- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Acknowledgment of PacifiCorp's Integrated Resource Plan 2004	))))	DOCKET NO. 05-2035-01 REPORT AND ORDER

ISSUED: July 21, 2005

SYNOPSIS

PacifiCorp's Integrated Resource Plan 2004 generally conforms to applicable Standards and Guidelines and is therefore acknowledged. The Action Plan is not acknowledged, but will be further considered in the approval process for PacifiCorp's solicitation for new significant energy resources.

By The Commission:

INTRODUCTION

PacifiCorp ("Company") filed its eighth Integrated Resource Plan ("IRP") on January 20, 2005 as required by IRP Standards and Guidelines ("Guidelines") adopted by the Commission in its June 18, 1992 Order in Docket No. 90-2035-01, *In the Matter of Analysis of an Integrated Resource Plan for PacifiCorp*. The IRP, entitled Integrated Resource Plan 2004 ("IRP 2004"), presents PacifiCorp's plan to supply resources and manage growing demand for electricity over a 20 year planning horizon. PacifiCorp states the purpose of its IRP is to provide a framework of future actions to ensure the Company continues to provide reliable, least cost service with manageable and reasonable risk to its customers. The Company states its IRP 2004 was developed in a collaborative public process with considerable involvement from customer interest groups, regulators and other stakeholders. The Company indicates the analytical approach used in IRP 2004 conforms to all State Standards and Guidelines. The report identifies its least cost plan as investments in a diversified portfolio of power plants and power purchases, coupled with customer efficiency programs and direct-control load management. The type, timing and magnitude of resource additions are identified and an Action Plan is developed. The Action Plan provides an action item for any decision that needs to be made in the next 2-4 years. All policy judgements and decisions contained in the IRP are made by PacifiCorp. The Company states the Action Plan is in full alignment with it's corporate business plan and that it will implement the

Action Plan, while maintaining the flexibility to adjust to future changes and opportunities.

PacifiCorp's previous IRP, termed IRP 2003, identified the need, for the first 10 years of the 20 year planning horizon, for procurement of two natural gas supply side resources, 1,400 megawatts of economic renewable resources (wind), and both Class 1 and Class 2 Demand-Side Management ("DSM") resources. Class 1 DSM represents load reduction that only occurs while being actively controlled by the utility such as air conditioner load control. Class 2 DSM represents energy and/or capacity savings achieved through a technological change in appliances, equipment and/or structures. Since the filing of IRP 2003, the Company has procured two natural gas resources for 2005 and 2007 respectively, received potential cost-effective bids for 1,400 megawatts of wind renewable resources, and selected three new cost-effective DSM programs for 2005. IRP 2004 builds upon the procurement foundation established in IRP 2003.

Based on its assumptions of generation plant life, length of purchase power contracts and load growth forecasts, PacifiCorp identifies a deficiency between existing resources and peak system requirements plus a 15% planning margin that grows from 73 megawatts in Fiscal Year (FY) 2009 to 2,777 megawatts in FY 2015. PacifiCorp identifies "Portfolio E with Class 1 DSM" as its least cost plan, or "Preferred Portfolio" to meet this deficiency. PacifiCorp bases this selection on its analysis of the present value of future revenue requirement ("PVRR"), load growth uncertainty, fuel and market price volatility, firm transmission transfer capability, hydro variability, expectations of potential cost associated with meeting existing and potential environmental regulations and lead time required for plant construction or bidding.

The IRP 2004 Preferred Portfolio proposes the addition, over the first 10 years of the 20 year study horizon, of 177 megawatts of Class 1 DSM and 2,629 megawatts of thermal generation capacity. In addition to the resources identified in the Preferred Portfolio, PacifiCorp will continue to procure up to 1,200 megawatts of shaped capacity through Front Office Transactions on a rolling forward basis, expects 100 megawatts of capacity through Qualifying Facilities ("QF") contracts, and will continue to procure the 1,400 megawatts of economic renewable resources first identified in the 2003 IRP. Furthermore, PacifiCorp will procure 250 average megawatts of base Class 2 DSM and pursue an additional 200 average megawatts of cost effective DSM for a potential total of 450 average megawatts over the ten year horizon. The 2,629 megawatts of thermal generation capacity consists of four thermal units in the east (two fueled with coal and two with natural gas) and one natural gas unit in the west. The three natural gas units are planned for completion in 2009, 2013 and 2014 and the two coal units in 2011 and 2015.

The recent legislation in SB 26, Utah Code 54-17-301, requires PacifiCorp to file any Action Plan developed as part of its IRP to enable the Commission to review and provide guidance to the Company. Under the Commission's Guidelines, we consider whether to "acknowledge" IRP 2004. Acknowledgment of the IRP means the filed IRP complies with regulatory requirements with regard to the planning process, but conveys no sense of regulatory approval of specific Company resource acquisition decisions. Instead, integrated resource planning is an open, public process through which all relevant supply-side and demand-side resources, and the factors influencing choice among them, are investigated in the search for the optimal set of resources given the expected combination of costs, risks and uncertainty over the long-run to provide electric service to customers. Clearly, management retains responsibility for its decisions. SB 26, Utah Code 54-17-201, does however require PacifiCorp to conduct a solicitation process, or request a waiver, for significant energy resources, that is approved by the Commission. Further, SB 26, Utah Code 54-17-302, requires PacifiCorp to obtain Commission approval, after a public hearing, of any significant energy resource decision before it constructs or enters into a binding agreement to acquire the resource. These resource solicitation and acquisition decision approval processes are separate from the IRP acknowledgment process. Therefore, while the Commission may acknowledge the IRP and the filing by the Company of an Action Plan as part of its IRP and provide guidance, any approval of the solicitation and acquisition of specific resources for the implementation of that Action Plan will be conducted in separate approval processes required under new Utah Code 54-17-201 and 54-17-302.

COMMENTS AND RECOMMENDATIONS OF THE PARTIES

On February 10, 2005, the Commission asked interested parties to submit written comments and recommendations on IRP 2004. The Division of Public Utilities ("Division"), the Committee of Consumer Services ("Committee"), Western Resource Advocates ("WRA"), Utah Clean Energy ("UCE"), Mountain West Consulting, LLC ("MWC"), and the Utah Association of Energy Users ("UAE") filed comments on April 22-25, 2005. On May 10, 2005, PacifiCorp filed responsive comments. On June 3, 2005 at a technical conference, PacifiCorp gave a presentation on its IRP 2004 and responded to questions.

The Division is satisfied that the IRP 2004 adequately meets the Guidelines and recommends the Commission acknowledge the IRP. The Committee, MWC, UAE, WRA and UCE do not recommend acknowledgment of the IRP at this time, stating additional study and information is needed. The Committee does not believe the Company has produced the least-cost, least-risk plan as it does not draw the same conclusions from the results of the Company's analysis. WRA and UCE do not believe it is possible at this time to conclude that the Company has selected the right preferred portfolio and recommends the Company revisit certain key cost assumptions and portfolio options before committing to supply-side investments of this magnitude. MWC has significant concerns over several critical assumptions used and conclusions reached in the IRP. UAE believes the Company has not complied with the Guidelines, has serious concerns over IRP assumptions and conclusions, and urges rejection of the proposed Action Plan. Parties raise many issues and make recommendations to improve the IRP process. Comments are extensive and address various aspects of the IRP process. Following is a summary of parties' comments:

Public Process

PacifiCorp states the public input process for IRP 2004 included active participation from Commission staff from five of the six states it operates in and representatives of 24 other organizations, including those providing written comments in Utah. The Company hosted eight full-day public input meetings and four public technical workshops during the year-long IRP development period. These meetings were held jointly in Salt Lake City and Portland, using telephone and video conferencing technology.

The Division states it appreciates the efforts of PacifiCorp's IRP Team; the Company organized a robust, open, accessible process that included input from numerous state agencies and stakeholder groups; and the Company has been professional and amenable to examining most suggestions. The Committee commends PacifiCorp's IRP Team for the conduct of its responsive IRP process. MWC commends PacifiCorp for the significant public input process in connection with development of the IRP. UAE recognizes PacifiCorp's substantial efforts in connection with the IRP and appreciates its solicitations of public input. However, MWC and UAE express concerns about the transparency of particular areas of the analytical process including the inability to validate modeling results. UAE recommends PacifiCorp consider alternative modeling approaches, make arrangements for parties to have immediate and unfettered access to any data or models used by the Company in the IRP process, and provide funding to permit regulators and intervenors to be trained on the models. PacifiCorp, in its responsive comments, expresses concern that parties did not always raise issues in a timely manner during the year-long public input process.

Load Forecast

The Division and UAE believe that electric usage or demand may be more responsive to price increases in the long run than indicated in the current IRP. The Committee, citing the lack of a range of load forecasts and concerns about including sales for resale in load data, states it is unable to draw a definitive conclusion regarding the reasonableness of PacifiCorp's load forecast. PacifiCorp states a range of load forecasts were provided using stochastic analysis but that it is impractical to analyze the impact of each load growth forecast on a simulated build decision. PacifiCorp also emphasizes that the IRP and Request For Proposals ("RFP") processes can adjust as required if the load forecast changes dramatically. PacifiCorp states interested parties were presented the results of an elasticity study that concluded that residential electricity usage was price inelastic. The Company indicates it will continue to evaluate the price elasticity question as more data becomes available.

Gas Price Forecast

The Division states it is concerned about the natural gas price forecasts; that part of the reason for choosing natural gas plants was the forecasted natural gas prices; and it is concerned that given the current high gas prices, the wrong resource choices are being made based upon these low gas price forecasts. The Division recommends PacifiCorp examine any disparities between the utilized gas price forecasts and actual pricing, and determine if a better forecasting method is available. The Committee states PacifiCorp blends its own short-term gas price forecast with that of several independent advisory services in developing its IRP gas price forecast. The Committee notes recent natural gas price forecasts are significantly higher than when the Company locked down its gas price forecast nearly a year ago and it is concerned about the affect on resource choices. MWC is concerned that the Company used the June 2004 forecast of natural gas and electricity market prices for the base case instead of the higher December 2004 forecast. MWC says this resulted in limiting wind project and DSM opportunities and possibly could affect the advisability of siting another combined cycle combustion turbine. UAE states gas price forecasts have dramatic impacts on nearly every aspect of the IRP, yet the analyses were not redone despite remarkable price increases which questions the comparisons of resources and risks. PacifiCorp responds that IRP 2004 used a range of natural gas price forecasts and stochastic analysis to validate the Preferred Portfolio under higher natural gas prices, the 95th percentile gas price in the stochastic analysis is 48 percent (20 year average) higher than the latest March 2005 gas price forecast, and this use of scenario and stochastic analysis obviates the need to redo the IRP .

Renewables

The Division, Committee, MWC, WRA and UCE express concern about the slow progress in finalizing contracts for the 1,400 megawatts of renewable resources anticipated by the 2003 IRP, even though PacifiCorp has finalized the plans and procurement of two natural gas resources within the same time frame. MWC states the 20 percent capacity contribution estimate for wind resources in IRP 2004 is too conservative, citing a Colorado study resulting in a 30 percent capacity factor; the Company's wind integration cost estimate is too high for small wind projects based on IRP 2003 data; and the Company did not disclose its intent with regard to green tags. The Committee recommends PacifiCorp undertake a more rigorous analysis of the optimal type and timing of all resources including wind. The Division agrees with the Company that collecting more information regarding wind integration costs, contribution to peak capacity, and other information can only lead to a more accurate modeling effort in future IRPs. WRA and UCE believe the Company has adopted an appropriate statistical methodology for calculating wind's capacity credit, but that it should consider wind's contribution to reserves during months beyond summer. WRA recommends the Company perform a revised wind integration cost analysis to address the issue of integrating large quantities of wind with the system.

PacifiCorp announced, on May 3, 2005, the purchase of the output of a 64.5 megawatt wind resource in

Idaho. The project was originally to be larger, but was limited by wind turbine availability. The Company states the slow wind procurement process resulted from uncertainty about the production tax credit, increasing turbine costs, the falling dollar, and scarcity of wind turbines.

IGCC

The Division, Committee, UAE, MWC, WRA and UCE support more examination of Integrated Gasification Combined Cycle ("IGCC") technology. IGCC is a clean coal technology that utilizes a coal gasification process to produce clean fuel for use in a combined cycle combustion turbine ("CCCT"). The Division, WRA and UCE indicate IGCC can be used as a hedge against the long term regulatory and carbon risks associated with conventional coal resources. MWC states IGCC technology is more mature than implied in the IRP, has significantly lower emissions than other coal units, and questions the 75 percent availability assumed in the IRP. WRA and UCE state the Company's evaluation of IGCC technology in IRP 2004 is much improved over its analysis in IRP 2003; the Company has seriously considered IGCC technology options and project configurations from well-established vendors; and the Company has developed a sound analytic framework for assessing the trade-offs between increased capital costs and environmental compliance risk between IGCC and pulverized coal. WRA and UCE believe the Company may be overstating IGCC costs since recent IGCC developments show higher availability at 90 percent, although the new information was not available in time for IRP modeling runs. Since the publication of IRP 2004, PacifiCorp has contracted for a site specific study of IGCC. The Company states the IRP cost estimates for IGCC are conservative and based on numerous studies conducted over the last few years by various organizations, including EPRI and the US Department of Energy, as well as the operating experience of the Polk and Wabash River IGCC plants. The Company says the availability issue, along with innovative cost reduction techniques, will be revisited once the next generation of IGCC plants begin operation.

Risk Analysis

The Division is unsure that the modeling of carbon risk (restrictions on carbon dioxide emissions) is realistic given the current political climate, that this may lead to less than optimal resource decisions, and asks the Company to thoroughly reexamine its carbon risk assessments, including assigned probabilities and values for the next

IRP. The Division is concerned that the Company's stated intent to file for a Power Cost Adjustment Mechanism potentially could shift all fuel risk to ratepayers which may affect the resource choices that stakeholders will be amenable to accepting. The Committee points out the IRP 2004 sensitivity analysis of carbon risk shows the Preferred Portfolio costing $300 million PVRR less than Portfolio Q at the assumed $8 per ton carbon emissions cost, however, at $0 carbon cost, the Preferred Portfolio costs $1.3 billion more than Portfolio Q. Portfolio Q was derived from Portfolio E (the Preferred Portfolio) and replaces a wet cool CCCT with a second Wyoming pulverized coal plant and a transmission upgrade. The Committee is uncomfortable including PacifiCorp's carbon cost assumptions in the IRP base case because of the uncertain timing of any legislation and resulting cost impacts. The Committee's discussion of IRP risk analysis indicates Portfolio Q had the least amount of variance in cost across the 100 simulations in the stochastic analysis. The Committee states if price stability and protection from upper end risk exposure are most important, then Portfolio Q is better than the IRP Preferred Portfolio. WRA and UCE support the Company's use of an $8 per ton imputed carbon dioxide cost as a base case assumption in the IRP analysis as they believe this is the low end of a range of reasonable values. They cite other western utilities that use a range of carbon cost assumptions from $5 per ton to $12.50 per ton and with starting years from 2004 to 2010. While UAE and PacifiCorp agree it is extremely difficult to predict the likelihood or level of potential carbon taxes, UAE disagrees with the base case assumption of an $8 per ton carbon cost in 2012, saying the assumption is not adequately supported, appears unreasonably conservative and designed primarily to ensure that natural gas resources remain competitive alternatives. UAE says the risk analysis of continued and increasing reliance on natural gas is inadequate. PacifiCorp believes that some form of climate change policy will likely be in effect by 2010, and therefore deems it prudent to include a carbon tax adder in the portfolio cost evaluation. The Company bases this assumption on the influence of several recent legislative proposals (McCain-Lieberman and Carper) as well as other market indicators such as existing markets for greenhouse gas emissions in the United Kingdom and Denmark.

Transmission

The Committee says the Company's modeling assumption that non-firm transmission is not available, does not adequately capture the benefit of coal unit shoulder hour surplus sales and results in a gas resource bias. UAE also questions this modeling assumption and says it skews the results and supports over-construction. PacifiCorp notes IRP 2004 recognizes this is a conservative assumption, but modeling non-firm transmission is impractical because it does not provide the long-term availability required for long-term planning purposes. WRA and UCE object to the IRP's modeling of the RMATS transmission expansion from Wyoming to Utah as Portfolio Q since only coal generation and no wind is included. They cite 1,150 megawatts of wind identified in the RMATS process that could be accessed through transmission expansion into Utah. The Committee does not believe the Company has adequately responded to the Commission's directive to evaluate transmission alternatives on a consistent and comparable basis with generation alternatives. PacifiCorp responds that transmission alternatives were included in every portfolio developed in IRP 2004, including transmission to integrate potential resources as well as large scale transmission investments to gain access to lower cost resource options.

Front Office Transactions

The Committee is concerned with the level of market purchases that may be tied to the short-term spot market without adequate risk analysis. In FY 2009, the front office transactions alone are forecast to meet 10 percent of total energy requirements. The IRP reports meeting 21.9 percent of energy requirements, for the year ending March 31, 2004, through short and long-term purchases. The Committee says subjecting 10 to 20 percent of the Company's energy requirement to market forces without stochastic risk analysis appears imprudent, particularly with the knowledge gained in the 2000 to 2001 time period. MWC states 1,200 megawatts of front office transactions is probably excessive, does not merely reflect past practice and may not reflect optimal planning in a rising energy market. PacifiCorp believes sufficient risk analysis was conducted on the front office transaction proxy resource, and 1,200 megawatts is reasonable based on the Company's experience. The Company included an extreme scenario where no front office transactions are available, in addition to a stochastic analysis that captured variability in market conditions, however, it would appreciate receiving specific risk analysis recommendations from dissatisfied parties.

DSM

The Committee states PacifiCorp has successfully implemented cost-effective DSM programs that provide benefits to Utah ratepayers, including reduced exposure to volatile fuel prices and environmental risks. WRA and UCE generally support the Company's analytic methodologies for evaluating DSM resources. However, since the stochastic and scenario risk sensitivity analyses are performed on the supply side portfolios prior to running the DSM analysis, WRA, UCE and MWC believe it may not fully capture the potential value of DSM . MWC contends DSM is not evaluated on a consistent and comparable basis with supply-side alternatives. UAE states that customer-based alternatives, including DSM, cogeneration and interruptible contracts, are not adequately investigated, evaluated or pursued. It says the Company must do much more than provide an avenue for these types of resources to participate in an RFP process. UAE says Class 1 and 2 DSM analyses were performed only on the best portfolio, instead of including DSM as a resource in all portfolios. Because of the small size, limited market potential and number of Class 1 DSM options, PacifiCorp states it chose to evaluate Class 1 DSM resources to lower the cost of the preferred supply side portfolio, DSM additions have also provided the added benefit of delaying the need for supply-side resources in three cases, and load control programs do not have the capacity factor to compete with most supply-side resources due to limited availability. PacifiCorp says it followed the general guidelines for decrement analysis in the 1995 Tellus report for Class 2 DSM and plans to update the decrement analysis for the 2005 DSM RFP bids.

Planning Margin

UAE states IRP 2004 projects a $140.5 million lower PVRR cost for a 12 percent planning margin compared to the assumed 15 percent planning margin. After considering the risk/reward tradeoff, UAE believes the IRP should utilize a base case 12 percent planning margin. PacifiCorp states it considered the reliability cost-risk tradeoff when determining the 15 percent planning margin, and this level of planning margin is consistent with that of neighboring utilities and what is being proposed in recent resource adequacy initiatives. For IRP 2004, PacifiCorp contracted for a study of planning margins which concluded that an 18 percent planning margin would provide a one in ten year loss of load probability which is seen as an industry standard reliability threshold. Further analysis determined that the optimal balance between cost of expected unserved energy and additional capital investment to reduce it, lies at the two in ten year loss of load probability or 15 percent planning margin reserve level for the system.

Portfolios

The Division believes that perhaps insufficient credibility has been attributed to the viability of Portfolio Q, particularly given that Portfolio Q is $1.3 billion in PVRR cheaper than the alternatives in the event the carbon costs ends up being zero, as it is now. The Division says, although no commitment needs to be made now with regard to the substitution of a coal-fired for a gas-fired plant, it believes that future IRPs need to be very explicit about how Portfolio Q compares to alternatives. The Division believes PacifiCorp has evaluated both demand and supply side resources on a reasonable basis, but is uncertain as to whether the selected portfolio is optimal, given that the automated resource addition logic was not entirely functional when the portfolio was chosen. The Committee believes the Company's general portfolio building approach is sound in concept, but difficult to successfully complete because of the time required. The Committee says the Company, in trying to meet regulatory deadlines, took ill-conceived short cuts and stopped before achieving the goal. The Committee cites IGCC, pumped air energy storage and hydro storage as technologies that were screened out early in the process without being subjected to risk analysis. The Committee says that all but two of the original sixteen portfolios were more than 60 percent natural gas-fired and that Portfolio Q, the only portfolio that made it into the risk analysis with less than 60 percent gas, was added at the Committee's request. The Committee points out the Company did not complete the development of the Capacity Expansion Model ("CEM") in time for use in this IRP cycle. WRA and UCE do not believe it is possible at this time to conclude that portfolio E is the Preferred Portfolio and recommend the Company revisit certain key cost assumptions and portfolio options before committing to supply-side investments of this magnitude. UAE believes the Company should have applied its risk analysis to all seventeen portfolios instead of just ten, since the difference in PVRR between the best and worst portfolios was only 2.5 percent. UAE strongly supports Portfolio K, which was indistinguishable from a modeling perspective as to risk and cost from the Preferred Portfolio E. Portfolio K includes up to five 100 megawatt IC Aero SCCT units. UAE believes the Company's choice was based largely on its comfort with the CCCT technology and its desire to utilize existing facilities at Currant Creek.

PacifiCorp has been working with Global Energy Decisions for the past year to develop the CEM which incorporates the resource addition logic requested by parties in the 2003 IRP. The Company says it incorporated use of this model to the best of its ability in the IRP 2004, and received the final version of the product for use in future planning efforts in April 2005. PacifiCorp states it chose risk analysis portfolios on the basis of PVRR performance and the composition of resources that would be of most interest in capturing differences in risk profiles. Including all portfolios in the risk analysis would significantly increase the modeling effort and complicate the relative evaluation process without contributing insight on risk impacts that influence decisions. The Company says the alternative portfolios proposed by the Committee and UAE were both proposed for the first time after the IRP was filed with the Commission rather than during the year-long public input process. The Company expresses disappointment that the IRP process did not work as planned, which was to allow parties to raise changes in a meaningful way that allows discussion by all parties and provides the Company time to consider the merits of the suggestions in the final plan.

Recommendations

UAE recommends revising the Standards and Guidelines to require annual IRP filings, delaying issuance of an RFP for the proposed 2009 CCCT for at least one year, pursuing customer-based and market alternatives, considering an RFP for options to procure the output of up to five 100 megawatt Intercooled Aero Derivatives beginning in 2009, reducing emphasis on traditional natural gas resources, increasing emphasis on IGCC, filing a new IRP by the end of 2005, improving access to IRP models, and increasing emphasis on resource options that permit greater flexibility. The Division recommends the Company continue to file a load/resource balance update with regulators no less than semi-annually, re-examine carbon risk, and continue to examine and provide information regarding load and natural gas price forecasting methodologies. The Committee recommends studying the life extension of retiring generation plants as resource options in the IRP, not acknowledging the Action Plan until the Company evaluates two supply-side options not previously explicitly evaluated, and analyzing the risk of indexed market purchase contracts. WRA and UCE believe the Company should consider adding more wind resources as alternatives in the latter years, re-evaluate wind capacity credits and integration costs, continue to improve the IGCC analysis, and develop a long-term strategy for managing future environmental risks. MWC recommends re-analysis of the portfolios with the updated gas and electricity market forecast; consistent and comparable treatment of DSM; re-analysis of the wind capacity factor and IGCC; prompt completion of the renewable contracts from the 2003 RFP; and an investigation of IRP modeling alternatives.

PacifiCorp contends the IRP meets all substantive requirements of the Utah Standards and Guidelines and that differences in opinion over its planning assumptions, and how it conducted certain aspects of its modeling and analysis process, do not provide sufficient justification for denying acknowledgment of the IRP. PacifiCorp indicated it intends to file an update to the IRP Action Plan no less frequently than annually, similar to the October 2003 update, and at a minimum will include material changes to assumptions, an updated load and resource balance, and a progress report and changes or updates to the Action Plan. PacifiCorp indicated it will also be hosting quarterly update meetings with participants. The RFP process will also include flexibility to modify the procurement time-line in order to adjust to changes in the load and resource balance. The Company states decisions regarding access to the IRP model must weigh the benefits of increased transparency against confidentiality risks, timing constraints and costs such as licensing fees and training. The Company says analysis of generation plant life extensions as resources was not done since such life extensions would be outside the Action Plan time horizon. In response to UAE’s comments regarding the risk mitigation benefits of IC Aeros and other flexible resources, the Company states it evaluated Portfolio K which was similar to the Preferred Portfolio, but contained six IC Aeros SCCTs for 2009. The results of that evaluation were similar, but the Company says it chose the Preferred Portfolio because of past operating experience with CCCTs, the ability to share facilities and parts with existing CCCTs, and lower heat rate and emissions of the CCCTs.

CONCLUSIONS

Comments and recommendations received in response to our request are detailed and extensive. We recognize the efforts of commenting parties and appreciate the filed comments. PacifiCorp’s IRP was conducted in an open public process with numerous participants representing a wide variety of perspectives. Parties recognize the Company’s significant efforts. We have observed significant improvement in PacifiCorp’s IRP process over the years since the 1992 Guidelines were adopted and compliment the Company on its efforts. We reaffirm the importance of the IRP process and encourage the Company to continue its efforts to improve and refine the process, especially given the forecasted need for significant new resources in the future. We conclude that PacifiCorp's IRP 2004 is generally consistent with our Guidelines and acknowledge such. We reiterate that this acknowledgment does not convey regulatory approval of Company resource decisions included in the Action Plan. The new Utah law, previously cited, has specific requirements for this Commission regarding the approval processes for the solicitation and acquisition of significant energy resources. We are concerned the current acknowledgment process is insufficient to meet the requirements of SB 26. A process should be put in place that goes beyond the current acknowledgment process and ensures an adequate record is developed to comply with SB 26 requirements.

Parties that recommend no or delayed acknowledgment of the IRP do so primarily on the basis of inadequate confidence in the type, timing and magnitude of resources PacifiCorp identified as least cost and optimal. The parties point to a breach in the consistency with which alternative resource costs and risks are compared and the faulty effects of outdated or disputed assumptions. Partly because of the relatively low natural gas and electric price forecasts, parties argue the Preferred Portfolio may overstate the need for and timing of natural gas-fired CCCT's and understate the magnitude and timing of the alternatives like DSM, IGCC, and wind. We find these serious and legitimate concerns. The far reaching effects of the relatively low natural gas price forecasts and the limited application of both natural gas/electric price risk and climate change policy risk analysis are troublesome. However, we are not persuaded it is in the public interest to delay the IRP acknowledgment until these issues are resolved. Most parties support the need to consider resource additions of some type in the near future. Indeed, we find that SB 26 gives us a new opportunity to address these concerns in a meaningful and timely way through the RFP approval process. Input assumptions, risk analysis and evaluation methods can be debated and resolved in that process. Therefore, we decline to acknowledge the IRP 2004 Action Plan and request parties provide comments within the context of the RFP approval process to ensure that the concerns raised in this docket are brought forward in that docket (No. 05-035-47). For example, which resources should be permitted to bid? How should climate change policy risk be assessed in evaluating competing bids? How should the uncertainty of natural gas and electricity prices be addressed? We leave for future consideration and input from parties, an alternative way of blending the IRP process, Action Plan and implementation of SB 26.

We are concerned that some issues appear not to have been raised by parties until after the IRP was filed, leaving little time for those issues to have an impact on the IRP results and conclusions. We are also concerned that the Company may not have adequately explained its reasoning for some decisions until either the IRP was filed or when it filed responsive comments to parties. Specifically, with respect to the next IRP, we direct the Company to structure the public input process to allow sufficient time for discussion of issues raised by parties and to address relevant issues raised in this IRP. We encourage parties to provide timely comments during the IRP process so other parties and the Company can discuss them and incorporate ideas in the analysis. We believe a comprehensive annual update to the IRP between the biennial IRP filings should continue. We find reasonable the Division's request for semi-annual updates of the load and resource balance. We direct the Company to investigate improving the transparency of the IRP modeling to increase confidence in the results.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that

1. PacifiCorp's Integrated Resource Plan 2004 is acknowledged.
2. The Action Plan is not acknowledged, but will be further considered in the approval process for PacifiCorp's solicitation for new significant energy resources.

DATED at Salt Lake City, Utah, this 21st day of July, 2005.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

G#45233