction and Background

PacifiCorp serves more than 1.7 million customers in six western states (California, Idaho, Oregon, Utah, Washington, and Wyoming) and operates its own balancing authority area

that encompasses its six-state service territory. However, PacifiCorp has only approximately 45,000 retail customers in northern California. These customers currently comprise approximately 1.5 percent of PacifiCorp's total retail sales. PacifiCorp is uniquely situated in comparison to the other load serving entities (LSEs) in California because it has load-service obligations in six states and multi-state cost allocation considerations. PacifiCorp does not undertake planning and procurement decisions on a state-by-state basis, but instead plans and operates its entire six-state service territory as a single system.

As part of the process of managing its six state system, PacifiCorp files its IRP on a biennial basis with its state utility commissions, including the Commission. Unlike California's three largest investor-owned utilities, neither the Commission nor other state utility commissions or local regulatory authorities identify, dictate or direct PacifiCorp to prioritize procurement of specific resource categories or resource portfolios when planning for its multi-state system. Instead, PacifiCorp develops a resource plan with a balanced consideration of cost, risk, uncertainty, supply reliability/deliverability, and public policy goals across its six-state service territory. It should be noted, however, that state utility commissions do have certain specific IRP standards and guidelines, which establish filing requirements, update frequency, public processes, planning horizon, and other fundamental elements of resource planning activities.

PacifiCorp produces a single IRP for its multi-state system that satisfies the requirements of all state utility commissions, as well as other regulatory policies and mandates such as state and federal emissions control requirements and state renewable portfolio standards (RPS) applicable to states in which PacifiCorp operates. At the most basic level, PacifiCorp's IRP produces a preferred portfolio of resources over a 20-year planning horizon. The IRP identifies the type, timing, and location of future resources over the planning horizon. The preferred portfolio is chosen from a range of different resource portfolio options based on cost, risk,

uncertainty, and long-run public interest criteria. The IRP also produces an action plan that identifies the specific steps PacifiCorp will implement over the front two to four years of the planning horizon to deliver the resources identified in the preferred portfolio. It should be noted that none of the state utility commissions require an action plan that covers a planning horizon beyond four years as a new IRP is prepared every two years.

As an MJU, PacifiCorp also faces unique requirements. As provided by statute, PacifiCorp is subject to different RPS requirements than other LSEs. Section 399.17(b) of the Public Utilities Code eliminates the need for PacifiCorp to meet the RPS procurement content limitations of Section 399.16.¹ Accordingly, based on this statutory provision and the strategies outlined in PacifiCorp's 2015 IRP, PacifiCorp has no plans at this time to add any new renewable generation to meet California's RPS requirements, but instead plans to use PacifiCorp's existing renewable resource portfolio supplemented with unbundled renewable energy credits (RECs) to meet its California RPS procurement obligations.²

Based on PacifiCorp's unique characteristics as California's only MJU, and as provided by statute, the Commission has traditionally deferred to PacifiCorp's multi-state IRP process for ensuring compliance with certain Commission directives, including certain RPS requirements.

¹ See, D.11-12-052, p. 63 (PacifiCorp is "not subject to the requirements and limitations [on] the use of procurement in each portfolio content category."); see also, D.11-12-052, Ordering Paragraph 16.

² See, PacifiCorp's 2015 IRP, filed with the Commission on April 1, 2015, p. 147 ("State RPS programs in California and Washington provide opportunities to use unbundled RECs to meet forecasted compliance requirements. Based on current unbundled REC market prices, PacifiCorp continues to pursue an unbundled REC strategy to meet future RPS compliance requirements in these states.") and p. 240 ("As outlined in Chapter 8, the least cost least risk state RPS compliance strategy relies on unbundled RECs. PacifiCorp continues to plan on using unbundled RECs to meet its forecasted needs under the California and Washington RPS programs."), available at http://www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Integrated_Resource_Plan/2015IRP/PacifiCorp_2015IRP-Vol1-MainDocument.pdf. See also PacifiCorp's April 30, 2015 On-Year Supplement to its 2015 IRP, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M152/K484/152484472.PDF>. See also PacifiCorp's July 28, 2015 Addendum to its 2015 On-Year Supplement to its 2015 IRP, available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M153/K733/153733807.PDF>. See also D.15-12-025 accepting PacifiCorp's IRP, On-Year Supplement to its 2015 IRP, and Addendum to its 2015 On-Year Supplement to its 2015 IRP.

For example, PacifiCorp files its comprehensive IRP, and supplements thereto, in lieu of an RPS procurement plan. Additionally, PacifiCorp is not subject to the same contract approval process used by other California IOUs and is not currently subject to the least-cost best-fit determination methodology³ or the renewable net short (RNS) calculation methodology⁴ used by other California IOUs.

As California's only MJU, PacifiCorp does not operate within the California Independent System Operator (CAISO) balancing authority area, but rather PacifiCorp operates its own balancing authority area. Similarly, PacifiCorp is not subject to the Commission's resource adequacy (RA) requirements.⁵ Additionally, PacifiCorp was excused by prior Commission decisions and rulings from the Smart Grid-related requirements of the Energy Information and Security Act of 2007 and Senate Bill 17.⁶ Finally, consistent with Public Utilities Code Section

³ See D.09-06-050, pp. 25-26, FN 32.

⁴ The August 2, 2012 Administrative Law Judge's Ruling (1) Adopting Renewable Net Short Calculation Methodology (2) Incorporating the Attached Methodology into the Record, and (3) Extending the Date for Filing Updates to 2012 Procurement Plans, available at <http://docs.cpuc.ca.gov/PublishedDocs/EFILE/RULINGS/171999.PDF>, adopted the RNS calculation methodology, but did not require PacifiCorp to update its IRP or IRP supplement to include the adopted RNS calculation. See also, the March 12, 2014 Comments of PacifiCorp on Staff Proposal for Revising the Methodology Used to Calculate the Renewable Net Short for Procurement to Meet the California Renewables Portfolio Standard (<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M089/K136/89136086.PDF>).

⁵ Assigned Commissioner's Ruling and Scoping Memo for Phase 2 of the Order Instituting Rulemaking to Consider Refinements to and Further Development of the Commission's Resource Adequacy Requirements Program, p. 15, available at <http://docs.cpuc.ca.gov/PublishedDocs/EFILE/RULC/63157.PDF> (The "RA program framework adopted in D.04-01-050 and implemented in a series of decisions since then is currently limited to the three largest California investor-owned utilities and the electric service providers and community choice aggregators that service in the service territories of these utilities.").

⁶ See D.09-07-039 excusing PacifiCorp from participation in R.08-12-009; see also Assigned Commissioner's Ruling Granting Motion by PacifiCorp (U 901-E) for Exemption from SB 17 and Dismissal from Further Obligations under this Proceeding, filed Feb. 26, 2010, available at <http://docs.cpuc.ca.gov/PublishedDocs/EFILE/RULINGS/114195.PDF>.

454.5(i), PacifiCorp does not participate in the Long-Term Procurement Planning (LTPP) proceedings and is not required to submit procurement plans.⁷

As a result of the differences described above, the procurement, reliability, and planning practices associated with PacifiCorp's California customers are significantly different from other LSEs in California.

II. A One-Size-Fits-All Approach for IRP Requirements Will Not Recognize Unique Characteristics of Different LSEs

The OIR describes how certain IRP requirements should be uniform across all LSEs. For example, in describing how to develop the resource valuation and/or selection methodology, the OIR states that “[i]deally, such a methodology would be consistent across all LSEs”⁸ and “should evaluate an overall approach that is consistent across IOUs, if not all LSEs.”⁹ While this approach may be appropriate for similarly situated LSEs, it does not make sense to apply identical methodologies to dissimilar entities.

This is particularly true given how different PacifiCorp is from other California LSEs. PacifiCorp is a vertically integrated utility, utilizing a portfolio of owned and purchased generation resources across nine states. Generation from PacifiCorp's portfolio is delivered to customer load in its six-state service territory via owned and purchased transmission assets and long term rights. A uniform methodology, without accounting for varying characteristics of different LSEs, could result in unnecessary resource selection, which, in turn, could increase costs and harm customers. Accordingly, it is essential that the Commission recognize PacifiCorp's unique attributes to ensure that resources are properly valued and selected, thereby achieving the greatest benefits at the least cost while accounting for risk.

⁷ See D.03-07-011 (exempts PacifiCorp from the filing of procurement plans in the LTPP per Section 454.5(i)).

⁸ OIR, p. 18.

⁹ OIR, p. 19.

III. Certain Issues Within the Preliminary Scope Do Not Apply to PacifiCorp and Do Not Account for PacifiCorp’s Unique Characteristics, Thus Necessitating that IRP Requirements Address Unique Characteristics of LSEs

A. Procurement and Renewable Integration Needs Vary Significantly for PacifiCorp Compared to other LSEs

The OIR lists four general issues within the preliminary scope of the proceeding. Two of these four issues, however, have limited or no applicability to PacifiCorp. The first issue provides:

Assess the impact of SB 350 on future procurement needs and develop the process and requirements for the integrated resource plans to be filed by load-serving entities. This includes bringing together or taking to the next level a number of efforts that have been underway in previous LTPP proceedings, including developing and refining modeling assumptions around the need for additional flexible resources to integrate variable renewable energy resources.¹⁰

PacifiCorp does not object to including this issue within the scope of the proceeding, but emphasizes that the unique characteristics of individual LSEs should also be considered. First of all, as described above, PacifiCorp does not participate in the LTPP proceedings and is not required to submit procurement plans. Accordingly, incorporating any LTPP conclusions or building upon existing LTPP frameworks as part of the development and implementation of IRP requirements should account for this fact.

Additionally, for PacifiCorp, and potentially for other LSEs as well, any modeling assumptions and integration requirements should not be based on models or assumptions tailored to California’s largest LSEs. Instead, at a minimum, modeling assumptions and integration requirements should account for: (1) the differences between PacifiCorp and LSEs within the CAISO regarding how customer loads are served, and (2) the quantity and type of renewable resources located within PacifiCorp’s balancing authority compared to renewable resources in

¹⁰ OIR, pp. 11-12.

the CAISO. The simple fact is that integration needs vary significantly when comparing PacifiCorp and the CAISO.

This is particularly true given PacifiCorp's unique RPS requirements. As described above, PacifiCorp is subject to unique RPS requirements which, should it choose, allow it to satisfy its RPS procurement obligations through the exclusive use of unbundled RECs. Because unbundled RECs do not include underlying energy, intermittency issues typically associated with variable renewable energy resources may not impact PacifiCorp's system the same way they impact the CAISO and other California balancing authority areas. Simply put, PacifiCorp has the ability to satisfy its RPS obligations without impacting reliability or necessarily even procuring energy from the variable resources that created the purchased unbundled RECs. IRP requirements should reflect this distinction.

B. CAISO Imposed Local, Flexible, and System Resource Adequacy Requirements Do Not Apply to PacifiCorp and the Commission Has Not Addressed Resource Adequacy Requirements for SMJUs

Another of the four general issues listed within the preliminary scope of the proceeding has limited or no applicability to PacifiCorp. Specifically, the OIR includes the following issue as an overarching scoping issue:

To the extent necessary, identify CPUC-jurisdictional needs for new resources to meet local, flexible, or system resource adequacy requirements and consider authorization of procurement to meet that need.¹¹

While this issue may be central for IRP-planning for many LSEs, the Commission should consider this issue in detail before prescribing any requirements. As described above, PacifiCorp operates its own balancing authority area outside of the CAISO to serve customers in a six-state service territory as a single vertically integrated system. For this reason, PacifiCorp is not subject to CAISO RA requirements. Additionally, as previously noted, the Commission's RA

¹¹ OIR, p. 12.

requirements have not been extended to apply to PacifiCorp. The IRP requirements for PacifiCorp should recognize the fact that PacifiCorp currently has no CPUC or CAISO RA requirements. While PacifiCorp is not currently subject to CAISO or Commission RA requirements, by design, PacifiCorp’s IRP process does ensure there are sufficient resources to meet system load requirements across its six-state service territory.

C. Any “System-Wide” IRP Requirements Should Account for PacifiCorp’s Unique Characteristics

IRP implementation issues set out in the OIR also include whether “integrated resource planning will be undertaken on a system-wide basis and / or by individual LSEs”¹² The resource planning framework proposed in the OIR’s preliminary scope includes work such as the development of “[c]onsistent methodologies for resource valuation and / or selection criteria across multiple resource types, for use in comparisons in all-source or multiple-source procurement.”¹³ This process will address “[m]ultiple issues related to grid integration for renewables”, such as refinements to RA requirements, least-cost best-fit analyses, and renewable effective load carrying capacity (ELCC) values.¹⁴

As described above, PacifiCorp is not currently subject to the least-cost best-fit determination methodology or to CAISO or Commission RA requirements. Similarly, ELCC values are currently intended to apply only to California’s three largest IOUs, and not PacifiCorp.¹⁵ Any IRP requirements that rely upon ELCC values should be flexible enough to

¹² OIR at 14.

¹³ OIR at 15.

¹⁴ OIR at 16.

¹⁵ See March 9, 2016 *Revised Energy Division Staff Paper on Criteria for Effective Load Carrying Capability in Least-Cost Best-Fit Analysis for RPS Procurement*, p. 1, (“Energy Division staff (staff) proposes that Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the investor-owned utilities or IOUs) use Effective Load Carrying Capability (ELCC) to determine the Net Qualifying Capacity (NQC) in their respective least-cost best-fit (LCBF) methodologies and standardize the methodologies, inputs and

ensure that PacifiCorp or other differently situated LSEs can effectively account for the uncertainty and intermittency of renewable resources and how those resources impact different systems. Again, it is vital that the Commission consider the unique characteristics of individual LSEs in developing any IRP requirements or methodologies underlying those IRP requirements. For PacifiCorp, California's only MJU operating outside of the CAISO and facing different procurement and operational challenges, using a "system-wide" methodology that does not address factors such as PacifiCorp's status, location, resource portfolio, load curves, and unique RPS and other requirements, may not develop a workable set of IRP requirements to effectively and efficiently meet the statutory goals of SB 350.

D. Grid Integration Requirements Should Account for PacifiCorp's Unique Characteristics

With respect to grid integration, the OIR notes that current "efforts are already underway ... to develop a California-specific methodology for a grid integration adder to account for the variable costs of renewables integration."¹⁶ The OIR also references the *Beyond 33% Renewables: Grid Integration Policy for a Low-Carbon Future* white paper. However, it is important to note that "California-specific" methodologies have historically focused largely on the CAISO and California's three largest IOUs. This is similarly true of the white paper referenced in the OIR. PacifiCorp urges the Commission to avoid adopting a one-size-fits-all IRP regime but instead to account for individual LSE characteristics to more effectively develop appropriately tailored IRP requirements.

assumptions used in calculating these ELCC values, to the extent possible.") available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M159/K361/159361398.PDF>.

¹⁶ OIR, p. 20.

IV. The Preliminary Scope Should Specifically Consider Unique Characteristics of Different LSEs, such as PacifiCorp, in Developing the Process and Requirements for IRPs

A. Include a New Issue Within the Preliminary Scope – Consider Whether IRP Requirements Should Be Different to Account for Unique Characteristics of Different LSEs

To ensure that PacifiCorp’s unique characteristics are addressed in the development of IRP requirements, PacifiCorp requests including an additional issue within the preliminary scope to evaluate the characteristics of different LSEs and allow for different or flexible IRP requirements that account for varying LSE characteristics. Specifically, this proceeding should consider the unique characteristics of PacifiCorp and determine whether identical requirements should apply to all LSEs. In contrast to other LSEs, PacifiCorp has a unique service territory and customer base, as well as a unique set of requirements applicable to PacifiCorp across its six-state system. Inflexible, one-size-fits-all IRP requirements would neglect to account for the differences between certain LSEs to the potential harm of customers. Instead, IRP requirements should be tailored or include flexibility to reflect PacifiCorp’s distinct qualities and the statutory and Commission exemptions already applicable to PacifiCorp. Any other result will be inefficient and lead to cost increases for customers without achieving the goals of SB 350.

This approach is consistent with Commission precedent. Indeed, the Commission has routinely recognized and accounted for PacifiCorp’s unique status.¹⁷ Here too, the Commission

¹⁷ The Commission has found that “the small size of [PacifiCorp] and the nature of [its] operations” make it inappropriate and burdensome for the Commission to impose certain requirements on PacifiCorp or require that the Commission allow PacifiCorp to take a more limited approach than that required for the large investor-owned utilities. (See, e.g., Decision 09-12-046, at 2 (exempting PacifiCorp from certain smart grid-related requirements).) The Commission has noted that imposing certain planning requirements on PacifiCorp “would only impose costs and inefficiencies on these small IOUs while producing no benefits.” (D.09-12-046, at 27; see also D.08-05-028 (allowing PacifiCorp to use its IRP it files in other states).) Similarly, the Commission has recognized that PacifiCorp may be at different stages than larger utilities with regard to infrastructure deployment or other initiatives and so meeting certain standards “could be overly burdensome on [PacifiCorp’s] small ratepayer base.” (Decision 09-12-046, at 50; see also D.03-07-011 (decision granting PacifiCorp an exemption from filing long-term procurement plans).) The Commission has similarly concluded that distribution resource planning requirements should be simpler for utilities like PacifiCorp. (See January 27, 2016 Scoping Memo and

should consider the unique characteristics of PacifiCorp and avoid taking a one-size-fits-all approach to IRP implementation. Accordingly, PacifiCorp asks the Commission to modify the preliminary scope of this proceeding to include the additional issue of accounting for differences between LSEs and whether such differences warrant different IRP requirements.

B. Consider Addressing IRP Requirements for PacifiCorp in a Subsequent Phase of the Proceeding

Given PacifiCorp's unique status as California's only MJU, as well as the multitude of reasons described herein as to why PacifiCorp differs significantly from other LSEs, the Commission may want to address IRP requirements for PacifiCorp in a separate or subsequent track or phase of the proceeding. This will ensure the Commission addresses PacifiCorp's unique status and implements appropriate IRP requirements to effectively achieve the goals of SB 350.

Additionally, because PacifiCorp already prepares and provides an IRP for its six-state service territory, it may be more appropriate to allow PacifiCorp to submit its existing IRP or, alternatively, a supplement to its IRP to address any topics not already covered by its existing IRP. This would be consistent with existing IRP practices utilized by the other states in which PacifiCorp operates, as well as the Commission's traditional deferral to PacifiCorp's IRP for planning purposes as authorized by statute. This will ensure that all statutory requirements are satisfied without overly burdening PacifiCorp and the Commission in the development of IRP requirements and review of IRPs.

Ruling of Assigned Commissioner and Administrative Law Judge, Including Deconsolidation of Certain Proceedings and a Different Consolidation of Other Proceedings, p. 4 (“We have considered these issues and conclude that the applications of the SMJUs [including PacifiCorp] are sufficiently different and generally less complex than the applications of the larger IOUs, such that the DRPs of the SMJUs should be spun off into a separate set of consolidated applications.”), available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M157/K902/157902794.PDF>.)

V. Conclusion

PacifiCorp appreciates this opportunity to submit comments on the OIR's preliminary scope and respectfully request, for the reasons described above, that the Commission modify the preliminary scope of this proceeding to consider PacifiCorp's unique position that make a one-size-fits-all reporting requirement inappropriate for PacifiCorp.

Dated: March 21, 2016

Respectfully submitted,

/s/

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VERIFICATION

I am the attorney for PacifiCorp, d/b/a Pacific Power (PacifiCorp) (U 901-E) and am authorized to make this verification on its behalf. PacifiCorp is absent from the County of Sacramento, California, where I have my office, and I make this verification for that reason. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 21, 2016 at Sacramento, California.

/s/

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