



State of Utah
DEPARTMENT OF COMMERCE
Committee of Consumer Services

To: The Public Service Commission of Utah

From: The Committee of Consumer Services
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Date: August 16, 2006

Subject: Docket No 05-035-47: In the Matter of the Application of PacifiCorp for Approval of a 2009 (2012) Request for Proposals for Flexible Resources.

1 Background

On July 11, 2006 PacifiCorp filed a draft Request for Proposals seeking supply-side resources capable of delivering energy and capacity in or to the Company's eastern control area beginning in 2012. The sought after resources are of a magnitude and duration that provisions of the Energy Resource Procurement Act apply.

A combination of supply side, demand side and transmission resources have been identified to fill PacifiCorp's system resource needs through 2014.

2 Recommendation

The Committee supports the benchmark resources identified in the *2012 Request for Proposals Base Load Resources* (RFP). Support for the IPP resource is based on our current understanding that it will be a supercritical pulverized coal unit not a subcritical unit.

3 Discussion

RFP 2012 provides up to four eastside, baseload benchmarks with between 1600 MW and 2,290 MW of new capacity over the three-year term. It adds a portion of an additional subcritical, pulverized coal plant as a benchmark in 2012,¹ moves forward in time and increases the size of the Bridger benchmark, and includes an IGCC benchmark. The RFP benchmarks are as follows:

- 2012 600 MW (Hunter);
- 2012 340 MW (IPP);
- 2013 750 MW (Bridger);
- 2014 250 – 600 MW (IGCC).

The RFP provides for a larger overall acquisition than the portfolio identified as preferred in PacifiCorp's 2004 Integrated Resource Plan Update Report. The RFP adds an IGCC plant that was not in the IRP Update preferred portfolio. While similar to the portfolio identified as preferred in PacifiCorp's most recent IRP Update, the RFP benchmarks differ somewhat from the identified resources in size, timing, and even in type—only the addition of Hunter unit 4 in 2012 is unchanged. We believe our comments to the Public Service Commission (Commission) on previous IRPs provide analytical support for the increase in size, and we support the inclusion of an IGCC benchmark.²

The Committee of Consumer Services (Committee) supports inclusion of all four RFP benchmarks. In previous comments to the Commission, the Committee expressed serious concerns over the risk posed by the significant volume of short-term market transactions included in PacifiCorp's acquisition strategy, and we provided our rationale. In our comments to the Commission regarding PacifiCorp's 2004 IRP Update, the Committee urged the Company to firm these requirements with stably priced power as soon as possible. Therefore, consistent with our desire to reduce market and gas price risk, the Committee supports the size of this solicitation.³

¹ The new addition at the IPP site was initially planned as a subcritical, pulverized coal unit; on August 7 the Committee was informed that it is now planned as a supercritical unit.

² See: Committee of Consumer Services, *Recommendations of the Committee of Consumer Services regarding the Matter of Acknowledgement of PacifiCorp's Integrated Resource Plan 2003*, Docket No. 03-2035-01, March 31, 2003; and Committee of Consumer Services, *Recommendations of the Committee of Consumer Services regarding the Matter of Acknowledgement of PacifiCorp's Integrated Resource Plan 2004*, Docket No. 05-2035-01, April 25, 2005; Committee of Consumer Services, *Recommendations of the Committee of Consumer Services regarding the Matter of Acknowledgement of PacifiCorp's Integrated Resource Plan 2004 Update*, Docket No. 05-2035-01, May 5, 2006.

³ In commenting upon the IRP 2004 and 2004 Update, the Committee recommended that the Company satisfy firm capacity needs prior to 2012 by resources with characteristics similar to Hunter 4. Acquisition

Finally, the Committee supports an IGCC benchmark. As part of the MEHC acquisition, the Company committed to consider an IGCC option for its 2014 resource addition. Inclusion of this benchmark is in keeping with this commitment. The Committee encourages PacifiCorp to continue to investigate the viability of IGCC technology as a way of mitigating gas-price risk and environmental risks. The assessment of the working group that is currently examining the costs, risks, and benefits of IGCC technology, will be instrumental to the decision of whether to move forward with a 2014 IGCC plant.

prior to 2012 of a cost-effective resource with characteristics similar to any of the four benchmarks may best comply with the requirements of the Energy Resource Procurement Act. The Committee regards the evaluation of resources that may be purchased or placed in service prior to 2012, as appropriate and allowed by the RFP.