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Subject: Comments on 2011 Draft IRP

The Office of Consumer Services (Office) offers the following comments. However, we note that due to Company delays, we have had limited time to review recent changes to the Company's analysis of its preferred portfolio.

- Gas Bridging – The Company adjusts its models to delay the second large CCCT by one year (2015 to 2016) in constructing its preliminary preferred portfolio (Case 3). Given potential circumstances where market conditions, load growth, or resource costs significantly change in the near term, the Company should identify and discuss in its acquisition path analysis the latest point at which it can successfully conclude an RFP process to get a significant resource on line in 2015.

- Wind Resources – As discussed in Chapter 8, the Company has increased the amount of wind in the preferred portfolio by approximately 1,000 MWs and advanced the timing of wind resources by two years to acquire 800 MWs of wind resources in the 2018 – 2020 time period. The Company used different renewable policy assumptions in this one case to support these significant changes. Specifically, Table 8.14 compares wind capacity and timing for the original Case 3 to a modified Case 3 that assumes a Waxman-Markey RPS and an extension of the renewable PTC to 2020. According to Table 8.14, the model (SO) wants to begin adding wind resources in relatively small increments beginning in 2015, which total about 750 MWs by 2018. However, in the modified Case 3, the Company does not begin adding wind resources until 2018 and total amount in that year is only 300 MWs.

The Office has a number of comments relating to this modification to Case 3:

1) Do transmission constraints limit the acquisition of wind resources on both sides of the PacifiCorp system such that the Company is unable to acquire new wind resources in the 2015 – 2017 time period as set forth in Table 8.14? If so, identify and explain in detail these transmission constraints and all other constraints (renewable procurement process, capital spending), that impact the timing when wind resources can begin to be added.
2) In the 2008 IRP the Company stated that it was difficult to procure a significant amount of wind resources in any given year and proposed to "smooth out" additions into primarily 100 MW increments from 2012 through 2018 (see Table 9, pg. 254, 2008 IRP). Given the Company targets 800 MWs of wind resources over a three-year period (2018-2020), has the Company's perspective on procuring and integrating wind resources into its system changed?
3) Given attributes such as zero carbon emissions and fuel costs, the Company should justify why a five-year hiatus (2012 – 2017) in acquiring wind generation is appropriate result for this IRP.
4) If the Company delays in pursuing wind projects in the 2012 – 2017 time period, does it forgo the opportunity to take advantage of better sites across the West for developing wind, thereby resulting in less cost-effective wind resources for ratepayers? This issue should be addressed in the IRP.

- <u>Portfolio Analysis</u> – The policy and analytical changes occurring at the end of the IRP process (e.g., implication of gas bridging, using alternative renewable policy assumptions to advance timing of wind acquisition, etc.) appear to modify the Case 3 preferred portfolio so that it essentially mirrors Case 19, the 2011 Business Plan portfolio. For example, Case 19 adds the second large eastside CCCT in 2016 and includes 860 MWs of eastside wind in 2019 – 2021. The primary difference between the two cases relates to the one year advancement of wind resources in the modified Case 3 Portfolio. However, Case 19 performed poorly in the stochastic analysis and it was not further evaluated by the Company in the process of selecting a preferred portfolio. Since the modified Case 3 mirrors Case 19, one could readily conclude that Company has selected a sub-optimal portfolio.

  The Office recommends the Company test the modified Case 3 against top performing portfolios (e.g., 1, 3, 4, 5, 6, 7 and 15) to see how it performs in the analysis of Stochastic Cost versus Upper-Tail Risk under the three carbon tax scenarios. Absent such analysis, it will be difficult for the Company to support this portfolio as least cost, least risk. The Company should also consider a modified Case 3 that advances and smooths out wind acquisition beginning in 2014 instead 2018, to see if the stochastic results improve.

- Change in Stochastic Load Parameters – In this IRP the Company sets the long-term load volatility parameters to zero. According to the Company, this parameter tends to increase higher load excursions and severity of un-served loads and may influence or bias comparisons among portfolios. The Company also states the model vendor, Ventyx, supports setting the long-term load volatility parameter to zero.

  The Office notes that there wasn't much discussion of this decision, and its consequences, in public meetings. This decision needs to be more fully vetted in the next IRP cycle.

- Geothermal Resources - In its Action Plan the Company should specify 1) Required Actions Steps and 2) Timing of those Actions for resolving the issue relating to the recovery of geothermal developments costs.

- Coal Price and Availability - Coal-fired plants represent 58% of PacifiCorp's Company-owned generating capacity. These coal plants are supplied by a mix of COS and market coal sources. Policy makers in Utah and the West have recently made statements that we will run out of coal in the next 10-15 years and that the Company's coal plants will be converted to natural gas. Given this interest in the public arena, the Office recommends that the Company begin to include a lengthier discussion of the long-term availability and price of coal supply. Also, it may be appropriate in the near future to begin an analysis of the most cost-effective replacement options if fuel supply availability is at issue.

Finally, the Office notes that a complete version of the Company's Draft 2011 IRP was not circulated to interested parties until two weeks ago. The schedule presented by the Company earlier in the IRP process indicated that a draft IRP would be distributed for review in early February 2011 with a 30-day comment period. Consequently, the Office has had limited time to review changes to the Company's analysis of its preferred portfolio that has occurred in recent weeks. The Office is concerned about the extent to which schedules have not been maintained because it greatly impairs the ability for interested parties to provide meaningful feedback in advance of the Commission process. If the goal is a more interactive and less adversarial process, then the Company must improve in meeting its schedule and minimize major changes late in the process.