

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Application of )  
PacifiCorp, by and through its Rocky )  
Mountain Power Division, for Approval of a )  
Solicitation Process for a Flexible Resource ) DOCKET NO. 07-035-94  
for the 2012-2017 Time Period, and for )  
Approval of a Significant Energy Resource )  
Decision )  
)

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**REPLY COMMENTS OF WESTERN RESOURCE ADVOCATES  
ON PACIFICORP’S REQUEST FOR PROPOSALS – FINAL VERSION**

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COMES NOW Western Resource Advocates (WRA), and for its Reply Comments on PacifiCorp’s Draft Request for Proposals (RFP), states the following:

1. WRA has reviewed PacifiCorp’s Final Draft RFP and the Company’s associated Comments, as well as the April 11<sup>th</sup> Report of the Utah Independent Evaluator. It appears that PacifiCorp overlooked WRA’s Comments in the preparation of its Final Draft RFP and associated Comments. WRA is neither mentioned in those Comments, nor its issues addressed. That said, several of WRA’s concerns have been alleviated because either they were also raised by other parties and addressed by PacifiCorp, or they were addressed by the Independent Evaluator. Nevertheless, several concerns remain.
2. With regard to PacifiCorp’s willingness to accept bids from coal-fired generation, the language in the Final Draft RFP appears satisfactory – in that it limits resources to those that will comply with legal and regulatory requirements in all PacifiCorp jurisdictions. That limitation

will, WRA understands, necessarily preclude high-carbon resources. This is appropriate because, as a practical matter, we believe carbon is not currently a manageable utility risk – and will not be until the landscape surrounding carbon regulation becomes more certain.

Moreover, WRA believes the issue surrounding coal development is much more complex than simply CO2 risk. Utah’s Standards and Guidelines for Integrated Resource Planning, which the Commission promulgated in 1992 in Docket 90-2035-01, addresses the issue of costs and impacts beyond a simple revenue requirement analysis. One of those standards is:

- 1) Consideration of environmental externalities and attendant costs must be included in the integrated resource planning analysis. The IRP analysis should include a range, rather than attempts at precise quantification, of estimated external costs which may be intangible, in order to show how explicit consideration of them might affect selection of resource options.

Coal-fired power plants raise a multitude of environmental issues, beyond CO2 emissions, that may or may not effect a utility’s costs, including impacts to land and water sources, mercury and particulate emissions and their health impacts, and so on. Before any pulverized coal plant is considered as a potential PacifiCorp resource, these externality costs should be carefully weighed and evaluated. Given the regulatory and legal hurdles that any conventional pulverized coal plant would trigger, as well as the difficult externality issues, it makes practical sense to simply avoid these controversies and deploy other resources.

3. In Section 2D of the Final Draft, “Unacceptable Proposal Characteristics,” PacifiCorp states that it will not accept “intermittent” resources. WRA suggests that the RFP specifically define what characteristics define an “intermittent” resource, i.e. capacity factor, availability factor, dispatchability, etc. Moreover, it should be clear that combinations of resources that provide needed reliability are eligible to bid into this solicitation – even if one of those resources,

standing alone, might be intermittent. For example, wind or solar power coupled with a natural gas turbine or energy storage should be eligible to compete.

4. In its initial Comments, WRA questioned PacifiCorp's explanation of baseload, intermediate and peak resources as being defined by heat rate. This explanation seemed to presume that the resources to be analyzed would be natural gas turbines. Renewable resources which might otherwise perform well could be excluded because there is no "heat rate" associated with them – unless perhaps it is assumed to be zero. It seems that heat rate is only relevant as part of this RFP because it is associated with fuel price risk – which renewables avoid. The IE agreed with this concern (p.52), and recommended more detail and explanation from PacifiCorp. WRA supports this recommendation.

5. With respect to the "load curtailment" category (Final Draft RFP redline p.22), WRA is still not sure why financial curtailment would not be eligible. Further explanation would be helpful.

6. In Chart 3 on page 28 of the redlined Final Draft RFP, PacifiCorp describes the role of its "Environmental Team." The Chart indicates that this team will evaluate "[a]ir, water and discharge, emission credits, site permits and facilities." WRA believes several additional items should also be evaluated by this team, including at least decommissioning requirements, hazardous waste, and impacts to groundwater.

7. On page 58 of the IE Report, the Evaluator recognizes that indexing of a bid does provide additional cost risk, and suggests that PacifiCorp address this issue. WRA supports that recommendation.

8. Item k on page 34 of the redlined Final Draft RFP, and the discussion preceeding that reference, requires that a bidder's development team must have "successfully completed the development and commissioning of at least one generation project with characteristics similar to the proposed project." While WRA understands the need for this type of restriction, we think the language might preclude resources that utilize new technologies. Perhaps the language could be a bit looser, along the lines of: "the development team must have reasonable experience in the development of the type of generation project being proposed."

9. On the chart on page 55 of the redlined Final Draft RFP, and discussion on page 57, PacifiCorp describes the weighting to be given to the bidder's ability to address changing environmental requirements. PacifiCorp assigns this factor 10 percent of the weighting. WRA believes this weighting is significantly understated. Environmental issues are at the forefront of issues and risks facing public utilities today. There is no greater uncertainty facing utilities, and it will likely become greater. WRA suggests that the weighting given environmental management capability be upped to at least 25 percent. This should be made up by decreasing the price factor weighting by 10 percent, and the other non-price factors by 5 percent.

WHEREFORE, WRA respectfully requests that the Commission direct PacifiCorp to modify its Request for Proposals as suggested in these Comments, and for such other and further relief as the Commission deems just and proper.

Respectfully submitted,

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April 24, 2008

## CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of April 2008, copies of **WRA's Reply Comments on PacifiCorp's RFP** were sent to the Public Service Commission of Utah and were sent by e-mail to each of the following:

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