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**Division of
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MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities
Jeffrey P. Millington, Director Energy Section
Jamie Dalton, Utility Analyst II
Charles Peterson, Technical Consultant
Abdinasir Abdulle, Technical Consultant
Artie Powell, Manager

Date: October 24, 2007

Ref: MidAmerican Energy Holdings Company (MEHC) Transaction
Commitment No. 44(a) – Energy Efficiency and DSM Management -
approved in Docket No.05-035-54.

RECOMMENDATION

The Division recommends that the Commission consider a formal regulatory review process to address comments and issues on the DSM report “Assessment of Long-Term System-Wide Potential for Demand-Side and Other Supplemental Resources” prepared for PacifiCorp (Company) by the Quantec consulting group (Quantec). This report was prepared to meet MEHC and PacifiCorp compliance with Transaction Commitment No. 44(a), Energy Efficiency and DSM Management, approved in Docket No.05-035-54. ¹ The Division believes that comments made through an open docket or through some other formal review process as recommended by the Commission is needed to better

¹ Utah Public Service Commission, Second Amendment to Stipulation authorizing MEHC acquisition of PacifiCorp, Docket No. 05-035-54, Commitment No. 44(a).



ensure the Company both adequately responds to comments and concerns issued from interested parties, and fulfills the acquisition requirements listed above.

DISCUSSION

Under commitments approved by the Commission in the MEHC acquisition of PacifiCorp (Docket No. 05-035-54), MEHC and PacifiCorp were directed to conduct a company-defined third-party market potential study of additional Demand Side Management (DSM) and energy efficiency opportunities within PacifiCorp's service areas. The commitment outlined that this study include the following objectives:

- Identify additional DSM opportunities;
- Recommend programs/actions to pursue cost-effective DSM opportunities;
- Consult with DSM advisory groups, Commission staff, and other interested stakeholders to direct ongoing DSM efforts; and
- Report study findings back to DSM advisory groups, Commission staff and other interested stakeholders.

Accordingly, a report entitled "Assessment of Long-Term System-Wide Potential for Demand-Side and Other Supplemental Resources" was prepared for PacifiCorp by Quantec. The report was released on July 11, 2007. Findings from the report were presented in a meeting at the Company's Salt Lake City office on July 9, 2007.

At the July 9 meeting, the Company announced that it would receive all comments on the document. The Division expressed concern that as this project was initiated to fulfill required acquisition commitments, a formal regulatory review process would be more appropriate. In addition, the Company's current IRP referenced the document as a means to assist the Company to expand and improve performance of current demand-side programs and identify additional cost-effective program opportunities.² Ostensibly,

² See PacifiCorp 2007 Integrated Resource Plan, p. 57

document findings will be integrated into the current IRP. The Division believes that this further warrants a more formal review process.

The Division reviewed the document and has also reviewed comments submitted by two other parties. Several questions and concerns have been identified about both the contents of the study, and about how well it fulfills the required commitment criteria. There is concern that without a more formal review process, parties' issues and questions will not be adequately addressed.

As a result, the Division requests that the Commission recommend a formal process by which comments and concerns about the report can be fully vetted and formally addressed. This may be accomplished through the Commission's opening of a Docket on the matter. As an alternative, the Commission may consider utilizing the DSM Advisory Group or the ongoing IRP process as appropriate comment forums.

The Division intends to formally file its own comments and recommendations regarding the document with the Commission. However, the Division will withhold this filing pending a Commission decision on this issue.

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