BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of PacifiCorp's 2015 Integrated Resource Plan	Docket No. 15-035-04

RESPONSE OF WESTERN RESOURCE ADVOCATES TO ROCKY MOUNTAIN POWER'S REQUEST TO WAIVE BUSINESS PLAN REQUIREMENT

June 29, 2016

Western Resource Advocates ("WRA") submits these comments in accordance with the April 20, 2016 "Notice of Amended Comment Period." We appreciate the opportunity to provide input, particularly given the significance of the request of PacifiCorp dba Rocky Mountain Power ("PacifiCorp"), for a waiver from the requirement of the Public Service Commission of Utah ("Commission") that PacifiCorp include its then current Business Plan as a sensitivity in its IRP modeling.

WRA opposes PacifiCorp's request. We do not believe the Company has provided the factual basis to support it. More fundamentally, we believe waiving the requirement would necessarily weaken, if not effectually silence, the requirement that the Company's Strategic Business Plan be directly related to its Integrated Resource Plan ("IRP") to ensure customers benefit from IRP. We therefore recommend the Commission deny the request.

Our comments are organized in two parts. We first provide background, placing the request in context. We then address its substance.

I. PLACING THE ISSUE IN CONTEXT

A. The purpose of Integrated Resource Planning is to ensure the resource mix acquired to serve customers optimally balances cost, risk and uncertainty, and is in the public interest.

The Report and Order on Standards and Guidelines ("Standards and Guidelines") provides the planning framework under which PacifiCorp is to undertake long-term, integrated resource planning ("IRP").[1] The purpose of the IRP is to ensure the resource mix acquired by the Company to serve its customers optimally balances cost, risk and uncertainty, and is in the public interest. The Standards and Guidelines define IRP as:

> a utility planning process which evaluates all known resources on a consistent and comparable basis, in order to meet current 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 set of resources given the expected combination of costs, risk and uncertainty."[2]

Imbedded in the requirement to undertake IRP is the understanding that the interests of shareholders and ratepayers in resource acquisition often do not align. The acquisition path that may best benefit shareholders, may also differ from what is in the interest of customers. The purpose of IRP is to align utility planning and resource acquisition with the public interest. Indeed, the Utah Legislature has recognized the need for direct Commission involvement in utility resource planning to achieve that end. Utah Code §54-1-10 provides that the Commission "engage in long-range planning…to facilitate the well-planned development and conservation of utility resources."

[1] Public Service Commission of Utah, In the Matter of Analysis of an Integrated Resource Plan for PacifiCorp, Report and Order on Standards and Guidelines, Docket No. 90-2035-01, June 18, 1992.

[2] Ibid. p. 17-18.

B. The Standards and Guidelines require strategic business planning to be consistent with IRP to ensure that customers benefit.

To address the potential mismatch in shareholder and customer interests in long-term procurement, and to ensure that customers receive the benefits of IRP, a key requirement of the Standards and Guidelines is the alignment of strategic business planning with IRP outcomes. This is captured in procedural issue number nine: "The Company's Strategic Business Plan **must be directly related** to its Integrated Resource Plan." (emphasis added)[3] Inherent in this guideline is the concept that the Company's capital expenditure program should flow from its IRP. The Commission reasons that "consistency between the Company's strategic business plan and its IRP is necessary to ensure that ratepayers receive the benefits from IRP."[4]

C. Tension between management strategic direction and IRP resulted in the Commission requirement that PacifiCorp present the Business Plan Portfolio as a sensitivity case in all IRPs.

Because shareholder interests and ratepayer interests can differ, procedural issue number nine has resulted in a tension that has played out in the IRP in a number of ways over a number of IRP planning cycles, appropriately resulting in orders failing to acknowledge the Company's IRP.[5] This issue came to a head in the February 6, 2008 Order considering the acknowledgment

[3] Ibid., p. 17.

[4] Ibid.

[5] Since Utah instituted integrated resource planning in 1992, the Commission has issued twelve IRP orders. Six of the twelve IRPs have been fully acknowledged, six have not. The influence of the Company's strategic business planning on IRP outcomes was a key consideration in the Commission withholding acknowledgment of Resource and Market Planning Program ("RAMPP")-5, RAMPP-6 and IRP 2007. RAMPP-3 and IRP 2004 were acknowledged, but their Action Plans were not, because of inconsistencies between the identified plans and study results. Lack of transparency was a key reason for withholding acknowledgement of IRP 2011. RAMPP-2, RAMPP-4, IRP 2003, IRP 2008, IRP 2013 and IRP 2015 were acknowledged with guidance for future improvements. IRP acknowledgement was considered in the following dockets: Docket No. 90-2035-01 (RAMPP-2); Docket No. 94-2035-05 (RAMPP-3); Docket No. 96-2035-01 (RAMPP-4); Docket No. 97-2035-06 (RAMPP-5); Docket No. 98-2035-05 (RAMPP-6); Docket No. 03-2035-01 (IRP 2003); Docket No. 05-2035-01 (IRP 2004); Docket No. 07-2035-01 (IRP 2007); Docket No. 09-2035-01 (IRP 2008); Docket No. 11-2035-01 (2011 IRP); Docket No. 13-2035-01 (2013 IRP), and Docket No. 15-035-04 (2015 IRP).

of IRP 2007, which was not acknowledged. In referencing procedural issue number nine, the Commission made clear the purpose of this requirement:

> The reason for this guideline is to ensure ratepayers receive the benefits of IRP. To the extent the Company makes business or corporate decisions affecting its view of the optimal resource plan given its expected combination of costs, risk, and uncertainty, it must also provide the necessary analysis in the IRP to enable us to determine its conclusions are consistent with the public interest. This is what it means to link the two processes together.
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> The IRP must serve as an analytical document of the costs and risks to ratepayers of alternative means of providing for adequate future service. Clearly, many considerations play a part in the Company's decisions. However, our Guidelines require not only an assessment of risks and uncertainties, but also require the Company identify who is expected to bear the cost to mitigate this risk. If the Company believes it faces a financial risk…, it has the obligation in the IRP to identify the potential cost consequences of this event and the cost to ratepayers to mitigate the risk….
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> It is critically important the IRP process produces credible results upon which state commissions can rely prior to the use of constraining assumptions based on asserted corporate financial risks.
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> Therefore, we instruct the Company to ensure the IRP explicitly produces the quantitative analysis necessary for regulators to understand the cost consequences of mitigating any risk or uncertain event **including any Company corporate resource planning decisions**. The Company bears the risk for any unreasonable costs to ratepayers associated with its decisions to change the quantity and type of resources it procures based on asserted but unexamined risks.[6] (emphasis added)

In the aftermath of the Commission's IRP 2007 Order, PacifiCorp made a concerted effort to address previous shortcomings. In conducting its 2008 IRP, PacifiCorp heeded Commission instructions and provided quantitative analysis of its 2008 Business Plan Portfolio, developed through the IRP 2007 Update.[7] In addition to determining the incremental cost of the several

[6]Public Service Commission of Utah, In the Matter of the PacifiCorp 2006 Integrated Resource Plan, Report and Order, Docket No. 07-2035-01, February 6, 2008, pp. 33-34.

[7] In developing the 2008 Business Plan, the Company updated key forecasts and capital cost assumptions from the 2007 IRP; included the full Energy Gateway Transmission Expansion; constrained the selection of coal-fired resources; fixed the selection of wind; and predetermined the level of DSM. System Optimizer was then used to select the size and timing of natural gas additions and Front Office Transactions. See PacifiCorp, 2007 Integrated Resource Plan Update, June 11, 2008.

business plan portfolios, measured as the Present Value of Revenue Requirement (PVRR), PacifiCorp evaluated their stochastic risk consistent with other portfolios to determine their cost/risk tradeoff.[8]

The Commission acknowledged the 2008 IRP. While it did not agree with PacifiCorp that the portfolio identified as the Preferred Portfolio was optimal,[9] it approved of the modeling transparency provided by the Company's evaluation of the cost/risk tradeoff of its business plan cases. It said:

> We support the approach used by the Company in IRP 2008 wherein the Company included business plan reference cases and evaluated these cases in comparison to the other broadly defined cases. This approach provides transparency between the two planning processes and allows cost-risk tradeoff analysis of the business plan and other alternative portfolios.[10]

With respect to the quality of the information produced by the 2008 IRP, the Commission said:

> We commend the Company for the progress it made in IRP 2008 toward greater transparency in explaining how its Preferred Portfolio is optimal considering risks and, to some degree, uncertainty. We recognize parties disagree regarding which risks and other considerations should be weighted more heavily and we appreciate the input parties provide regarding different views of the long-run public interest. Indeed, parties are able to debate the Company's conclusions and, using the information generated in the IRP analytical process, offer informed views. This is a positive step when compared with the last IRP wherein parties were unable to determine how the Company came to its conclusions and could not thread through the series of portfolios created. This healthy discussion of key issues of expected costs, risks, and reliability is precisely one value intended in the IRP process.[11]

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[8] The business plan portfolios were higher in cost and risk than other portfolios.

[9] Public Service Commission of Utah, In the Matter of the Acknowledgment of PacifiCorp's Integrated Resource Plan, Report and Order, Docket No. 09-2035-01, April 1, 2010, p. 58.

[10] Ibid. pp. 48-49.

[11] Ibid., p. 18.

In acknowledging the IRP, the Commission Order specifically noted the value of a more transparent IRP, resulting from the addition of PacifiCorp's business plan reference cases: "We commend the Company for producing a more transparent plan than in the past."[12]

It is apparent that the Commission expected the Company to continue to evaluate the cost/risk tradeoff of business plan portfolios in future IRPs and to improve on its methods.[13]

D. Business Plan portfolios incorporate management's strategic objectives that must be evaluated in the IRP.

Beginning with the 2007 IRP Update, issued four months after the 2008 Acknowledgement Order, PacifiCorp has used its IRP Update to provide public information regarding its strategic planning.[14] In developing its Business Plans through the IRP updates, PacifiCorp begins with the previous IRP's preferred portfolio. Key assumptions are updated and management imposes capital, operating, and other strategic constraints.[15] The capacity expansion model is then used to re-optimize resources that have not been exogenously fixed. This IRP update process results in a Business Plan portfolio that incorporates management's strategic considerations. [16]

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[12]Ibid., p. 58.

[13] "We appreciate the Company's efforts to consider the three-step approach for developing its preferred portfolio we outlined in the last IRP, … We encourage the Company to continue efforts to fully implement this three-stage approach." Ibid., p. 19.

[14] PacifiCorp's actual annual 10-Year Business Plan is considered highly confidential.

[15] Strategic constraints include considerations such as the ability to recover costs of particular resources or resource types. PacifiCorp has identified cost recovery across its six states as a strategic concern that influences its resource acquisition strategy.

[16] PacifiCorp identified the 2007 IRP Update as the 2008 Business Plan; the 2008 IRP Update as the 2010 Business Plan; and the 2011 IRP Update as the 2012 Business Plan. In producing the 2013 IRP Update and 2015 IRP Update PacifiCorp made a distinction between the Updates and the Business Plans, but in both updates, the IRP Update portfolio and the Business Plan portfolio are nearly identical over the first ten years.

In its Order acknowledging IRP 2008, the Commission made clear the public interest purpose of evaluating business plan portfolios in a manner comparable to portfolios developed without imposed constraints. Additionally, it addressed the Company's newly proposed approach to link business planning with IRP (the same process referenced by the Company in its present request to waive the business plan sensitivity). The Commission Order said:

> We recognize the IRP and the business plan are not one and the same. While the planning processes will inform each other, they are separate processes with distinct purposes, different participants and potentially different considerations.
>
> The IRP is designed to identify the optimal plan to serve the long-run public interest and invite interaction and information exchange between the Company, regulators, and other interested parties…
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> The business plan is directed by Company management and reflects the Company's financial interests to a greater extent than the IRP…Company investment decisions and actions are not judged in the IRP acknowledgment proceeding. Indeed, Guideline 7 states, "Acknowledgment of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions."
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> However, Guideline 8 states, "The Integrated Resource Plan will be used in rate cases to evaluate the performance of the utility and to review avoided cost determinations." The IRP must have sufficient detail and documentation, and be relatively timely, to enable regulators to evaluate Company resource decisions given information available at a point in time.
>
> While we concur with the Company the planning processes should inform each other…the Company must fully support all of the assumptions used in the IRP and demonstrate their appropriateness for serving the public interest, including the use of any business planning assumptions.
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> The objective of the guidelines addressing the link between the Company's strategic business plan and the IRP is to ensure transparency between the two plans such that any differences are easily understood and the benefits of IRP are brought to customers.[17]
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> …the Company must fully support all of the assumptions used in the IRP and demonstrate their appropriateness for serving the public interest, including the use of any business planning assumptions.[18]

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[17] Public Service Commission of Utah, In the Matter of the Acknowledgment of PacifiCorp's Integrated Resource Plan, Report and Order, Docket No. 09-2035-01, April 1, 2010, pp. 47-48.

[18] Ibid., pp. 57-58.

E. PacifiCorp has not fully complied with Commission direction.

In the 2011 IRP that followed IRP 2008, PacifiCorp again complied with the Commission's instructions to provide quantitative analysis in support of its Business Plan,[19] but it did not include a cost/risk evaluation of the 2012 Business Plan portfolio in IRP 2013 or the 2014 Business Plan portfolio in IRP 2015. In its order acknowledging IRP 2013 the Commission said: "We note PacifiCorp did not present the Business Plan as a sensitivity case in the 2013 IRP. We remind PacifiCorp to provide this sensitivity in the 2013 IRP Update and all future IRPs."[20] In its order acknowledging PacifiCorp's 2015 IRP, the Commission said: "PacifiCorp did not present the Business Plan as a sensitivity in the 2015 IRP contrary to our direction in the January [2014] Order at 30. We remind PacifiCorp the requirement remains for future IRPs. If PacifiCorp has substantive objections to this requirement, PacifiCorp should file a motion for Commission action within 90 days of this order explaining the objection and requesting relief."[21] On April 17, 2016, ninety days from the issuance of the 2015 IRP Order, PacifiCorp filed its request for a permanent waiver of the requirement.[22]

[19] Consistent with the Commission directive, PacifiCorp evaluated the performance of the 2010 Business Plan portfolio—developed through the 2008 IRP Update—in IRP 2011 (Case 19). It performed poorly with higher costs and higher risks as compared to other portfolios. This is not surprising given management's decisions to remove the risk mitigating energy efficiency and renewable resources from the portfolio and replace them with gas. In developing the 2010 Business Plan, PacifiCorp began with the 2008 IRP and then: (1) eliminated 482 MW of wind generation, 121 MW of Class 1 and Class 2 DSM, 43 MW of CHP, and 35 MW of geothermal generation; (2) eliminated a 261 MW SCCT; and (3) added a second CCCT. The Commission did not acknowledge IRP 2011 because of a loss of transparency. (See: Public Service Commission of Utah, In the Matter of the Acknowledgment of PacifiCorp's 2011 Integrated Resource Plan, Report and Order, Docket No. 11-2035-01, March 22, 2012, pp. 6-11.)

[20] Public Service Commission of Utah, In the Matter of PacifiCorp's 2013 Integrated Resource Plan, Report and Order, Docket No. 13-2035-01, January 2, 2014, p. 30.

[21] Public Service Commission of Utah, In the Matter of Rocky Mountain Power's 2015 Integrated Resource Plan, Report and Order, Docket No. 15-035-04, January 8, 2016, p. 31.

[22] Yvonne R. Hogle, In the Matter of Rocky Mountain Power's 2015 Integrated Resource Plan, Rocky Mountain Power's Request for Waiver of Requirement to Include Business Plan as Sensitivity in Subsequent Integrated Resource Plans, Docket No. 15-035-04, April 7, 2016.

II. RESPONSE TO PACIFICORP'S REQUEST FOR A WAIVER OF THE REQUIREMENT THAT IT INCLUDE AS A SENSITIVITY IN FUTURE INTEGRATED RESOURCE PLANNING PROCESSES ITS THEN CURRENT BUSINESS PLAN

While couched in terms of confidentiality and commercial sensitivity, shareholder concern for ensuring cost recovery of PacifiCorp's capital expenditure program appears to be at the heart of PacifiCorp's request for a waiver. PacifiCorp provides three reasons in support of its request. The first two appear directly related to concerns of cost recovery. The third appears to be a misinterpretation of Commission requirements. In the discussion below we address each of the three concerns. In addition, we address PacifiCorp's claim that it is not seeking to change the requirement that its strategic business planning be directly related to its IRP. We show that if the Request is approved, the result would effectively eliminate this key requirement that PacifiCorp's strategic business planning be directly related to its IRP.

A. The Business Plan includes confidential, business-sensitive, and strategic information that would harm the Company and its customers if disclosed, even if through a non-disclosure agreement.

In explaining its concern regarding the confidentiality of the information included in its Business Plan, PacifiCorp makes three claims: (1) if the Company is required to provide a business plan sensitivity in the IRP, confidential, business-sensitive, and strategic information would be disclosed to intervenors; (2) the Business Plan includes assumptions related to environmental compliance that may or may not come to fruition; (3) this information is commercially sensitive and its disclosure, even under a protective order, would harm the Company and ultimately its customers.

Conducting the required sensitivity will result in the disclosure of Confidential, Business-Sensitive and Strategic Information.

PacifiCorp claims that if it is required to provide an analysis of the cost/risk tradeoff of its Business Plan portfolio as part of IRP analysis, confidential, business-sensitive, and strategic information will be disclosed to IRP participants or to intervenors in the subsequent acknowledgment process. This, it claims, would be harmful to it and its customers.

WRA disagrees that providing the cost/risk metrics required by the Commission would result in the disclosure of confidential, business sensitive, and strategic information. We see no connection between PacifiCorp's fulfillment of the Commission's requirement to provide cost/risk metrics for its Business Plan portfolio(s) and the provision of information that it is not already required to provide. As discussed above, PacifiCorp currently develops a Business Plan portfolio that is filed with the Commission and shared with the public through the IRP Update. And, although the Company states in its cover letter to the Commission that the IRP Update filings are for informational purposes only, they are docketed, and consistent with Utah Code §54-17-301, the Commission issues a request for comments. Any party whose intervention has been accepted and who has signed a confidentiality agreement pursuant to the terms and conditions of Utah Rule R746-100-16 can request and receive confidential information.

We further note that PacifiCorp already considers its Business Plan to be highly confidential. To view the Business Plan, regulatory staff must visit PacifiCorp's offices. This level of confidentiality would not be lessened if PacifiCorp developed the cost/risk metrics for its Business Plan portfolio as required by the Commission. In short, PacifiCorp's claim that additional confidential information would somehow be disclosed by conducting sensitivity analyses is erroneous.

The Business Plan includes confidential, business sensitive, and strategic information related to environmental compliance that may or may not come to fruition.

PacifiCorp appears particularly concerned that its strategy to comply with known or emerging environmental requirements may become known and that this would somehow adversely affect the company or its customers. It states that "confidential, business sensitive and strategic information can include assumptions related to compliance with rules and regulations that are or that could be mandated by federal and state regulatory agencies or emerging energy policies across the Company's states" and that these assumption "may or may not come to fruition."[23] The implication seems to be that if PacifiCorp's strategic environmental compliance assumptions prove to be incorrect, PacifiCorp's capital investment program could be challenged in future ratemaking proceedings. The fact that disclosure may expose inadequate PacifiCorp planning is not a reason to withhold information; it is a reason to provide information.

Environmental compliance information is commercially sensitive, and its disclosure, even under a protective order, would harm the Company and ultimately its customers

PacifiCorp further states that as a result of the increasingly complex compliance environment in which it operates, PacifiCorp's Business Plan has become increasingly commercially sensitive and that its public disclosure, even under a protective order or non-disclosure agreement, would harm the Company and its customers. However, PacifiCorp provides no explanation as to why this information is commercially sensitive or why the Business Plan is any more commercially sensitive then it has been in the past. Nor does PacifiCorp demonstrate why a protective order or non-disclosure agreement is insufficient to protect the Company's interest, if indeed there is an interest that must be protected. If PacifiCorp's real concern is with providing information that could be used to challenge its capital investments in future ratemaking proceedings, that is no

[23] Ibid. p. 4.

basis upon which to withhold important information. The Commission is perfectly capable of sorting out the merits of any investment recovery challenges – but only if it has all the relevant information available to it.

Finally, as we noted earlier in our response, shareholder interests and customer interests in resource acquisition often diverge, and this is at least part of the reason the Utah Legislature tasked the Commission with overseeing utility planning and why the Commission promulgated standards and guidelines to govern IRP. PacifiCorp has not made the case that customers would be harmed if its motion is denied.

B. To be required to present commercially sensitive information, yet have the Business Plan eliminated in the IRP comparison cases, increases the risk of harm to the Company and its customers.

Either PacifiCorp does not understand the Commission's directive to provide a Business Plan sensitivity or PacifiCorp is attempting to misdirect the Commission by falsely painting the Commission's directive to provide cost/risk metrics for its Business Plan portfolio as different in kind than the other analyses PacifiCorp develops as part of its IRP. In its request, PacifiCorp states:

> Because the IRP is structured to study how different resource acquisition paths compare to one another, it does not consider system cost information that remains unchanged among varying resource portfolio scenarios. Selection of a least cost, adjusted for risk preferred portfolio from a range of different resource portfolio alternatives only considers the differences between the underlying cost information that varies among different scenarios. In contrast, the Company's business plan which considers capital and operating budget constraints and incorporates certain forward looking assumptions regarding emerging regulations and polices, considers a thorough assessment of all forecasted resource costs.[24]

[24] Ibid. p. 5.

This characterization is erroneous. The Commission's directive is to determine the **incremental** PVRR and develop risk metrics for the Business Plan portfolio in the same manner as for every other portfolio that is considered in the stochastic analysis.[25] The Company's consideration of "capital and operating budget constraints" and "forward-looking assumptions regarding emerging regulations and policies" simply constrain the modeling and, thereby, alter the type, timing and location of resources in the Business Plan portfolio. An understanding of the cost consequences of imposing the Company's view of the risks it faces is precisely what the Commission requirement is intended to capture, particularly since the risks that may concern the Company are not necessarily the risks that would concern its customers.

As an example, the Company may be quite concerned with the potential for the capital cost recovery of a new resource across all six of its states but be much less concerned with the risk of high market prices or high fuel prices since it has energy cost adjustment mechanisms in place, and the sharing bands in Utah have been removed through legislation. These are different risks and different concerns, as between the Company and its customers. The Commission's requirement provides that it has the necessary information available to it to determine the cost consequences of strategic Company planning.

It is apparent to WRA that investor concerns for cost recovery are at the heart of PacifiCorp's argument in its request and the fundamental driver of PacifiCorp's apparent unwillingness to provide risk metrics for its business planning decisions. Experience has shown that imposing strategic management constraints on PacifiCorp's investment decisions increases cost and risk. In both the 2008 IRP 2008 and the 2011 IRP, PacifiCorp's business plan portfolios fared poorly

[25] The Commission directed PacifiCorp to consider subjecting **all** portfolios developed to stochastic analysis. See Commission's suggested three-step approach in its IRP 2007 Order. p. 40.

compared with other portfolios.[26] Indeed, PacifiCorp understands that its strategic planning results in a portfolio that diverges from the determination of a least-cost, least-risk portfolio. It says:

> A business plan sensitivity that is required to present this level of commercially sensitive cost data **only to be effectively netted-out and eliminated in the IRP comparison cases** underlying the portfolio development and preferred portfolio selection process brings only increased risk of harm to the Company and ultimately its customers [emphasis added].

It appears to us that the phrase bolded above is PacifiCorp's key issue and its primary reason for its request to permanently waive the Commission requirement. It does not want to publicly reveal the cost consequences of its business planning decisions.

C. It is unreasonable to require the Company to extend its Business Plan forecast for the sole purpose of producing a business plan sensitivity.

PacifiCorp claims that since it does not currently produce business plan assumptions that align with a 20-year planning horizon, the Commission is unreasonable in requiring PacifiCorp to develop cost risk metrics for a 20-year Business Plan portfolio.

WRA disagrees. First, WRA does not believe it is unreasonable for the Commission to require the information it needs to meet its obligations under Utah Code §54-1-10.

Second, assessing the cost/risk metrics of a 20-year business plan portfolio does not require business plan assumptions that align with a 20-year planning horizon. All that is required is that the portfolio be optimized over a 20-year window. All strategic management assumptions can be limited to the first ten years.

[26] See footnotes 8, 9, and 20.

Finally, the information the Commission is requiring is not onerous to produce. The Company already provided the required information in the 2008 IRP and the 2011 IRP. And, as was previously discussed, PacifiCorp begins its business plan development with the previously identified 20-year Preferred Portfolio.[27] Since it begins with a 20-year preferred plan, it does not appear that re-optimizing over a 20-year time horizon, after imposing constraining assumptions in the first ten years, would be a difficult task.

D. Waiving the requirement that PacifiCorp provide a business plan sensitivity in its IRP would effectively eliminate the important requirement that the Business Plan be directly related to the IRP.

PacifiCorp claims that it is not asking for a waiver of the Standards and Guidelines requirement that the business plan be directly related to the IRP. It explains:

> The Company's IRP and business planning processes are inherently related and directly influence one another on an annual basis. Accordingly, **the IRP provides the Commission and stakeholders exposure to the Company's resource planning activities that is consistent with its Business Plan** without having to present the Company's Business Plan as a sensitivity in the IRP. (emphasis added)[28]

WRA strongly disagrees that "exposure to the Company's resource planning activities that [are] consistent with its Business Plan" fulfills the requirement that "the Company's Strategic Business Plan be directly related to its Integrated Resource Plan" so that customers receive the benefit of IRP. The causality is backwards. And, as we previously discussed in part one of this Response, it is precisely this backwards causality that led the Commission to impose the business sensitivity requirement in the first place. Approving PacifiCorp's request would institutionalize the incorporation of management's strategic objectives in the IRP, whether or not these objective

[27] See Section 1-D above.

[28] Ibid., 5-6.

are in customers' interest or in the public interest, thereby effectively removing this key requirement from the Standards and Guidelines.

III. CONCLUSION

For the foregoing reasons, WRA urges the Commission to preserve the existing requirements it established in promulgating the Standards and Guidelines, and in its previous orders, related to providing business plan information as part of the IRP. We recommend the Commission deny PacifiCorp's request and require PacifiCorp to undertake the required cost/risk analysis in the current IRP and in all future IRPs.

Respectfully submitted,

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