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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Acknowledgment
of PacifiCorp's Integrated Resource
Plan 2008

DOCKET NO. 09-2035-01

**COMMENTS AND RECOMMENDATIONS
OF THE UTAH ASSOCIATION OF
ENERGY USERS ON PACIFICORP'S 2008
IRP**

The Utah Association of Energy Users ("UAE") hereby submits its response to the request of the Utah Public Service Commission ("Commission") for comments on PacifiCorp's 2008 Integrated Resource Plan ("IRP").

Summary

UAE recognizes the significant efforts of PacifiCorp and others in connection with this IRP. UAE continues to have several concerns about various aspects of the IRP and planning processes. While the IRP makes a reasonable effort to satisfy the Commission's published IRP Standards and Guidelines, UAE is not convinced that the effort or the result is adequate to identify the least-cost, least-risk resource acquisition path for the Company necessary for Commission acknowledgment.

UAE has several comments, concerns and suggestions relating to the IRP, including the following:

- PacifiCorp should pursue and implement all cost-effective customer-based alternatives, including Demand Side Management (DSM) programs, combined heat and power (CHP), Qualifying Facilities (QF), interruptible contracts and cost allocation/rate design changes. However, the collection mechanism for DSM expenses in Utah has become burdensome and unwieldy and needs to be revisited. UAE will further address these concerns in an appropriate docket.
- The preferred portfolio continues to rely heavily on Front Office Transactions (FOTs), particularly through 2013 before new base load generation can be installed. This may now be a largely unavoidable consequence of past company actions and inactions. However, PacifiCorp should be required to attempt to mitigate the risks associated with high levels of market purchases by accelerating other available cost-effective resource options.
- UAE has concerns with regard to the use of the portfolio preference scoring approach. UAE understands the Company's desire to apply a scoring system to the results to permit comparison of the cases on a consistent basis. However, this approach was presented relatively late in the process and has not been thoroughly vetted in public meetings. An example of UAE's concern is reflected on pages 227 – 229, where PacifiCorp demonstrates that shifting of weight from the Rate Impact and Capital Cost categories to the CO₂ Cost Exposure and Risk-adjusted PVRR categories switches the relative rankings of Cases 8 and 5, the top two ranked portfolios. Also,

PacifiCorp argues for Case 5 over Case 8 by stating (on page 231) that a “disadvantage for case 8 is the amount of wind investment in the first 10 years, which reaches 2,600 MW. The average annual capacity added for 2012 through 2018 exceeds 300 MW, which is a concern from procurement, rate impact, construction project management, and operational perspectives.” It is not clear why these concerns are not captured in the cost and risk metrics or why they should be the rationale for selecting case 5 over case 8. Concerns with the portfolio preference scoring approach are further illustrated by reviewing the metrics selected to receive a weighting. Fuel Source Diversity is a metric that does not receive a weighting, presumably because the risk lowering benefits are captured in the stochastic risk measurements which vary fuel costs. Conversely, CO₂ Cost Exposure is a category that receives a large weighting even though part of this risk should be captured in the Production Cost Standard Deviation category. These examples illustrate the potential for both undercounting and double counting for certain risks and costs. UAE submits that the preferred portfolio scoring approach requires additional attention.

- The IRP’s wind and renewable resource targets are sizeable and may require a wind acquisition schedule that is handled outside the model. UAE continues to support acquisition of all available cost-effective wind and renewable resources, even if the amounts are above those designated in the schedule and preferred portfolio, so long as the costs of necessary transmission and generating infrastructure are properly measured and included.

- Distributed generation, cogeneration and combined heat and power applications best take advantage of efficiencies available for natural gas fired electric generation. In addition to the pursuit of all available cost-effective renewable and customer-based resources, UAE continues to support clean coal and nuclear resources to meet longer-term baseload needs. UAE does not believe that adequate long-term baseload supplies have been sufficiently identified or addressed in the IRP.
- PacifiCorp should review its modeling execution to better manage the tradeoffs between using updated information, long modeling times and time for stakeholders to review and perform analyses. UAE again recommends that PacifiCorp should use less cumbersome and more transparent and available IRP models that are more adapted to a fast changing environment.
- UAE recommends that the Commission schedule a hearing to receive comments from the Company and interested parties in order to allow the Commission to provide specific, meaningful direction to the Company on its action plan, and to determine the proper role and function of the IRP process on a going-forward basis.

Comments and Recommendations

Commission review of an IRP should be aimed primarily at the following three goals: (i) determining whether the IRP is sufficiently consistent with the Commission's published Standards and Guidelines to warrant acknowledgment; (ii) providing feedback on how the IRP process can be improved in the future; and (iii) providing specific "review" and "guidance" to the utility under Utah Code §§ 54-17-101, et seq., on the proposed action plan.

UAE has organized its comments and suggestions on the IRP in response to each of the

existing Standards and Guidelines. Each of the Standards and Guidelines is provided in bold, followed by UAE's comments as to the IRP's consistency with the same, UAE's recommendations on improvements that should be encouraged, and any suggestions for guidance that should be provided on the action plan.

1. Integrated resource planning is a utility planning process which evaluates all known resources on a consistent and comparable basis, in order to meet current and future customer electric energy services needs at the lowest total cost to the utility and its customers, and in a manner consistent with the long-run public interest. The process should result in the selection of the optimal set of resources given the expected combination of costs, risk and uncertainty.

UAE Comments: The IRP makes an effort to satisfy this requirement. It attempts to evaluate an expanded set of resource options on a consistent and comparable basis and to identify a portfolio of resources designed to minimize risk and cost. UAE is not convinced, however, that the Commission can determine that the process has produced the least-cost, least-risk resource portfolio option.

UAE also continues to support active consideration of nuclear and clean-coal resources to meet longer-term baseload needs. To the extent coal resources have become impracticable or overly expensive due to political or other considerations, nuclear power may well be the only practicable long-term alternative.

2. The Company will submit its Integrated Resource Plan biennially

UAE Comments: The Company has generally made biennial IRP filings, although with significant schedule slippage. UAE has previously recommended, and continues to support, a

revision to the Standards and Guidelines to require annual IRP filings so long as significant resource additions are projected, as many modeling assumptions experience substantive changes frequently.

3. IRP will be developed in consultation with the Commission, its staff, the Division of Public Utilities, the Committee of Consumer Services, appropriate Utah state agencies and interested parties. PacifiCorp will provide ample opportunity for public input and information exchange during the development of its Plan.

UAE Comments: PacifiCorp has actively solicited public input, for which it should be commended. However, notwithstanding the increased amount of data and spreadsheets provided by the Company, UAE believes that the quality of public input will be significantly increased if the regulators and other interested parties are permitted to access, operate and verify all of the data, spreadsheets, models and information used in the IRP. Also, PacifiCorp continues to use very complex and often confidential custom modeling tools rather than modeling programs that have been tested and vetted over the years in the market. UAE urges consideration of alternative modeling approaches.

4. PacifiCorp's future integrated resource plans will include:

a. A range of estimates or forecasts of load growth, including both capacity (kW) and energy (kWh) requirements.

i. The forecasts will be made by jurisdiction and by general class and will differentiate energy and capacity requirements. The Company will include in its forecasts all on-system loads and those off-system loads which they have a contractual obligation to fulfill. Non-firm off-system sales are uncertain and

should not be explicitly incorporated into the load forecast that the utility then plans to meet. However, the Plan must have some analysis of the off-system sales market to assess the impacts such markets will have on risks associated with different acquisition strategies.

ii. Analyses of how various economic and demographic factors, including the prices of electricity and alternative energy sources, will affect the consumption of electric energy services, and how changes in the number, type and efficiency of end-uses will affect future loads.

UAE Comments: The IRP attempts to evaluate various load growth projections and assumptions and appears generally to satisfy this requirement. UAE continues to believe that a higher level of customer responsiveness to aggressive cost allocation/rate design changes or DSM programs may be available, assuming reasonable DSM cost recovery methods are adopted.

b. An evaluation of all present and future resources, including future market opportunities (both demand-side and supply-side), on a consistent and comparable basis.

i. An assessment of all technically feasible and cost-effective improvements in the efficient use of electricity, including load management and conservation.

ii. An assessment of all technically feasible generating technologies including: renewable resources, cogeneration, power purchases from other sources, and the construction of thermal resources.

iii. The resource assessments should include: life expectancy of the

resources, the recognition of whether the resource is replacing/adding capacity or energy, dispatchability, lead-time requirements, flexibility, efficiency of the resource and opportunities for customer participation.

UAE Comments: The IRP makes a reasonable attempt to satisfy these requirements.

UAE urges an abandonment of historical opposition to qualifying facilities and support for meaningful and realistic pricing and contract terms for QFs in order to encourage cost-effective QF and CHP development. These types of highly-efficient QF resources should be strongly encouraged and incentivized.

UAE also continues to support transmission additions and upgrades to delay supply side resources and provide flexibility. UAE appreciates the increased attention that has been given to this resource in this IRP. UAE urges continued evaluation of this issue to ensure that all cost-effective transmission options will be timely pursued.

UAE supports the Company's planning margin cost-risk tradeoff analysis and the use of a 12% planning margin. The planning margin should be used as a tool to help evaluate timing for investment in new resources and not a measure of actual system reserves. While the analysis does not capture all potential reliability issues associated with different planning margins, UAE believes that the use of a 12% planning margin has been adequately supported.

UAE believes there is a significant risk of much higher natural gas prices if high carbon taxes are imposed. UAE appreciates the work done with the Integrated Planning Model (IPM) to capture this relationship, but feels the assumptions used in that modeling effort should have been more fully vetted in the Public Input Process. It is important that the potential risk of higher

priced natural gas generation be accurately shown as one of the byproducts of avoiding more carbon intensive generation.

c. An analysis of the role of competitive bidding for demand-side and supply-side resource acquisitions.

UAE Comments: PacifiCorp's IRP attempts to comply with this requirement by promising the revival of its dormant RFP process. UAE restates its longstanding support for an open, fair, competitive RFP process as a crucial tool to the selection of the most desirable resources, regardless of ownership or affiliation.

d. A 20-year planning horizon.

UAE Comments: The IRP utilizes a 20-year planning horizon as required by the Standards and Guidelines. However, that planning horizon may be inadequate for proper consideration of nuclear resource options.

e. An action plan outlining the specific resource decisions intended to implement the integrated resource plan in a manner consistent with the Company's strategic business plan. The action plan will span a four-year horizon and will describe specific actions to be taken in the first two years and outline actions anticipated in the last two years. The action plan will include a status report of the specific actions contained in the previous action plan.

UAE Comments: The IRP appears to generally satisfy this requirement. However, a short-term action plan is inadequate, given the expansive time required to build or acquire certain types of resources, including clean coal (IGCC or carbon sequestration) and nuclear. UAE strongly supports expansion of both the planning horizon and the action plan sufficient to

accommodate all resource options, including nuclear.

f. A plan of different resource acquisition paths for different economic circumstances with a decision mechanism to select among and modify these paths as the future unfolds.

UAE Comments: The IRP proposes a strategy designed to comply with this requirement (IRP at 267-73). UAE recognizes that this IRP contains more detailed and meaningful contingency plans than prior IRPs to identify and explore available bridging resources, other resources and other actions that may be available for various risk types. However, UAE supports increased detail and analysis of the risk that adequate Front Office Transactions and market purchases may not be available. UAE submits that the utility should better explore and explain such contingency plans for a market that does not materialize despite recommendations from the experts in the trading group, especially because there is such heavy reliance on FOTs.

g. An evaluation of the cost-effectiveness of the resource options from the perspectives of the utility and the different classes of ratepayers. In addition, a description of how social concerns might affect cost effectiveness estimates of resource options.

UAE Comments: The IRP attempts to satisfy this requirement by evaluating cost-effectiveness of various resource options and by briefly discussing rate impacts. However, the rate impact analysis is not particularly helpful and the IRP does not comment on social concerns.

h. An evaluation of the financial, competitive, reliability, and operational risks associated with various resource options and how the action plan addresses these risks in the context of both the Business Plan and the 20-year Integrated

Resource Plan. The Company will identify who should bear such risk, the ratepayer or the stockholder.

UAE Comments: The IRP's evaluation of risks appears generally to satisfy this requirement. However, the risk of over-reliance on FOTs has not been adequately evaluated.

i. Considerations permitting flexibility in the planning process so that the Company can take advantage of opportunities and can prevent the premature foreclosure of options.

UAE Comments: The IRP's Action Plan and Acquisition Path attempt to satisfy this requirement, although it does not appear to UAE that sufficient flexibility has been built into the process in the event of severe constraints in market resources.

j. An analysis of tradeoffs; for example, between such conditions of service as reliability and dispatchability and the acquisition of lowest cost resources.

UAE Comments: The IRP includes a discussion of conflicts and tradeoffs between cost and risk. However, as explained above, inadequate attention has been given to the cost and risk tradeoffs associated with potential market resource shortages.

k. 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. The Company will attempt to quantify the magnitude of the externalities, for example, in terms of the amount of emissions released and dollar estimates of the costs of such externalities.

UAE Comments: The IRP's discussion of various externalities appears generally to satisfy this requirement.

1. A narrative describing how current rate design is consistent with the Company's integrated resource planning goals and how changes in rate design might facilitate integrated resource planning objectives.

UAE Comments: The IRP briefly addresses rate design issues (at 125- 126). However, UAE submits that additional attention is warranted to the use of more aggressive cost allocation and rate design changes, as well as DSM, to better address the disproportionate peak demand growth in Utah.

5. PacifiCorp will submit its IRP for public comment, review and acknowledgement.

UAE Comments: The IRP was submitted for public review and comment in general satisfaction of this requirement. However, as discussed above, public and regulatory input to the IRP process would be significantly improved by greater access to data and models relied upon in the IRP process.

6. The public, state agencies and other interested parties will have the opportunity to make formal comment to the Commission on the adequacy of the Plan. The Commission will review the Plan for adherence to the principles stated herein, and will judge the merit and applicability of the public comment. If the Plan needs further work the Commission will return it to the Company with comments and suggestions for change. This process should lead more quickly to the Commission's acknowledgement of an acceptable Integrated Resource Plan. The Company will give an oral presentation of its report to the Commission and all interested public parties. Formal hearings on the acknowledgement of the Integrated Resource Plan might be appropriate but are not required.

UAE Comments: Interested parties have had an opportunity to make comments on the IRP, even though some of the comments have not been adequately resolved. UAE recommends formal hearings on the IRP.

7. Acknowledgement of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions.

UAE Comments: UAE continues to have a number of serious concerns about past planning decisions that will likely result in increased costs to ratepayers. As indicated in this standard, such concerns should properly be addressed in other dockets.

8. The Integrated Resource Plan will be used in rate cases to evaluate the performance of the utility and to review avoided cost calculations.

UAE Comments: UAE agrees that this IRP, as well as past IRPs, should properly be considered in rate cases.

Conclusion

Although the Company has made a good faith attempt to respond to the requirements of the Commission's Standards and Guidelines, UAE is concerned that the results cannot be determined to meet the least-cost, least-risk standard necessary for Commission acknowledgment. UAE recommends that the Commission schedule a hearing to receive comments from interested parties regarding the IRP process and then provide specific guidance and input to the utility regarding the action plan and the Commission's expectations for future IRPs. UAE appreciates the opportunity to participate in the IRP process and looks forward to continued involvement.

Dated this 18th day of June, 2009.

Hatch, James & Dodge

/s/ _____
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was sent by email this 18th day of

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