

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 OF SALT LAKE COMMUNITY ACTION PROGRAM

On January 24, 2003, PacifiCorp submitted its *Integrated Resource Plan 2003* to the Utah Public Service Commission (Commission). In its Order of January 31, 2003 in this matter, the Commission sought comments from interested parties regarding the appropriateness of the report and to make recommendations on whether the Commission should acknowledge the Integrated Resource Plan (IRP). Salt Lake Community Action Program (SLCAP) appreciates the opportunity to provide input to the Commission. SLCAP recommends that the Commission acknowledge the current IRP although we have reservations concerning some of the elements which we will describe below.

IMPROVED PROCESS AND INTEGRATED RESOURCE PLAN

First, SLCAP recognizes PacifiCorp's significant improvement to the recent Integrated Resource Planning process and the resulting plan. We commend the Company for the significant resources it devoted to this process and believe that the ensuing results reflect that commitment. We particularly appreciate the facilitation of a process which encouraged stakeholder involvement and input. PacifiCorp's use of video and teleconferencing technology allowed broad participation by varied stakeholders and made attendance possible for those of us who would not have been able to participate had travel been essential.

We also value the responsiveness of the Company to stakeholder issues through its

written responses, additional workshops, and revisions in order to address specific issues. The commitment of PacifiCorp resources and its openness to the issues, perspectives and expertise of the various stakeholder groups and its experts contributed greatly to the ultimate improvement of the final product.

In addition, PacifiCorp devoted considerable resources to better addressing issues that parties raised during the previous round of planning (RAMMP-6). Examples include: the Company's renewed commitment to acquiring resources to meet its regulated retail load; more consideration of demand side resources to meet that load; use of more accurate and updated information; better adherence to the Standards and Guidelines for Integrated Resource Planning for PacifiCorp, Utah jurisdiction; and more sophisticated risk analysis.

CONCERNS

SLCAP appreciates the closer adherence in this IRP to the Standards and Guidelines promulgated by the Utah Public Service Commission in Docket No. 90-2035-01. The question is varied interpretation of whether the assumptions and analysis produce least-cost, optimal planning for an integrated PacifiCorp system.

SLCAP expressed concerns in its comments on RAMMP-6 that there was little connection between an appropriate IRP Action Plan and the Strategic Business Plan of PacifiCorp. Specifically, we were concerned that management was embarking on a business plan that anticipated deregulation and thus was not planning appropriately for the needs of its retail customers. We are heartened by the fact that PacifiCorp in this IRP expresses a commitment to acquiring resources to meet its regulated retail load. Our concern now is whether it will acquire them in the least cost manner.

PacifiCorp's current Strategic Business Plan appears to emphasize risk minimization to its shareholders which is certainly an appropriate business consideration for the Company. Through

legislation passed by the Utah Legislature in its 2003 session, PacifiCorp seeks to minimize the regulatory lag in its cost recovery during rate cases and particularly as it expands its resource base. Through the Multi-State Process (MSP), it seeks to correct what it considers to be inadequate cost allocation methods in a way that will ensure its full recovery on investment in generation resources, both old and new. But in tying PacifiCorp's Strategic Business Plan to its Integrated Resource Plan, the question is whether the risk aversion unduly influences resource acquisition.

While this IRP is positive in that it more fully analyzes the risks and uncertainties in the current environment, it appears to do so in a way that may not optimize its resource acquisition.

Because SLCAP represents low-income households which depend upon electricity to meet critical needs, our primary concern is the cost of electricity to those ratepayers. Thus we are particularly interested in whether the current IRP is truly a least cost plan. We are interested in whether the close relation between the IRP and the Strategic Business Plan:

- emphasizes shareholder risk at the expense of providing a least cost plan for regulated retail customers;
- influences the timing and size of resource additions;
- influences the more robust examination of other Transmission options; and
- optimizes system integration at a time when distinctions between Control Areas are more closely aligned with one of the MSP scenarios.

In regard to the timing of resource additions, we are concerned that PacifiCorp's risk aversion may have an impact. We acknowledge that there are risks associated both with under building and with overbuilding. But we are concerned that the IRP identifies immediate deficiencies in its supply side resources but seems to rely heavily on the market to alleviate them in the early years - a strategy which we have seen to be risky both for ratepayers and for shareholders in the recent past.

Risk aversion could also have a negative impact on the exploration of Transmission

alternatives in the planning process. Much earlier in the process, a Transmission-oriented portfolio was rejected as being too costly, but then incremental Transmission additions were not fully explored. It is conceivable that concerns regarding the uncertainties around the Federal Energy Regulatory Commission's imposition of a Standard Market Design and creation of RTO West could play a role in that decision.

We are also curious about relationship of the IRP to the Multi-State Process (MSP). While we are clear that these are two separate and distinct processes and that they must proceed on separate tracks, there are strong interconnections. In fact, an unsuccessful resolution of the MSP seems to throw into question the entire implementation of the IRP as PacifiCorp asserts on p. 152. However, because the planning is so tied to resolution of MSP, it is unclear how resource needs will be met should MSP not be resolved quickly or successfully.

CONCLUSION AND RECOMMENDATIONS

While the *Integrated Resource Plan 2003* is not perfect, it nevertheless represents a vast improvement in resource planning for PacifiCorp. While we do have reservations regarding whether the appropriate allocation of risk between shareholders and ratepayers has been achieved, we think that the current IRP merits acknowledgment. We believe that PacifiCorp has done a better job examining a far greater diversity of issues than it has in the recent past. It is important that the Company evaluated a wide range of diverse resource options in selecting its portfolio options and that it tested them against a range of risks and uncertainties. We appreciate the fact that the Action Plan sets out specific actions to move toward future resource acquisition while at the same time maintaining flexibility to adapt to changing conditions as the industry evolves.

We suggest that in keeping with that flexibility that future Action Plans and planning processes take into account the following recommendations:

- * incorporate into its future modeling framework a tool to generate resource plans using optimization logic:

- * examine more fully new resource options such as solar power and cleaner coal technologies such as Integrated Gasification Combined Cycle (IGCC);
- * increase attention to load management strategies that can shave peak requirements and perhaps reduce the necessity of some building.