



State of Utah

DEPARTMENT OF COMMERCE

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MEMORANDUM

May 6, 2002

TO: UTAH PUBLIC SERVICE COMMISSION

FROM: UTAH DIVISION OF PUBLIC UTILITIES
Lowell E. Alt, Director
Judith Johnson, Manager - Energy Section
Mark V. Flandro, Utility Analyst

**RE: DIVISION COMMENTS TO PSC REQUEST FOR COMMENTS ON
PACIFICORP'S DSM IMPLEMENTATION PLAN, DOCKET 01-035-01
SUBMITTED BY PACIFICORP TO THE COMMISSION APRIL 1, 2002.**

ISSUE:

On April 23, 2002 the Utah PSC issued a "Request For Comments On DSM Implementation Plan" required of PacifiCorp in the Commission's October 29, 2001 "Order on Reconsideration of DSM Issues" in Docket No. 01-035-01, the last PacifiCorp rate case. This memorandum provides the Division of Public Utilities' comments as a result of review of PacifiCorp's filed report and from the viewpoint of the Division's participation in the Company's IRP Advisory Group and the Commission's Ordered Energy Efficiency Advisory Group (EEAG).

DISCUSSION:

The Division participated in this rate case, has been an active member in both of the above mentioned advisory groups and thus has been closely involved in the issues raised in PacifiCorp's April 1, 2002 report. In general, it appears to the IRP/DSM team members of the Division that PacifiCorp has recognized many of the weaknesses in its IRP processes and has recognized and acknowledged that its RAMPP processes could do more to identify potential cost effective DSM measures that might exist for electric customers of the State of Utah. This latter acknowledgment came from the Company during discussions at the early EEAG meetings that resulted in the Tellus study being commissioned by that group.

The Division's review of the Company's April 2002 report yields the following

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observations and comments:

- PacifiCorp seems to be making progress in its efforts to rectify its planning processes in IRP and DSM and to try to involve interested stakeholders. Advisory group input and strong directives and recent Orders of the PSC appear to have focused the Company's attention on improvement of resource planning.
- PacifiCorp has reconvened IRP advisory group meetings as directed and is making DSM planning an important part of that process.
- EEAG meetings are continuing to be held and the EEAG members have consistently been invited to participate in the Company's IRP workshops.
- EEAG members represent many disciplines and organizations and have many varying ideas concerning DSM programs and those programs that PacifiCorp should undertake including ideas from the Tellus study and from Mr. Howard Geller of Southwest Energy Efficiency Program (EEAG participant) and others. The Division observes that PacifiCorp DSM planners and management have made a reasoned effort to try to gain consensus on which programs should be studied for the long range future and for the Summer of 2002. The April Implementation Plan is the Company's interpretation of what has thus far come out of EEAG meetings tied with its existing DSM programs.
- The PSC's October 2001 Reconsideration Order directed PacifiCorp to ". . . develop an implementation plan for its most promising resources to help meet the Summer peak of 2002 present it to the Commission . . ." . . and went on to say, "*This assumes that the revised load and resource balance requires the acquisition of new resources*". Regarding this last sentence, the Company states in its report:

"Based on our current projections of the resources that will be at the Company's disposal we are confident that we will be able to meet the Summer peak of 2002 with our enhanced DSM programs. The Company is also prepared to re-introduce the demand reduction programs used last summer in the event of a capacity shortfall or extreme market conditions".

To the Division, this appears that the Company is saying that it has obtained resources sufficient to meet the summer load and that new DSM programs, other than the ramp up of its new and enhanced 2001 programs, will not be needed for 2002. Thus they are proposing no new DSM programs.

- From past discussions and meetings with PacifiCorp and based upon the Division's reading of the Company's April 1, 2002 report, it appears that PacifiCorp plans to use the following resources and DSM programs to meet the Summer 2002 peak:
 - ▶ Output of the new Gadsby peaking turbines which are scheduled to into production by September 2002

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- ▶ Some combination of power purchases resulting from contracts entered into as a result of PacifiCorp's RFP for power resources. The PacifiCorp April report does not clearly identify what these resources are.
 - ▶ Increased load reduction resulting from projected increased penetration from PacifiCorp's 2001 enhanced DSM programs approved by the PSC and now ramping up since their start last year.
 - ▶ Possible lowering of the eligibility threshold below 1MW for PacifiCorp's Energy Exchange to open this program to its commercial customers. PacifiCorp will evaluate this proposal and indicate that it will report its results to the EEAG by June 2002.
 - ▶ Provide a customer information campaign to help customers be aware of the new inverted block rates and of the time-of-use tariff revisions made in the last rate case so that customers might help the Company reduce power needs as well as shave some peak load demand.
 - ▶ Continue Power Forward energy condition alert program with the Utah Energy Office and end use customers.
 - ▶ Continue to work with large customers on potential load curtailment through bi-lateral agreements if needed.
- PacifiCorp has also responded to the interests of parties to investigate air conditioning load control for residential and small commercial customers on a pilot program basis. The Division was disappointed that this effort will not in be place to be tested during the Summer of 2002 but understands that time must be invested in conceiving, developing and implementing such a pilot program. The Division commends the Company for responding to party's interests in the perceived need for A/C load control and the Division will continue to be interested in the pilot program results as it rolls out in the coming year(s).

The Division has expressed great interest in peak shaving and the role of A/C load control in reducing demand. A pilot program will help to understand the economics and benefits for Utah prior to the Company making significant investments in hardware, software and radio telemetry, to implement this type of load control system on an expanded basis.

- With the stated exceptions of residential evaporative cooling, appliance recycling and combined heat and power, PacifiCorp has stated that its old and new existing energy efficiency DSM programs substantially capture most of the potential energy efficiency savings opportunities and, in general, DSM programs identified in the Tellus report.

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The Division is unclear on how PacifiCorp could affect customer decisions regarding the choice between evaporative cooling or central air conditioning. The Division is also unsure of the utility's role in an appliance recycling effort. We would need more information on these two issues to make a reasoned judgement, but some initial discussions at the Division suggest that these type of market transformation and public purpose programs, that also have some energy savings impact, might better be proposed on a state wide basis under the leadership of organizations such as the Utah Energy Office and other interested groups that might have more influence in getting such efforts actually implemented. PacifiCorp and regulators could help determine the most effective way for PacifiCorp to participate. PacifiCorp has not closed the door on these two issues and will be reviewing information provided by EEAG participants to help it decide any course of action.

PacifiCorp admits that it only has very limited experience with peak demand reduction programs, but indicates it is getting some experience from the results of programs utilized last summer with irrigation, industrial and other customers. The Division would like to see more analysis on this subject. Initial results from the Summer of 2001 indicate that the load reduction programs were very effective at reducing demand but it is less clear that they did so economically. We would recommend that the Commission reaffirm the need for and appoint a task force to evaluate the value of different types of interruption and investigate the possibilities for establishing an interruptible tariff and identify appropriate terms for designing interruptible contracts.

- The Company also indicates it is not experienced in distributed generation programs such as combined heat and power mentioned in the Tellus report. It indicates it will evaluate and model these peak demand options along with traditional energy efficiency programs as part of its Integrated Resource Planning plans.

RECOMMENDATION:

The Division recommends that the PSC acknowledge PacifiCorp's DSM Implementation Plan as filed. The Division feels that PacifiCorp has provided the Commission and other stakeholders a reasonable plan to meet the Summer 2002 power peak in Utah (although the details provided are sketchy in some areas) and has responded adequately to ideas and DSM program suggestions of the Tellus study and to other party input in developing its approach to DSM. While the Division is satisfied with PacifiCorp's April 1, 2002 response to the Commission, the Division still would like more detail regarding any additional power purchase contracts to meet the Summer 2002 shortages mentioned by PacifiCorp in recent testimony and will use the IRP forum to obtain this data. The Division appreciates PacifiCorp's efforts in DSM and IRP and we continue to look forward to working in the Advisory Groups with other parties with the objective of developing better resource planning for Utah customers and for the Company. The Division is also encouraged by PacifiCorp's plans to hire a DSM director in its IRP group reporting to Janet Morrison.

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C: Ted Boyer, Executive Director
Douglas Larson, PacifiCorp
Janet Morrison, PacifiCorp
Roger Ball, CCS
Dan Gimble, CCS

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