

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Acknowledgment of)
PACIFICORP'S Integrated Resource) Docket No. 05-2035-01
Plan 2004)
_____)

**COMMENTS OF WESTERN RESOURCE ADVOCATES
AND UTAH CLEAN ENERGY ON PACIFICORP'S
2004 INTEGRATED RESOURCE PLAN UPDATE**

Western Resource Advocates (WRA) and Utah Clean Energy (UCE) request that the Utah Public Service Commission (Commission) accept these comments on PacifiCorp's 2004 Integrated Resource Plan Update (2004 IRP Update). Our comments are divided into two parts. First, we provide comments on the 2004 IRP Update including the 2004 IRP Action Plan Update. Second, we provide recommendations on an appropriate process for integrating comments on the 2004 IRP Action Plan Update with the pending solicitation for significant energy resources in Docket No. 05-035-47.

I. Comments on 2004 IRP Update

WRA and UCE support many aspects of the 2004 IRP Update Action Plan, as revised by the stipulation reached in Docket No. 05-035-54 pertaining to MidAmerican Energy Holdings Company's (MEHC) acquisition of PacifiCorp. Previously, WRA and UCE have submitted comments to the Commission on the 2004 IRP and on the 2009 draft RFP in which we expressed serious reservations about the Company's evaluation of clean energy options and its consideration of the costs and risks of conventional generation options in the 2004 IRP. Many of those objections apply with equal force to the 2004 IRP Update and 2004 IRP Action Plan Update, which was released in November 2005. However, the Company and MEHC listened to, and addressed many of,

our concerns in the stipulation and commitments reached in Docket No. 05-035-54, either by specific commitments or by establishing processes for further evaluation of the issues. The stipulation and commitments, as amended, were recently approved by the Commission on March 14, 2006. We are appreciative of, and encouraged by, MEHC and PacifiCorp's willingness to address many of the issues we had previously raised with the Commission in our earlier comments. We believe the Company's resource plan – when viewed in tandem with the acquisition commitments and stipulation – is much improved over the 2004 IRP and the 2004 IRP Update.

On April 22, 2005, WRA and UCE submitted comments to the Commission on the 2004 IRP in which we raised important concerns that we believe need to be addressed before concluding that the Portfolio E identified in the 2004 IRP was the preferred portfolio. On August 22, 2005, WRA submitted comments in Docket No. 05-035-47 concerning the now-suspended 2009 Request for Proposals (RFP) in which WRA reiterated several of the same concerns. Several of the issues we identified with respect to the 2004 IRP are listed below, along with identification of the relevant stipulation commitments:

- The 2004 IRP does not consider additional wind resources beyond the 1400 MW in the latter years of the planning period (pp.2-3). We also pointed to the need to begin revising the Company's analysis of wind integration costs and wind capacity contribution now in anticipation of higher wind penetration levels (p.3-4). With Commitment U17(a), the Company has agreed to perform a wind penetration study to reappraise wind integration costs and cost-effective renewable energy levels as part of the 2006 IRP.
- We expressed our concerns over the lack of progress in RFP 2003-B towards meeting the 1400 MW renewable energy target (p.4). Several acquisition commitments, including Commitments 34, 35(e)-(f), 39, 40, 52, 53, U18, U31, U33, U34, U44, U45(b)-(c), provide important, concrete steps that may help remedy this shortfall. Commitment U31 obligating the Company to have 400 MW of new cost-effective renewable

resources (to the extent available), along with the associated reporting requirements, is particularly important.

- We offered several recommendations on improving the Company's analysis of IGCC versus pulverized coal technologies, e.g., risk analysis (p.5), IGCC availability (p.6), cost estimates (p.7), fuel blending (p.8), turbine sizing (p.8), and co-production opportunities (p.8). We believe Commitments U15 and U16 provide appropriate forums for addressing the Company's IGCC analysis going forward.
- We strenuously objected to the lack of consideration of transmission expansion alternatives to access Wyoming's tremendous wind resource potential, especially as it related to the Portfolio Q transmission expansion analysis from Jim Bridger to the load areas in Utah and Idaho (pp.9-10). With Commitments 53 and U45(b) and (c), MEHC or PacifiCorp have agreed to study transmission expansion options from Jim Bridger east to the Miners substation and to look at optimizing this transmission expansion with the Bridger-Ben Lomond expansion. And with U17(a), PacifiCorp has agreed to evaluate transmission options from Wyoming in the IRP process.
- We identified the need to revisit climate change regulatory risk cost assumptions (p.10-11). In addition, we stressed the importance of resource options capable of actual reductions in carbon dioxide emissions, e.g. DSM, renewable energy, power plant technologies like IGCC capable of carbon capture and storage, in light of the potential magnitude of climate change risk already created by the Company's existing resource fleet (as opposed to focusing solely on the CO2 risk of incremental resource additions) (pp.11-12). Commitment 42(b) establishes a global warming working group, which the Company has indicated will be tasked with consideration of the CO2 risk analysis issues in the IRP process.

The 2004 IRP Update does include some positive aspects. For example, the Company includes the 65 MW Wolverine Creek wind contract. In addition, the Path C upgrade, when combined with revised load growth projections, does appear to eliminate the need for a 2009 baseload unit and to defer the need for the 2011 coal unit to 2012. However, we believe the 2004 IRP Update – when viewed in isolation from the acquisition stipulation and commitments – suffers from several of the same shortcomings as the 2004 IRP. Therefore, absent consideration of the acquisition stipulation and

commitments, the objections we raised in our April 22, 2005 and August 22, 2005 comments would apply with equal force to the 2004 IRP Update.

The 2004 IRP Update included at least two other troubling aspects beyond those in the 2004 IRP. First, the Portfolio 2 (Path-C Upgrade and Increased Share of Wyoming Coal Plant) allocates virtually all of the increased transmission capacity that would be facilitated by the Path C upgrade to increasing the size of the coal unit at Jim Bridger to 750 MW (PacifiCorp's share would be 500 MW) with no consideration given to the allocation of that additional transmission capacity to facilitating Wyoming wind resources. Notably, the possibility of transmission expansion east of Bridger to the Miners Substation was not considered in the 2004 IRP Update. As stated previously, with Commitments 53 and U45(b) and (c), MEHC and PacifiCorp have agreed to study transmission expansion options from Jim Bridger east to the Miners substation and to look at optimizing this transmission expansion with the Bridger-Ben Lomond expansion. And with U17(a), PacifiCorp has agreed to evaluate transmission options from Wyoming in the IRP process.

In addition, we disagree with how the Chapter 3 IGCC analysis frames the IGCC discussion. We do not wish to dwell in detail on the specifics of the Company's IGCC analysis as presented in the 2004 IRP Update, as we are hopeful that commitments U15 and U16 will create appropriate forums for addressing specific technical issues associated with IGCC going forward. But we would like to offer a general observation on the overall approach of Chapter 3, as we believe it can help inform the discussion going forward. As we stated in our April 22, 2005 comments, we believe that, before investing in expensive new baseload facilities of any type, it is imperative that the Company

redouble its efforts to acquire all cost-competitive renewable energy, energy efficiency, and combined heat and power resources to minimize the costs and risks to ratepayers and the environmental impacts of the Company's resource fleet. But if it is determined that additional baseload coal is needed, we believe that IGCC represents a better overall value than pulverized coal for ratepayers and for Utah.

In Chapter 3 to the 2004 IRP Update, the Company does a very thorough job of evaluating many important aspects of IGCC and identifying many of the barriers to its development. If the choice were simply between beginning development of an IGCC unit today or not, it may be the case that an advisable course of action might be to defer development of IGCC until greater clarity could be gained on some of these risks and uncertainties. However, that is not the choice presented by the 2004 IRP Update. Rather, the choice is between developing an IGCC unit versus developing a pulverized coal unit in time to meet a projected resource deficit around 2012.

When the question is framed from this perspective, we believe that greater attention needs to be devoted to the risks and uncertainties associated with development of a pulverized coal unit. These risk and uncertainties are barely addressed in Chapter 3. Yet, it is against the backdrop of the risks and uncertainties of pulverized coal development that an informed decision on whether to proceed with IGCC must be made. While we do not wish to discount the risks of IGCC development, it should also be pointed out that the technology may enjoy several advantages over conventional coal technologies in terms of development, costs and operational risks. Because of its improved environmental performance, IGCC may face reduced air permitting risks relative to pulverized coal, both in terms of the ability to obtain a permit and in the risk of

permitting delays. Indeed, many citizens groups are actively promoting consideration of IGCC in the air permitting process, including here in Utah. IGCC's ability to capture and store carbon emissions more economically than pulverized coal may also make it more acceptable from a multi-state approval standpoint. Additional environmental benefits of IGCC over pulverized coal may help reduce other development and operating risks of the project over time (e.g., reduced air emissions including mercury and other hazardous air pollutants, the ability to capture and store carbon emissions more economically than pulverized coal, less hazardous and reduced volumes of solid waste, and reduced water cooling requirements). The reduced water cooling requirements of IGCC could be especially important in Utah where water scarcity will undoubtedly become an increasingly important issue for the coming decades.

II. Integration of 2004 IRP Update Action Plan With SB 26 Process

Consideration of Acquisition Commitments and Stipulation: The Commission should recognize MEHC and PacifiCorp's commitments in Docket No. 05-035-54 when reviewing and providing guidance on the 2004 IRP Update and 2004 IRP Update Action Plan. As discussed above, many of the commitments will require the Company to take specific steps on key resource procurement decisions prior to the issuance of the Company's next full IRP at the end of 2006. For example, the Company will be commencing a DSM market potential study over the coming year.

Particularly relevant to the forthcoming RFP for the 2012 resource need is Commitment U.16(a), which states that:

MEHC and PacifiCorp commit to study the economics and viability of an IGCC option and will present the results of this

study as a resource alternative to inform the resource selection and RFP process under consideration in Docket 05-035-47. PacifiCorp will also file the results of this study and the draft RFP with the Commission pursuant to the provisions of SB 26. PacifiCorp will suggest procedural schedules that will facilitate this commitment. As soon as practicable, but not later than three months after the closing of the transaction, PacifiCorp will provide to the parties estimated cost and timeline ranges for completion of an IGCC project, as well as potential resource alternatives if an IGCC design is not reasonably achievable in time to economically meet the resource need presently identified in 2012 from a customer and shareholder perspective.

In addition, Stipulation paragraph 16 states that,

The Parties agree to support recovery, over a reasonable period, of prudent costs associated with the IGCC studies in Commitment U 16, consistent with Utah law and regulatory practice.

We recommend that the Commission, in its review of and guidance on the 2004 IRP Update, recognize that Commitment U16(a) and the accompanying stipulation paragraph 16 represent important revisions to Action Item #8 to the 2004 IRP Update Table 5.2 – Updated Action Plan. We encourage the Commission to offer guidance to the Company to take the necessary steps to ensure that the IGCC studies are funded at sufficient levels and completed in a timely matter to enable meaningful consideration of IGCC as a resource alternative for the next baseload unit.¹

Consideration of Public Interest Factors: U.C.A. § 54-7-201 requires the Commission to determine whether the solicitation process is in the public interest taking into consideration a series of factors including lowest reasonable cost, risk, reliability, long-term and short-term impacts, and financial impacts to the utility. U.C.A. § 54-17-

¹ On April 3, 2006, after these comments have been submitted, PacifiCorp will have completed its second IGCC workshop, at which time the parties and Commission will have a better idea on PacifiCorp's anticipated timeline for the development of an IGCC unit and possibly its proposed treatment of IGCC in the RFP evaluation process. We are withholding comment on these issues until after we have had an opportunity to review PacifiCorp's plans implementation of Commitment U16(a).

202 also obligates the Commission to establish rules identifying the types of screening criteria a utility may use in a solicitation process, including the risks an affected electrical utility may consider. WRA has proposed in the SB 26 rulemaking workshop draft rules that the Commission implement the public interest factors, in part, by identifying a reasonable set of screening factors that can be used in the RFP evaluation process, e.g., proximity to CO2 sequestration opportunities or choice of water cooling technologies. While the statute contemplates that these screening factors should ultimately be established by rule, we believe it will be necessary for the Commission to establish a series of case-specific screening factors for purposes of the RFP for the 2012 resources until such time as the rules are promulgated. We believe that the public comment period contemplated by the SB 26 RFP approval process for the 2012 resource will provide sufficient opportunity to address this issue at that time.

Respectfully Submitted,

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