



State of Utah
Department of
Commerce
FRANCINE GIANI
Executive Director
THAD LEVAR
Deputy Director
Division of
Public Utilities
CONSTANCE B. WHITE
Director

JON HUNTSMAN Jr.
Governor

GARY HERBERT
Lieutenant Governor

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH
COMMENTS ON PACIFICORP'S DRAFT RFP
DOCKET No. 05-035-47**

**DR. ARTIE POWELL
DIVISION OF PUBLIC UTILITIES
FRIDAY, NOVEMBER 3, 2006**

ISSUE AND RECOMMENDATION

PacifiCorp's 2004 IRP update indicates a system wide shortfall in the load and resource balance for 2014 of approximately 2,000 MW, which includes a 15% planning margin. The shortfall on the east (or Utah) side of the system is approximately 1,300 MW, while the shortfall on west (or Oregon) side of the system is approximately 700 MW. For 2015 the system shortfall is approximately 2,400 MW with 1,700 MW on the east side and 700 MW on the west side.

Interested parties in this docket began working with and commenting on draft RFP documents in July 2006. Initial drafts of the RFP provided to the parties described a solicitation seeking approximately 2,000 MW, an amount adequate to meet the apparent resource needs of the PacifiCorp's system and in particular the east side of the system, which includes Utah. However, on Friday October 27, 2006 PacifiCorp filed with the Commission its draft RFP which significantly and materially differed from those initial drafts. The filed draft RFP proposes a solicitation seeking less than half that proposed in the initial drafts – approximately 915 MW down from approximately 2,000 MW; the



filed RFP also shortens the time frame from three years to two years – 2012 to 2013 from 2012 to 2014; and the filed RFP proposes a 12% planning margin whereas the initial drafts used a 15% planning margin consistent with the 2004 IRP and IRP Update.

Even though there has been limited time to review these material changes, the Division concludes that the filed draft RFP is inconsistent with the 2004 IRP Update and/or the Energy Resource Procurement Act (Utah Code §54-17-101 et seq.). Therefore, the Division recommends that the Commission advise the Company to revise its RFP to comply with its 2004 IRP Update and obligations and responsibilities under pertinent state statutes. In this regard, the Committee's request to allow for additional filed comments by November 13, 2006 would seem reasonable. Absent these modifications to the filed RFP, the Division recommends that the Commission reject the filed RFP as not being in the public interest.

DISCUSSION

PacifiCorp's 2004 IRP Update indicates system wide shortfalls of over a 1,000 MW beginning in the year 2012 and growing to over 2,000 MW in 2014. It appears from the IRP update, that the burden of these shortfalls would primarily impact the east side of the system. For example, in 2013, without the additional resources sought in the RFP, the update indicates that the east side is short approximately 1,000 MW, while the west side is short approximately 460 MW, a total system shortfall of approximately 1,400 MW; in 2014, the east and west sides are short approximately 1,300 MW and 700 MW respectively, or a total system shortfall of 2,000 MW; and in 2015, the east and west are short approximately 1,700 MW and 700 MW respectively, for a total system shortfall of

2,400 MW.¹ Table 1 summarizes the load and resource balance information from PacifiCorp's 2004 IRP Update contained in figures 2.3 and 2.4.

Table 1: L&R Balance (2004 IRP Update, Figures 2.3 and 2.4; 15% Planning Margin)

	East (Utah)			West (Oregon)		
	Resources	Obligations	Diff	Resources	Obligations	Diff
2006	7,435	7,353	82	4,561	4,249	312
2007	8,034	7,581	453	4,297	4,307	-10
2008	7,846	7,865	-19	3,796	3,687	109
2009	7,992	8,091	-99	4,093	3,747	346
2010	8,082	8,311	-229	4,124	3,796	328
2011	8,082	8,587	-505	4,171	3,841	330
2012	8,101	8,790	-689	3,478	3,885	-407
2013	8,101	9,101	-1,000	3,502	3,960	-458
2014	8,067	9,393	-1,326	3,362	4,061	-699
2015	8,028	9,701	-1,673	3,460	4,139	-679

Initial drafts of PacifiCorp's RFP-2012 indicated that PacifiCorp was intending to seek resources totaling between 1,600 MW and 2,290 MW, with the bench mark resources proposed in the RF totaling to the higher amount. (See Table 2).

¹ These reported shortfalls include a 15% planning margin, which was included in the 2004 IRP and was supported by the Company's own analysis. In its revised RFP, PacifiCorp is proposing using a 12% planning margin. The reduced planning margin decreases the shortfall in 2014 by approximately 400 MW. The change in the planning margin, however, has not, as far as the Division is aware, been supported by any analysis.

Table 2: Initial RFP Benchmark Resource Definitions

Year	Bench Mark Resource	MW (Maximum)
2012	Hunter 4	600
2012	IPP3	340
2013	Bridger	750
2014	IGCC	600
Total		2,290

Assuming PacifiCorp was able to obtain the maximum MW initially sought, the RFP would have met the system (and Utah's) need in 2014 with a small surplus of 290 MW (=2,290 – 2,000), leaving a small deficit of 110 MW (= - (2,290 – 2,400)) in 2015.

However, apparently in response to comments provided in Oregon's RFP approval process (Docket No. UM 1208), PacifiCorp has cut the total proposed resource solicitation by more than half. In comments filed with the Oregon Commission, PacifiCorp stated, "these design changes reduce the size of the RFP from four benchmark resources to two benchmark resources, from three years (2012-2014) to two years (2012-2013), and from a range of 1,600 MW to 2,290 MW to a range of 840 MW to 915 MW."² (See Table 3).

² "PacifiCorp's Supplemental Comments," In the Matter of PacifiCorp's Draft 2012 Request for Proposals, Before the Public Service Commission of Oregon, Docket No. UM 1208, p. 1, lines 19-21.

Table 3: Revised RFP Benchmark Resource Definitions

Year	Bench Mark Resource	MW (Maximum)
2012	IPP 3	340
2013	IGCC (Bridger) ³	500
	Total	840

In a phone conversation (November 1, 2006), Stacey Kusters from PacifiCorp indicated that the Company's intent was to seek resources totaling no more than the total amount of the benchmark resources. Adding IPP 3 at 340 MW in 2012 would leave a system wide shortfall of approximately 760 MW, an amount greater than the either of the two most recent gas plants Currant Creek and Lakeside. Furthermore, the proposed RFP changes would leave even more substantial system wide shortfalls in the years 2013, 2014, and 2015: 1,160 MW, 1,160 MW, and 1,560 MW respectively. Given the substantial system shortfalls that would remain even if all the proposed resource amounts are acquired in this RFP, it appears that this RFP is inconsistent with the 2004 IRP Update.

Furthermore, the possible delaying resource decisions raise serious concerns for the east side of PacifiCorp's system, and especially for Utah. For example, as previously indicated, the burden of any shortfall impacts primarily the east side (including Utah) of the system. The Company presumably would fill any system wide shortfall in future years (2012-2014, and beyond) with either market purchases or further requests for proposals. This would likely mean that the system wide shortfalls would be filled with

³ PacifiCorp proposes an alternative benchmark for 2013: Hunter 4 at 575 MW. Combined with the IPP 3 unit this would bring the total benchmark MW up to 915.

resources, such as increased front office transactions or increased dependence on gas plants, which could cost substantially more than resources which could be acquired through a proper and timely RFP. For example, the 2004 IRP update indicates the need for base-load plants or resources. Generally speaking, base-load plants require considerable lead-time for construction. By reducing the size of the RFP and postponing evaluating and acquiring adequate resources to meet the projected needs from the IRP, Utah could face shortfalls that would need to be met through relatively volatile and costly market purchases or be faced with a limited choice between various gas plant options. Given the perceived transmission constraints of bringing power into the Wasatch Front, a delay in acquiring adequate resources may even mean future rolling blackouts.

The statute covering the solicitation process (Utah Code 54-17-201) indicates that the Commission “In ruling on the request for approval” shall determine if the solicitation process (1) complies with the law, and (2) is in the public interest. According to the statute, public interest considerations include:

- (A) whether [the solicitation] will most likely result in the acquisition, production, and delivery of electricity at the lowest reasonable cost to the retail customers of an affected electrical utility located in this state;
- (B) long-term and short-term impacts;
- (C) risk;
- (D) reliability;
- (E) financial impacts on the affected electrical utility; and
- (F) other factors determined by the commission to be relevant.⁴

⁴ Utah Code § 54-17-201 (2)(c)(ii).

Given the apparent substantial system wide shortfalls left after acquiring the proposed resource amounts (up to 915 MW), it appears that the filed draft RFP is inconsistent with the state statute. Specifically, the RFP is not likely to provide resources at the lowest reasonable cost, may increase price volatility risk to customers due to an increasing dependence on natural gas fired generation, and may also reduce reliability.

CONCLUSION AND RECOMMENDATION

The proposed RFP is inconsistent with either the public interest as defined in state statute or the 2004 IRP Update and its projected needs. The Division, therefore, recommends that the Commission recommend modifications so that the RFP more fully complies with these two criteria. Specifically, the Division recommends that the Commission recommend that the Company revise the RFP to explicitly request resources in an amount consistent with the needs identified in the 2004 IRP Update. This would mean soliciting resources totaling approximately 2,000 MW. This recommendation implicitly assumes that a planning margin of 15%, which is consistent with the Company's analysis supporting the 2004 IRP Update, is used to determine the total system needs in the years 2012 to 2014.

Addressing this issue may be as simple as changing the language contained in the RFP regarding PacifiCorp's solicitation intent which is contained in the Introduction section (approximately paragraph 4). The current draft reads, "The Company may opt to contract for more or less power, depending among other things ...". One alternative wording would read: "The Company intends to contract for power up to the amounts

reflected in its 2004 IRP Update, approximately 2,000 MW, depending among other things ...”

In this regard, the Committee’s request to allow for additional filed comments by November 13, 2006 would seem reasonable. Absent these modifications in the filed RFP, the Division recommends that the Commission reject the filed RFP as not being in the public interest.