

Appendix B

Annotated Redline Version

PACIFICORP

STANDARDS AND GUIDELINES FOR IRP.

1. a. Definitions:

Integrated resource planning is a utility planning process which evaluates ~~all~~ known resources on a consistent and comparable basis, in order to meet and future customer electric energy services needs at the lowest total cost to the utility and its customers, and in a manner consistent with the long-run public interest. The process should result in the selection ~~of the optimal of a~~ set of resources that reasonably reflect given expectations of future load growth, available and expected future technologies, and changes in regulatory and other legal structures. In developing its plan, the utility shall seek to reasonably minimize the combination of costs and risks given the inherent uncertainty of long-term planning.~~the expected combination of costs, risk and uncertainty. The resulting plan from the process is known as the Integrated Resource Plan (IRP).~~

An Action Plan sets forth the specific steps and the timing of those steps that the Company intends to take to implement its current IRP. An Action Plan will highlight milestones and decision points and dates for specific activities and acquisitions set forth in the IRP.

b. Purpose:

The Company's IRP demonstrates to regulators and other interested parties that the Company is making a systematic and serious effort to anticipate and plan for future load growth and other changes in its operating environment. The Company will demonstrate in its IRP that the forecasts and other assumptions it used in developing its preferred portfolio are reasonable given the future's inherent uncertainty.

c. Goals:

The IRP should be comprehensive enough to achieve its Purpose, while achieving the concurrent goals of transparency (e.g. the assumptions and calculations supporting the IRP are clearly laid out), and simplicity (e.g. parties reviewing the IRP are not

overwhelmed with minutia and scenarios that may obscure the purpose of the IRP). The Commission recognizes that the balance between comprehensiveness, transparency, and simplicity is subjective and that not all parties will agree on what the balance should be.

2. The Company will submit ~~its~~ the relevant ~~Integrated-integrated~~ ~~Resource-resource~~ ~~Plan~~ planning portions of its annual Business Plan within 60 days of approval of the Company's Business Plan by the Company's board of directors, chief executive officer, or other officer of the Company delegated to approve the business, or as otherwise ordered by the Commission. ~~biennially~~.

3. The Company is responsible for the annual development of its integrated resource plan. However, the Company is expected to receive and consider, from year to year, the inputs, critiques, and recommendations from ~~will be developed in consultation with~~ the Commission, its staff, the Division of Public Utilities, the ~~Office Committee~~ of Consumer Services, and ~~other interested stakeholders appropriate Utah state agencies and other interested parties~~. PacifiCorp will provide ~~ample~~ annually for the opportunity for public involvement and ~~the~~ exchange of information ~~before the IRP portions of the Business Plan are finalized and submitted to upper Company management for approval.~~ during the development of its Plan.

4. PacifiCorp's future integrated resource plans will include:

- a. A range of estimates or forecasts of load growth, including both capacity (kW) and energy (kWh) requirements.

The forecasts will be made by jurisdiction and by general class and will differentiate energy and capacity requirements. The Company will include in its forecasts all on-system loads and those off-system loads which they have a contractual obligation to fulfill. Non-firm off-system sales are uncertain and should not be explicitly incorporated into the load forecast that the utility then plans to meet. However, the Plan must have some analysis of the off-system sales market to assess the impacts such markets will have on risks associated with different acquisition strategies.

- b. Analyses of how various economic and demographic factors, including the prices of electricity and alternative energy sources, will affect the consumption of

electric energy services, and how changes in the number, type and efficiency of end-uses will affect future loads.

- c. An evaluation of ~~all~~ present and potential future resources, including future market opportunities (both demand-side and supply-side), on a consistent and comparable basis.
 - i. An assessment of ~~all~~ technically feasible and cost-effective improvements in the efficient use of electricity, including load management and conservation.
 - ii. An assessment of ~~all~~ technically feasible generating technologies including: renewable resources, cogeneration, power purchases from other sources, and the construction of thermal resources.
 - iii. The resource assessment should include: life expectancy of the resources, the recognition of whether the resource is replacing/adding capacity or energy, dispatchability, lead-time requirements, flexibility, efficiency of the resource and opportunities for customer participation.
- d. An analysis of the role of competitive bidding for demand-side and supply-side resource acquisitions.
- e. A 2010-year planning ~~horizon~~horizon.
- f. An action plan outlining the specific resource decisions intended to implement the integrated resource plan in a manner consistent with the Company's strategic business plan. The action plan will, at a minimum span a four-year horizon and will describe the specific actions to be taken in the first two years and outline actions anticipated in the last two years. The action plan will include a status report of the specific actions contained in the previous action plan. The action plan should include a timeline for the acquisition of the next major resource (greater than 100 MW), whether or not that timeline begins within the four-year action plan term.
- ~~A plan~~ The action plan will set forth milestones and decision points and dates for specific activities and acquisitions set forth in the IRP. of different resource acquisition paths for different economic circumstances with a decision mechanism to select among and modify these paths as the future unfolds.
- g. An evaluation of the cost-effectiveness of the resource options from the perspectives of the utility and the different classes of ratepayers. In addition, a

description of how social concerns might affect the cost effectiveness estimates of the resource options.

- h. An evaluation of the financial, competitive, reliability, and operational risks associated with various resource options and how the action plan addresses these risks in the context of ~~both the Business Plan and the 120-year~~ Integrated Resource Plan IRP. The Company will identify who should bear the risk, the ratepayer or the stockholder.
- i. Considerations permitting flexibility in the planning process so that the Company can take advantage of opportunities and can prevent the premature foreclosure of options.
- j. An analysis of tradeoffs; for example, between such conditions of service as reliability and dispatchability and the acquisition of lowest cost resources.

~~k. A discussion of external costs and benefits; in particular, an assessment of how a significant change in the Company's expectations of future environmental costs (e.g. forecasts of any carbon taxes and expenditures for pollution control equipment) would change the Company's IRP. A range, rather than attempts at precise quantification, of estimated external costs which may be intangible, in order to show how explicit consideration of them might affect selection of resource options. The Company will attempt to quantify the magnitude of the externalities, for example, in terms of the amount of emissions released and dollar estimates of such externalities.~~

~~k. The Company should include discussion specific changes, if any, in current state regulation that could facilitate the efficient implementation of the Company's IRP. A narrative describing how current rate design is consistent with the Company's integrated resource planning goals and how changes in rate design might facilitate integrated resource planning objective.~~

5. PacifiCorp will submit its Integrated Resource Plan IRP and Action Plan for public review and comment, ~~review and acknowledgement~~.

6. The public, state agencies and other interested parties will have the opportunity to make formal comment to the Commission on the adequacy of the Plan IRP and related Action Plan. The Commission will review the IRP Plan and Action Plan for adherence to the principles stated herein, and will judge the merit and applicability of the public comments. If the Plan needs further work the Commission will may return it to the Company with comments and suggestions for change. ~~This process should lead more~~

~~quickly to the Commission's acknowledgement of an acceptable Integrated Resource Plan. The Commission may require T~~the Company ~~will to~~ give ~~an-an~~ oral presentation of its ~~report-IRP and Action Plan~~ to the Commission and all interested public parties. ~~An additional, F~~formal hearing on the acknowledgement of the ~~IRP~~Integrated Resource Plan might be appropriate but ~~are-is~~ not required.

7. ~~_____~~ Acknowledgement of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions. ~~Similarly, non-acknowledgement is not a prima facia case for disallowance.~~

8. ~~_____~~ The Integrated Resource Plan ~~will-may~~ be used in rate cases to evaluate the performance of the utility and to review avoided cost calculations.

Comments on redline changes:

1. ~~_____~~ a. ~~_____~~ “Optimal” is removed from the definition since it implies some sort of ~~mathematical finality. Given limits of information and the impossibility to assess “all possible” scenarios, this makes the “least cost/least risk” idea a lofty target to aim for. True optimality is impossible. The focus should be on “reasonableness.” The Action Plan is defined in this subsection for the first time.~~

~~_____~~ b. ~~_____~~ The Purpose of the IRP is set forth. Limitations on what the Company can reasonably be expected to achieve with its planning process are implicit.

~~_____~~ c. ~~_____~~ The Goals set forth over-riding criteria for achieving the purpose: ~~comprehensiveness, transparency, and simplicity. These criteria may be at cross purposes with one another, so that a balance needs to be achieved. However, the seemingly endless expansion of required analyses the Company is expected to perform under the current regime is clearly a violation of the latter two goals.~~

2. ~~_____~~ PacifiCorp produces for internal management use an annual Business Plan part of which is a review and revision of its resource needs over the next ten years. The Company in its 2011 IRP Update replicated its Business Plan portfolio as its updated IRP portfolio. The 2011 IRP Update may serve as a template for what future IRPs from the Company might look like.

3. ~~_____~~ PacifiCorp is necessarily ultimately responsible for what it does. The concept that its IRP should somehow be the collaborative consensus of interested parties may be well-meaning, but it is unworkable. The current “collaborative” processes features various parties vying to promote their agendas through the IRP and demanding that the Company spend inordinate resources (and ratepayer money) making computations and explanations to satisfy their various interests.

4. Section 4 is mostly the same as in the current guidelines except for the following:

a. “all” is removed from a couple of subsections since “all” may be unachievable or, at best, subject to dispute. If a party is convinced that an improvement or technology that clearly should be considered and was not, then it can make its case to the Commission in its comments on the IRP. If persuaded, the Commission can include that in its orders on future IRPs to the Company.

b. A 20-year forecast is at best a wild guess in the later years. The 10-year planning horizon in the PacifiCorp Business Plan is much more reasonable in terms of what human beings can reasonably hope to project about the future.

c. The alternative acquisition paths part of the current guidelines has proved to be largely unworkable despite attempts to make something sensible and useful out of that criterion.

d. The requirement on external costs is overly broad and asks the Company to engage in analyses and speculations that may be outside its expertise and contributes little to the Company’s determination of its “preferred portfolio” in any given year. While a high level The preferred portfolio should be based upon reasonable current expectations of future costs and not lengthy discussion and analysis of a nearly limitless range of possibilities that may have no practical impact on the current selection of a preferred portfolio and action plan. If the Commission determines that the Company reasonably should have made different assumptions than it made, the Commission can order the Company to revise its IRP and Action Plan.

e. The Company has never provided a useful discussion of rate design in its IRP. In general rate cases parties do not refer to the IRP in rate design matters. The Company should comment, as appropriate, on regulatory processes or barriers that might be changed or lifted to facilitate the implementation of the IRP.

5. Some edits to the remaining guidelines were made to make them more consistent with the intent of the preceding guidelines.