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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Acknowledgment of
PACIFICORP'S Integrated Resource Plan
2003

DOCKET NO. 03-2035-01

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

The Utah Association of Energy Users ("UAE") hereby submits its response to this Commission's Order dated January 31, 2003, requesting comments on the appropriateness of PacifiCorp's seventh Integrated Resource Plan ("IRP"), and recommendations on whether the Commission should acknowledge the IRP.

Summary of Comments and Recommendations

UAE commends PacifiCorp for its substantial efforts in connection with the IRP and for the significant public input solicited and considered. As discussed in more detail below, however, UAE has significant concerns over several assumptions used and conclusions reached in the IRP. Moreover, UAE is very concerned that no one outside of the company has been able to verify data or model runs or otherwise do any significant analyses to test PacifiCorp's assumptions and conclusions. UAE nevertheless recommends that the Commission acknowledge that the IRP is

generally consistent with the Commission's Report and Order on Standards and Guidelines issued on June 18, 1992, in Docket 90-2035-01 ("Standards and Guidelines").

In supporting Commission acknowledgement that the IRP is generally consistent with the Standards and Guidelines, UAE urges the Commission to provide clear guidance to PacifiCorp to address in future IRPs the legitimate concerns and issues raised by UAE and other parties. Moreover, the Commission should confirm that acknowledgement of the IRP is not an endorsement of any specific action plan. Given the magnitude and complexity of the data and process, and the inability of any other parties to access data, spreadsheets and models necessary for verification and stress testing purposes, no one outside the company is in a position to support any specific action plan.

Among other things, UAE submits that the Commission's order should address and provide guidance to PacifiCorp and the parties on at least the following issues:

1. **Open Bidding.** A fair, open and competitive bidding process should be mandatory for any significant future resource acquisitions. The process should include independent analysis and oversight in the formulation and evaluation of RFPs and in awarding contracts, as well as a process for Commission resolution of disputes that may arise in the RFP, bidding and contracting processes.

2. **Public Access.** PacifiCorp should be instructed that hereafter any data or spreadsheets used, and the results of any models relied upon, in support of any filings with the Commission must be accompanied by appropriate arrangements for Commission staff, the Division of Public Utilities, the Committee of Consumer Services, and intervenors, as appropriate (and subject to appropriate confidentiality requirements) to have full access to the data and

spreadsheets, to operate the models, and otherwise to test and verify the same.

3. **Action Plan.** The Commission should confirm that its acknowledgment is not an approval or endorsement of the IRP Action Plan. The IRP utilizes several conservative and questionable assumptions and gives substantial weight to a new risk analysis, leading to an over-emphasis on resource acquisition and increased fixed costs. The IRP does not provide sufficient support for the aggressive resource acquisition course suggested by the Action Plan. PacifiCorp should be encouraged to take reasonable and prudent steps to meet its loads and to keep viable long-term options open. However, the outcome of a number of future and unknowable events will largely determine whether the resource acquisitions contemplated in the Action Plan will be necessary or prudent.

4. **DSM.** The Commission should direct PacifiCorp to develop procedures and pricing mechanisms that will better place DSM measures and customer cogeneration projects on an even and comparable basis with supply side resources, and that will ensure that all efficient and effective alternatives to traditional utility-build resources will be pursued.

5. **Market Assumptions.** PacifiCorp should be instructed in future IRPs to evaluate a wide range of short- and long-term market opportunities and other available resources and hedging instruments, and at various prices and assumptions. UAE believes that numerous market opportunities currently exist and will arise in the future, and analyses and alternative plans to capitalize on the market opportunities will benefit Utah ratepayers.

6. **Base Case.** PacifiCorp should be instructed in future IRPs to utilize a “base case” for analysis purposes that includes PacifiCorp’s best reasonable predictions as to reasonably known and measurable conditions and expectations, while utilizing stress testing and alternative

analyses to test other reasonably likely scenarios. The base case run should not assume speculative or unknowable events, such as possible new taxes or reserve requirements.

UAE's Detailed Comments and Recommendations

UAE believes that the Commission's primary role in responding to the IRP is to acknowledge whether the IRP is generally consistent with existing Standards and Guidelines, and to provide guidance on how the process can be improved in the future. Accordingly, 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, and its comments and recommendations on future improvements that the Commission should encourage:

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 generally attempts to evaluate expected supply-side options on a consistent and comparable basis and to identify "optimal" resources, given the limitations of the assumptions and approaches utilized. UAE is concerned that the IRP does not necessarily identify the "optimal" resources, however, in part because of a number of conservative, and in UAE's judgment, sometimes unwarranted, assumptions, failure to use a proper "base case," over-reaction to perceived market risks, and other factors. Moreover, although the IRP includes significant

assumed demand side resources (“DSM”), the IRP does not succeed in adequately placing DSM resources or customer cogeneration resources on a consistent and comparable basis for purposes of evaluation or pricing.

- *Conservative Assumptions.* The IRP makes a number of conservative assumptions that dramatically increase the IRP’s projection of required new resources. Among the most significant such assumptions are a new 15% planning reserve margin, a 5% limit on expected short term market exposure, modeling of firm transmission rights only, assumed carbon taxes, renewable assumptions and restrictions on market products and purchases. Collectively, these assumptions lead to extreme projections for necessary resource additions. UAE’s concerns as to some of these assumptions are described in more detail in the following paragraphs.

- *Planning Margin and Market Exposure.* Among the more troublesome assumptions of the IRP are a 15% planning margin and a 5% limit on expected short term market exposure (IRP at 42, 61, 207, 350-351). To meet a 15% planning margin, the IRP adds peaking resources, as necessary, to ensure a 15% margin at the peak hour (net of any long term sales and purchases in that hour) by fiscal year 2006/2007. The planning margin assumption was apparently based on PacifiCorp’s reading of FERC’s standard market design (“SMD”) proposal and RTO West Order; the SMD proposal considered planning margins ranging from 12% to 18% (IRP at 42). Although it is not clear whether SMD will ever be adopted and, if so, in what form, the IRP includes a 15% planning margin, reflecting the mid-point in the SMD range, in developing portfolios. The IRP also imposes a cap on expected short-term market exposure of 5% of the hours in any fiscal year to develop the various resource portfolios. The IRP indicates that the short term market exposure limit was based on comments received in the public input process (IRP at 350).

These two assumptions have a significant impact on the need for and timing of new generation resources. The combined effect of these two assumptions allows PacifiCorp to almost totally insulate itself from volatility in the short term electricity markets (other than as a seller of excess capacity for many hours each year). While such a strategy will increase rate stability and mitigate against upward market price risks, the risk insulating effects come with a significant price tag, driving approximately 1,500 of 4,000 MW of projected new capacity requirements.

PacifiCorp evaluated the impact of reducing the 15% planning margin to 10% on four of the resource portfolios. The results indicate that such a reduction in planning margin would decrease needed capacity additions by 500 to 550 MW by 2013, with significant revenue requirement savings. Moreover, the IRP admits that the additional capacity required by a 15% planning margin is *not* offset by a commensurate reduction of risk (IRP at 141-142). The IRP nevertheless utilizes a 15% planning margin in the “base case” runs.

UAE believes that it is premature to assume a new RTO West or SMD planning margin requirement, particularly in the development of base case resource portfolios. UAE is interested in understanding the impact that any proposed RTO or SMD planning margin may have on revenue requirement, but that analysis should be conducted as a separate scenario evaluation or stress test. Rather than use a potential SMD planning margin, UAE advocates the use of base case runs utilizing current reserve requirements, with stress cases testing the results of different planning margin levels on the preferred portfolios. Such an analysis would place the risk of a new RTO/SMD planning margin requirement in the proper context within the IRP.

UAE disagrees with the 5% limitation on expected short term market purchases used in resource portfolio development. At a minimum, an IRP should discuss and analyze the resource

addition impacts and the associated revenue requirement impacts of various short term market exposure limits. Such analyses would allow parties to better understand the trade-offs between risk reduction and cost. The implicit evaluation contained within the stochastic risk assessment sheds little light on the most reasonable level of reliance on the short term market when determining resource additions in the portfolios. In addition, an explicit discussion of the issue would allow parties to consider whether other short term market risk mitigation strategies would be more appropriate means to help insulate ratepayers from short term market volatility.

UAE supports consideration of a reasonable and diverse portfolio of supply side and demand side options, including assumed market purchases for a reasonable number of hours. UAE submits that a more reasonable “base case” expected market exposure limit would be in the range of 15% of the hours in a year, particularly in a market that, by the IRP’s own admission, is soon likely to become surplus (IRP at 17). Stress tests should then be run on other market exposure limitations - for example, 5%, 10% and 20% - to enable customers and the Commission to understand and intelligently evaluate the cost of risk mitigation.

Market Products. UAE is concerned that the IRP fails to adequately consider or model an adequate range of products or pricing that will likely be available in the market. The IRP generally recognizes the competitive marketplace as a “primary source” of new supply, as well as the likelihood that the market may be long for a number of years, that prices may be depressed in light of over-supply, and that the market may offer opportunities for various resource acquisition options and new products (IRP at 13, 17, 21). The IRP fails, however, to adequately consider or model these possibilities. UAE believes that greater resource diversity is warranted than is assumed in the IRP, and that greater emphasis should be placed on accessing the broad and flexible array of

market resources and risk hedging instruments likely to be available.

- *Base Case.* An IRP “base case” should represent the utility’s best reasonable projections of future conditions, rather than assuming speculative changes and charges or incorporating risk mitigation measures (such as increased planning margin requirements, carbon taxes, unavailability of non-firm transmission, etc.). A meaningful base case that includes only reasonably known and measurable future changes, along with a wide range of alternative scenarios and stress tests, makes comparative analysis more meaningful and allows the parties and the Commission to better understand and evaluate costs and implications of various resource options and risk factors.

- *Resource Diversity.* UAE believes that a reasonable, balanced, diverse portfolio of resources should be pursued, including short-, moderate- and long-term market resources at varying assumed prices, hedging instruments, DSM resources, cogeneration, company owned resources, resources provided by others, and other available resources. Diversity of resources, including diversity in the ownership of resources, reduces risk, including the potential for anticompetitive behavior. In addition, greater attention should be given to alternative sources of demand reduction or supply, including cogeneration, distributed generation, interruptible contracts, other DSM programs, and other alternatives to traditional utility-build options.

- *DSM.* The IRP generally contemplates significant DSM resources, it but fails to place DSM on an equal and comparable basis with supply side resources or to propose procedures to ensure that efficient DSM resources will be properly valued and pursued. Also, the Company’s assumptions regarding DSM appear somewhat inconsistent. For example, the IRP assumes a price level for Class 2 DSM programs sufficient to deliver a block of DSM resources to delay a supply

side resource (IRP at 305). The IRP essentially dismisses the potential of Utah cogeneration, however, by not similarly assuming adequate prices that would attract a sufficient level of cogeneration to delay supply side resources (IRP at 71). Other ongoing Commission dockets, including Dockets 02-035-T12 and 01-035-38, are also exploring DSM issues. UAE recommends that the Commission direct PacifiCorp to actively pursue resolution of all such issues, including development of accurate and adequate pricing, and that these other dockets be utilized by the Commission to flesh out appropriate resolutions.

- *RPS.* In the development of the initial portfolios, PacifiCorp assumed a level of wind resources to satisfy the proposed Federal Renewable Portfolio Standard (“RPS”), modeled as a flat contract at \$50/MWh. As PacifiCorp developed subsequent diversified portfolios, it altered its modeling of the wind resources to reflect an assumed production shape, requiring an additional 25 MW of thermal contracts to replace lost capacity. However, this modeling change did not reduce the amount of wind resources added (IRP at 82-83, 86). In addition, wind resources were not used in meeting the assumed 15% planning reserve margin, resulting in the need for additional peaking resources - in essence to back up the wind resources. UAE believes that wind resources should not be added to meet a proposed Federal RPS until such time as a Federal RPS is approved. A modest level of wind resources may be reasonable to provide a more diverse resource mix.

UAE believes that the cost of wind resources requires further analysis. The IRP estimates a cost of \$31 - \$62 per MWh. In addition, the cost of the additional 25 MW in thermal contracts and the cost of any peaking resource necessary to meet the assumed planning margin must be considered. UAE is not convinced that the true costs of wind resources have been adequately explored or determined. Moreover, identifying the full total costs of wind resources will help set

appropriate pricing for other resources that can be provided by customers, such as interruptible contracts and cogeneration.

2. The Company will submit its Integrated Resource Plan biennially

UAE Comments: The Standards and Guidelines require biannual IRP filings. The IRP indicates an intent to “refresh” the IRP annually (IRP at 11). Given the magnitude of projected resource needs and potential impact on ratepayers, UAE believes that the Standards and Guidelines should be revised to require annual IRP updates or revisions for the foreseeable future.

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 aggressively solicited public input, for which it should be commended. Unfortunately, the quality of the public input is severely limited by the inability of the public (or the regulators) to access, operate or verify the data, spreadsheets, models and other information used in and critical to the IRP results. UAE believes that a public utility should not be permitted to submit any data or spreadsheets to the Commission, or the results of any models, unless the data, spreadsheets and models are made available for analysis and verification by appropriate entities - including the regulators. Confidentiality or licensing agreements should not be allowed to limit appropriate regulatory access to data critical to the regulation of the utility or the setting of rates. It is simply not appropriate as to issues of extreme public importance, like the regulation of monopoly utilities, for business to be conducted in secret or for critical data or processes to be hidden from regulators. UAE strongly urges the Commission to direct PacifiCorp

to make appropriate arrangements for Commission staff, the Division of Public Utilities, the Committee of Consumer Services and intervenors (subject to appropriate confidentiality requirements) to have adequate access to any data, spreadsheets and models used by PacifiCorp in any Commission filing, in order to enable appropriate parties to test and verify the same. In addition, the utility should provide funding to permit regulators and intervenors to analyze and verify the data and models.

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 includes load growth projections and consumption

assumptions. However, the IRP sheds little light on the development of load projections. Moreover, the IRP does not adequately address price elasticity of demand or how the projected price increases reflected in the IRP may affect consumption. It is likely that some consumers will be unable to bear the significant projected price impacts, and others will curtail usage in response to price signals. This will particularly be likely if rate design is used to encourage conservation. UAE recommends that PacifiCorp be directed in future IRPs to more directly address price elasticity and to forecast effects of projected price increases and changes in rate design on consumption by rate classes.

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:

- *DSM.* The IRP generally evaluates expected resource options and attempts to place supply side resources on a consistent and comparable basis. However, only a few of the potential DSM programs were evaluated in all resource portfolios, with the remaining programs evaluated only against the most likely portfolio of resource additions. Such an analysis does not appear consistent with the Standards and Guidelines. In addition, while the IRP assumes significant DSM load reductions, it does not fully assess available opportunities, including cogeneration, interruptible service, purchases from non-utility sources, etc., that would likely be available if clear and adequate procedures and pricing mechanisms were in place to put such resources on a consistent and comparable basis with supply-side resources. Nor does the IRP adequately assess “opportunities for customer participation” - like cogeneration. The IRP generally dismisses the likelihood of significant Utah cogeneration (IRP at 71). All DSM projects, including interruptible tariffs and contracts, cogeneration projects, and other DSM opportunities, should be properly priced to reflect long-term avoided costs. Moreover, institutional barriers to the development of customer-owned projects should be addressed and removed. UAE believes that, under such circumstances, there is a significant potential for increased DSM and cogeneration in Utah.

- *Opt Out.* The Commission should also direct PacifiCorp to consider and analyze “opt-out” alternatives for larger customers. The IRP addresses opt out provisions only in the context of Oregon deregulation (IRP at 50). Rather than face the prospects of enormous price increases and a return to the historic cycle generally acknowledged in the IRP of overbuilding/stranded costs, under-supply/stranded benefits (IRP at 17), some larger customers may elect to opt out of utility-built projects. In a time of resource deficiency, such an option could

benefit all ratepayers. Future IRPs should actively consider a number of variations of out-out provisions, and analyze the likely impacts of the same.

- *Coal.* Utah Power historically attempted to use company-owned coal mines to control coal costs, particularly in Emery County where the Hunter and Huntington Plants are situated miles from the closest railhead, leaving them economically captive to coal mined within the immediate area. The IRP identifies Emery County coal reserves of only 68 million tons (IRP at 29), representing only about ten years of reserves for these plants. It is not clear whether sufficient and economical coal reserves exist at or near the Deer Creek Mine to provide sufficient coal for existing plants as well as a new unit. This issue should be carefully explored before a new coal project is pursued.

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

UAE Comments: PacifiCorp’s IRP states a general intention to evaluate available market opportunities through its procurement policies on a case by case basis (IRP at 2), including an “effective RFP process” (IRP at 395), but it fails to provide sufficient details of its proposed RFP process to provide any comfort that the process will be open and independent and will produce optimal results. UAE believes that an indispensable prerequisite to any future plant construction, acquisition or repowering by PacifiCorp is an effective RFP process that is independently designed, monitored and analyzed. UAE and a number of other petitioners have filed a request for agency action in Docket No. 03-035-03 to request the development of procedures designed to assure Utah ratepayers that the most desirable electric generation resources will be developed or acquired, regardless of ownership or affiliation, and that owners or potential developers of other

electric generation resources will have a fair opportunity to compete with PacifiCorp in providing new generation resources. UAE strongly urges the Commission to inform PacifiCorp that an open, competitive, independent RFP process is a crucial component of future resource acquisition. UAE suggests that the Commission use Docket No. 03-035-03 to explore and identify appropriate RFP requirements.

d. A 20-year planning horizon.

UAE Comments: The IRP utilizes a 20-year planning horizon as required by the Standards and Guidelines. Given the significant uncertainties of future resource needs or costs, however, UAE believes that the IRP provides little useful information beyond a short-term horizon.

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 includes a proposed action plan in apparent satisfaction of the Standards and Guidelines. The IRP asks the Commission to “acknowledge and support ... the proposed Action Plan.” (IRP at 1, 12). The Standards and Guidelines do not, however, appear to contemplate Commission “support” of a specific action plan. Nor is UAE certain of the presumed implications of “acknowledgement and support” of an action plan. UAE submits that the Standards and Guidelines contemplate only an acknowledgement that the IRP includes an action plan that appears generally consistent with the company’s stated business plan, and the

Commission's acknowledgement should be so limited. Moreover, given the absence of outside access to or verification of the data and models utilized in the IRP, Commission "support" of any given action plan would be ill advised and premature.

The data presented in the IRP, even assuming its accuracy, could support any number of specific action plans. Moreover, a host of future events could dramatically affect the need for new resources and the optimal resource mix. Also, as discussed above, conservative assumptions used in the IRP cause the action plan to be overly aggressive in pursuit of new supply-side resources and the IRP lacks outside verification. The Commission should acknowledge that the IRP contains an action plan as required by the Standards and Guidelines, and advise PacifiCorp to pursue a prudent course of action in acquiring resources, with no commitments as to ratemaking treatment.

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 discusses factors that might affect resource acquisition plans (IRP at 67-77), but it does not define a "decision mechanism" to be used to select among or to modify the paths. Annual updates to the IRP should include greater discussion of the decision mechanisms that will be utilized by PacifiCorp in choosing among available alternatives, given an expected range of possible future circumstances.

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 evaluate cost-effectiveness of various supply-side resource options, to identify potential rate impacts, and to address some social issues. However, the IRP does not attempt to identify impacts on different classes of ratepayers, and the ratepayer impact section is somewhat cryptic and confusing (IRP at 113-118). UAE recommends that PacifiCorp be directed in future IRPs to include a more comprehensive and understandable analysis of ratepayer impacts, collectively and by class. Moreover, as discussed above, future IRPs should consider elasticity of demand by various rate classes in response to projected rate increases resulting from anticipated resource acquisitions and rate design options.

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 devotes significant attention to risk analysis. As discussed above, UAE is concerned that the risk analysis is given too much emphasis. UAE fears that the extraordinary market experiences of 2000 - 2001, which were likely caused, at least in part, by illegal activities and poorly designed market programs, are playing too large of a role in PacifiCorp's IRP analysis, assumptions and conclusions. While considerations of risk are very important to customers, avoidance of risk comes at a very high fixed price, and the increased prices may well be more detrimental to the public interest of Utah in the long run than the risks to be avoided.

The IRP discusses the allocation of risks between shareholders and ratepayers, but it fails to discuss at least one very important risk dynamic. As a regulated utility, PacifiCorp is permitted to earn a return for its shareholders only on rate base assets. That reality creates a bias in favor of utility construction of resources over acquisition of resources from others. This bias is a significant part of the reason why UAE strongly supports an open, competitive RFP process, with independent, outside input and evaluation, to assure ratepayers that the resources selected will be the optimal resources for ratepayers, and not just for PacifiCorp.

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 promises flexibility and updates as appropriate. Such flexibility is critical because many of the assumptions used in the base case analyses are suspect. UAE believes that annual IRP updates, along with input and review by regulators and the public, coupled with full access to necessary data and models, will be critical to protecting the public interest.

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 discusses certain conflicts and tradeoffs between cost and risk but, as indicated above, UAE fears that the analysis is incomplete and the resolution of these conflicts as proposed in the IRP may lead to significant and unacceptable cost increases that will damage the Utah economy.

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 discusses certain externalities in the context of CO2 taxes and hydro relicensing and it includes an analysis of likely emission impacts. UAE submits that other externalities should be more explicitly considered in future IRPs, such as potential impacts on the Utah economy.

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: UAE submits that additional attention is warranted in future IRPs and other dockets to the use of rate design (along with DSM) to address the inordinate and disproportionate growth of peak demand in Utah. UAE believes that some of these issues can be addressed in the next PacifiCorp rate case.

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

UAE Comments: The IRP has been submitted for review. However, as discussed above, public and regulatory input to the IRP process is severely compromised by a lack of access to data and models relied upon in the IRP process. Such access should be mandated in the future, to enhance the value of public input.

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: UAE and others have filed comments and identified a number of questions and concerns regarding the IRP. UAE does not necessarily believe that the Commission should send the IRP back for further work. Rather, UAE recommends that the Commission give PacifiCorp clear guidance as to its expectations and requirements going forward. UAE does not oppose, but does not necessarily see a need for, formal IRP hearings at this point. UAE supports a technical conference at which PacifiCorp will be asked to respond to the questions and comments submitted by the parties, and other parties will be asked to respond and provide further input. A decision can be made at that point whether further technical conferences or hearings may be appropriate.

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

UAE Comments: UAE recommends that the Commission confirm that acknowledgment of the IRP does not suggest approval or any particular ratemaking treatment of any specific costs incurred or resources acquired or constructed by PacifiCorp. As indicated above, the IRP does not

present sufficient information to support any particular course of resource construction or acquisition other than contracts to cover projected needs in the immediate future and reasonable and prudent steps to preserve reasonable resource options in the future

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: Properly designed, tested and verified, a meaningful IRP would be a very useful tool in developing avoided cost calculations, as well in determining values of other alternative supply side and demand side resources. As discussed above, however, the IRP will be valuable for such purposes only if regulators and intervenors are given access to all data, spreadsheets and models necessary to fully analyze, test and verify the IRP. Until such time, the IRP provides only limited usefulness in setting avoided cost rates.

Conclusion

UAE appreciates the efforts of PacifiCorp and others in developing the IRP and it believes the IRP is generally consistent with the existing Standards and Guidelines. Nevertheless, serious concerns over a number of IRP assumptions and conclusions, as well as the total absence of outside testing or verification, limits the IRP's usefulness and, in UAE's view, precludes Commission "support" of the IRP's proposed action plan or any other specific action plan.

UAE respectfully requests that the Commission take this opportunity to provide PacifiCorp with meaningful guidance on the need for a fair, open and competitive bidding process in connection with resource acquisitions, the critical need for data and models to be accessible to regulators and intervenors for purposes of testing and verification, the need for new procedures and pricing mechanisms to place DSM measures and customer cogeneration projects on an even

and comparable basis with supply side resources, and the need for careful evaluation of a variety of market opportunities.

UAE appreciates the opportunity to participate in the IRP process and looks forward to its continued involvement.

Dated this 31st day of March, 2003.

Hatch, James & Dodge

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, this ____ day of _____, 2003, to the following:

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