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April 4, 2017

Honorable Lee Beyer, Chair
Senate Committee on Business and Transportation
900 Court St. NE
Salem, OR 97301

RE: Senate Bill 978 – OPPOSE

Dear Senator Beyer:

I am writing on behalf of PacifiCorp to express our opposition to Senate Bill 978. PacifiCorp is an integrated electric utility serving 1.8 million customers in six states in the Pacific Northwest and Rocky Mountain regions. In Oregon, we operate as Pacific Power and serve approximately 570,000 customers.

Senate Bill 978 would disallow rate recovery for projects that either generate or store electricity for at least five years and have generating or storage capacity of 50 megawatts or more, regardless of whether the resource is in the best interests of customers. The policies that would be established by Senate Bill 978 would enrich independent power producers at the expense of utility customers and should be rejected.

Senate Bill 978 mandates outcomes to several issues that are currently under consideration at the Public Utility Commission (PUC), including a threshold for when a competitive bidding process should be used by the utilities and whether and how the competitive bidding process should apply to energy storage resources. By creating special rules that would guarantee electric utility's purchase projects from independent power producers and penalize the electric utility for making least-cost, least-risk acquisitions this bill results in an elevated status for independent power producers at the expense of utility customers.

The PUC has a well-established process for competitive bidding for utility acquisitions and for determining the prudence and recovery of utility acquisitions. The bill would override the PUC's authority and force specific outcomes rather than support the open, multi-party process by which these issues are decided before the PUC. This is an attempt to bypass that public process which is designed to give customers the fairest rates possible.

Creating unique acquisition requirements impedes Pacific Power's ability to acquire least-cost, least-risk resources on a system basis to serve all customers in all six states. This bill would prohibit cost recovery for utility-owned resources unless the acquisition was required to maintain

reliability. Reliability is rarely the sole reason for a utility resource acquisition. Unmasked, this prohibition is a de facto ban on utility ownership and a major economic boon for independent power producers. Limiting cost recovery of utility-owned resources unless acquired to maintain reliability would force PacifiCorp to enter into power purchase agreements to serve Oregon customers; the costs of these agreements would enrich independent power producers and be borne entirely by Oregon customers, depriving Oregon customers of the benefit of sharing resource costs across PacifiCorp's six-state system.

PacifiCorp believes the PUC's open process is fair and should not be weakened by this proposal. We do not believe this bill is in the customers' best interest.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Scott D. Bolton". The signature is written in a cursive, flowing style.

Scott D. Bolton
Vice President, External Affairs & Customer Solutions
Pacific Power