

D. DOUGLAS LARSON
Director
Economic Regulation

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Salt Lake City, Utah 84140-0008
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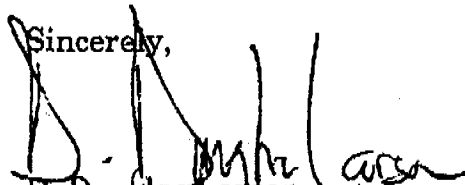
March 15, 1993

**TO: ALL ATTENDEES AT DSR TECHNICAL CONFERENCE
HELD MARCH 8, 1993**

Attached is a Draft copy of the DSR Technical Conference Minutes for the March 8 meeting. This should aid you in your preparation for the next Technical Conference scheduled for Friday, March 19, in Conference Room "C" on the 20th Floor of the One Utah Center.

If you have any questions, please feel free to call.

Sincerely,



D. Douglas Larson
Director, Economic Regulation

lfs

Attachments

DRAFT**DSR TECHNICAL CONFERENCE
MINUTES****March 8, 1993****INTRODUCTIONS**

At the direction of Chairman Mecham, Commissioner Byrne called the meeting to order and gave all attendees the opportunity to introduce themselves and the organization they were representing. *Attachment 1* is a list of attendees, organization represented, and their phone and FAX numbers.

COMMISSION PERSPECTIVE

Commissioner Byrne then explained his perspective of the Technical Conference process. What the Company had at one time sought to accomplish in Docket No. 92-2035-07 was now set to be accomplished in Docket No 92-2035-04. He suggested that anyone desiring to know the status of Company sponsored DSR programs should get a copy of Dave Taylor's letter to the Commission Dated November __, 1992. (*See Attachment 2*) He recognized that the DPU had proposed a set of meetings and workshops to be sponsored by various parties while the Company had proposed a slightly different set of meetings. He felt that these differences could be worked out with the input from all parties at today's meeting.

PARTIES PERSPECTIVE OF PROCESS

It was then suggested that all parties represented briefly explain their interest in the Technical Conferences and their expectations for the outcome of the process. The following is a brief summary of each party's response:

Company: Doug Larson explained the Company's reasoning for withdrawing its accounting application for DSR cost recovery in Docket No. 92-2035-07. He indicated that cost recovery could not be considered in isolation from other DSR issues, and thus it was appropriate to address all issues in Docket No. 92-2035-04. It was the Company's hope that these Technical Conferences would culminate in a report summarizing the areas of agreement between parties and the areas that needed to be resolved in a formal proceeding before the Commission.

Commission Staff: Rich Collins expressed the staff's position that the purpose of the meetings was to explore various ways to encourage the Company to implement its Integrated Resource Plan (IRP).

Division of Public Utilities: Audrey Curtiss indicated that the DPU viewed the Technical Conferences as an educational process. Each party would have the opportunity to sponsor a discussion on a DSR issue(s) of importance to their constituencies. At the end of the process, the DPU would write a report to the Commission summarizing the position of each party.

DSR Technical Conference Minutes

March 8, 1993

DRAFT

Committee of Consumer Services: Dan Gimble stated that he thought this process should focus on both the short and long-term billing effects of the implementation of DRS. He also felt that we should look at the implementation of rewards and penalties on the Company based on whether a DSR program met, exceeded, or fell short of its projected energy savings.

Department of Energy: Becky Wilson hoped that this would be an educational process in which everyone could learn and no positions or consensus needed to be reached. She handed out a summary describing the DOE's goals for the Technical Conference process. (See Attachment 3)

Land & Water Fund of the Rockies: Eric Blank wanted to participate and help as requested by explaining what other states and utilities are doing with DSR. He hoped that this process would be a collaborative effort that explored various cost recovery approaches and worked to resolve as many issues as possible.

Kenncott, et. al: Bill Evans expressed concern that this Technical Conference process should not be trying to reach any agreements or come to any consensus since anything decided here would only have to be litigated and completely explored in a hearing process. This forum should only be educational and no decision or recommendation should be made.

Magcorp: Lee Brown expressed concern that this process would be costly to his company, particularly if we turned around and had to cover all the same issues in a general proceeding. He then read a paragraph that expressed his concerns from a prepared letter. (See Attachment 4)

BSI: Scott Gutting agreed with Lee Brown and stated that it would be difficult for him to attend all of the Company's proposed Technical Conference Meetings.

Geneva: Gary Dodge supported the comments of other industrial representatives and again reiterated the costliness and time-consuming nature of the Technical Conference process.

NEOS Company / WAPA: Bruce Hutchinson attended this first Technical Conference to determine whether the Technical Conference process would be addressing issues of interest to his clients.

Wasatch Clean Air Coalition: Ellen Eckels stated that she was interested in the results of the Technical Conference process and that her group wanted to promote the implementation of cost effective DSR.

Mountain Fuel: Brad Markus was there as an interested party. Mt. Fuel wanted to be aware of the Commission's opinions and the Technical Conference's recommended approaches for implementing recovery of DSR costs.

DSR Technical Conference Minutes

March 8, 1993

DRAFT

Deseret G&T: Elgin Ward said the Deseret G&T was attending for the purpose of learning how DSR may affect their customers.

COMPANY PERSPECTIVE

Verl Topham then expressed the Company's views and concerns as related to DSR in general. He spoke specifically about DSR in Utah and how the Company should proceed wisely and cautiously with the implementation of DSR programs. For a complete copy of his remarks, *see Attachment 5*.

LUNCH BREAK

Following lunch, Commissioner Byrne suggested that the number of Technical Conferences initially be cut to six in order to limit the time and expense of the participating parties. He then excused himself from the meeting.

INTRODUCTION OF FACILITATOR

Doug Larson then introduced Arty Trost as a Facilitator for the group. Arty explained that her background was not in DSR but was in professional facilitating and hoped to be able to provide a process for accomplishing the group's goals.

DETERMINATION OF PROCEDURAL GOALS

The group then discussed what its "procedural goals" would be for the Technical Conference. It was decided that the group could not "make policy". They could only make recommendations to the Commission.

Concern was expressed about the real purpose of the Technical Conference and who should or should not be participating. The following statement was made by Ken Powell and agreed on by the group:

This series of Technical Conferences has been convened as a part of the PacifiCorp Docket No. 92-2035-04 and therefore the discussion will be focused on PacifiCorp. We recognize, however, that the underlying principles may have broader application and so we invite the participation and comments of any interested party.

Further discussion was held trying to determine the procedural goals for the series of conferences. Though no final agreement was reached, the following preliminary list of procedural goals was developed, placing no limitation on scope:

- Clear understanding of each party's concerns.
- Final paper that we agree states the facts and informs the Commission of the results of our investigation.

**DSR Technical Conference Minutes
March 8, 1993**

DRAFT

- Educate us as to the background of the issues and alternative possibilities--look nationally.
- Keep the Commission informed.
- In the final paper, there should be a clear statement of where the parties differ.
- The final paper should set forth what the group is and what its limits are.
- Have some agreement on definition of terms, issues, and facts.
- Information flow to and from participants, Commission, etc.
- Should we have "workshops" in addition to these meetings?
- Hosting of the meetings.
- Identify what alternative options are possible; agreement on consequences of each alternative, and various parties' concerns on each alternative.

The following suggestions for a final product were proposed and debated:

1. All parties write separate positions papers
2. The group write a single paper describing the agreed upon and the unresolved issues of the Conference.
3. The DPU write a single paper describing each party's position.

The group could not agree that developing a "position" on the issues covered in the Technical Conference was a common goal. Therefore, it was decided that all parties should review their expectation of the "final product" and come prepared to discuss them at the next meeting.

BRAINSTORMING THE ISSUES

Doug Larson read the following scope of issues proposed by Land and Water Fund and quoted by the Commission in its Order accepting PacifiCorp's withdrawal of application:

- comparability of supply side and demand side resources;
- regulatory barriers that discourage implementation of the Company's IRP;
- disincentives associated with DSR, including lost revenues and cost recovery;
- potential solutions such as lost revenue adjustments, decoupling, rate design, and frequent rate cases;
- alternative approaches to DSR program design that mitigate lost revenues and other cost recovery issues.

Some debate occurred concerning what should be included as issues and what should be excluded. The DPU particularly felt that "rate design" should be considered an issue since it had been excluded as a topic in the RAMPP meetings. The Company felt that this was not the proper setting for its discussion. The DPU agreed that rate design did not need to be included as an issue if the Company would commit to discuss the topic in another forum.

DSR Technical Conference Minutes
March 8, 1993

DRAFT

It was then decided that rather than attempting to narrow the scope of issues by debating the merits of each, we should just brainstorm on all possible topics. The following list was compiled:

- ① To encourage the Company to implement its IRP.
- To consider cost-effective approaches to meeting load growth. ?
- Define scope of the docket as it applies to this group (partially in order to limit position descriptions).
- Utility promotion of DSR vs. alternative ways of promoting energy efficiency. → what is meant here.
- Alternative sources of supply.
- We would like to help the Commission implement the requirements of the National Energy Act.
- DSR cost allocations (intra-jurisdictional).
- Cost recovery.
- Decoupling.
- Incentives.
- Net lost revenues.
- Role of evaluation in cost recovery.
- Do not consider fuel switching.
- Do not consider rate design with proviso that Company considers it in RAMPP. ✓
- No consideration of retail wheeling.
- Consistency between DSR and SSR.
- Impact on rates, short and long run.
- Participant cost sharing.
- No consideration of DSR program.
- Financial impacts on Company of regulation change or cost recovery.
- Accounting treatment/delayed amortization and carrying charges.
- Expensing vs. rate basing.
- Interjurisdictional issues.
- Program design.
- Cross-subsidies.
- Energy service charge.
- Balancing accounts.
- Forecasted test years.
- Frequency of rate cases.
- Shared savings/rate of return incentives.

OTHER SUGGESTIONS ?

If parties had additions to this list, they were to FAX them to Doug Larson by Friday, March 12, 1993.

In order to get everyone on the same playing field, it was requested that the Company, at a future meeting, explain what is involved in the development of its IRP.

**DSR Technical Conference Minutes
March 8, 1993**

DRAFT

It was suggested that a common definition of terms would be helpful to all parties. Anne Eakin committed to bring the Northwest Power Planning Commission's definition of terms to the next meeting.

TIME TABLE/CALENDAR OF FUTURE MEETINGS

The next meeting was scheduled. Date: March 19, 1993

Time: 9:00 am

Place: 20th floor of the One Utah Center (OUC)

The purpose of the meeting is to determine/agree on what issues will be the focus of subsequent Technical Conferences.

ATTACHMENT 1

**DSR TECHNICAL CONFERENCE
ATTENDEES
March 8, 1993**

NAME	ORGANIZATION	TELEPHONE	FAX
F. Elgin Ward	Deseret G&T	801-566 1238	801-562-6302
Kenneth Wilson	Deseret G&T	801-566-1238	801-562-6302
Scott A. Gutting	ESI	801-355-4365	801-521-9142
Gary A. Dodge	Geneva	801-532-7840	801-532-7750
Bill Evans	Kennecott, ct al	801-532-1234	801-536-6111
Eric Blank	Law Fund	303-444-1188	303-786-8054
Lee R. Brown	Magcorp	801-532-2043 ext. 573	801-534-1407
Brad Markus	Mountain Fuel	801-534-5631	801-534-5166
Bruce Hutchinson	NEOS Company / WAPA	801-524-6384	801-524-6863
Arty Trost	Organizational Dynamics	503-668-7979	503-668-3420
Anne Eakin	PacifiCorp - Portland	503-464-5065	503-275-2636
Gordon McDonald	PacifiCorp - Portland	503-464-5986	503-275-2636
Doug Larson	PacifiCorp - Utah	801-220-2190	801-220-2422
Barric L. McKay	PacifiCorp - Utah	801-220-4160	801-220-2422
Dan Peterson	PacifiCorp - Utah	801-220-4014	801-220-2422
Verl Topham	PacifiCorp - Utah	801-220-4200	801-220-4028
Dan Gimble	Utah CCS	801-530-6798	801-530-7655
Margo Hovingh	Utah CCS	801-530-6646	801-530-7655
Steve Alder	Utah Division of Energy-A.G.	801-538-1017	801-538-3442
Rebecca Wilson	Utah Division of Energy	801-538-5428	801-521-0657
Ron Burrup	Utah DPU	801-530-6686	801-530-6512
George Compton	Utah DPU	801-530-6950	801-530-6512
Audrey J. Curtiss	Utah DPU	801-530-6672	801-530-6512
Mark V. Flandro	Utah DPU	801-530-6788	801-530-6512
Darrell S. Hanson	Utah DPU	801-530-6655	801-530-6512
Frank Johnson	Utah DPU	801-530-6675	801-530-6512
Judith Johnson	Utah DPU	801-530-6776	801-530-6512
Ken Powell	Utah DPU	801-530-6664	801-530-6512
Jim Byrne	Utah PSC	801-530-6716	801-530-6796
Rich Collins	Utah PSC	801-530-6770	801-530-6796
Stephen Hewlett	Utah PSC	801-530-6716	801-530-6796
Doug Kirk	Utah PSC	801-530-6716	801-530-6796
Steve Mecham	Utah PSC	801-530-6716	801-530-6796
Ellen Eckels	Wasatch Clean Air Coalition	801-277-6664	4780 Idlewild Cr. SLC, UT 84124

ATTACHMENT 2

F
12/2/92**UTAH POWER**

THE UTAH CENTER

DAVID L. TAYLOR
MANAGER
PRICING & REGULATORY AFFAIRS

201 SOUTH MAIN • SUITE 800 • SALT LAKE CITY, UTAH 84140 • (801) 220-2947 • FAX (801) 220-2798

November 4, 1992

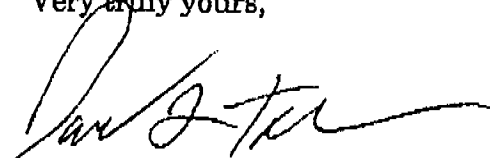
Commissioner Jim Byrne
Public Service Commission of Utah
4th Floor, Heber M. Wells Building
160 East 300 South
P O Box 45585
Salt Lake City UT 84145

Dear Commissioner Byrne:

Per your request, please find enclosed the status of all demand-side resource (DSR) programs Utah Power has filed with the Public Service Commission of Utah from January 1991 to the present.

If we can be of further assistance to you, please don't hesitate to call.

Very truly yours,



Enclosure

/mlb

cc: Division of Public Utilities
Committee of Consumer Services

UTAH POWER - STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Heating and Air Conditioning Professional Dealer Program (H-Pro Program) (Electric Service Schedule No. 13 changed to Schedule No. 230)

Filing Date: Original Filing - April 24, 1991
Revised - March 23, 1992

Docket No. 92-035-T03 and Advice Letter No. 92-03

Approval Date: Original Filing - June 1, 1991
Revised - April 9, 1992

Description of Program:

The purpose of this program is to encourage the installation of energy efficiency heating and air-conditioning equipment. The customer must purchase qualifying heating and air-conditioning equipment from a participating H-Pro dealer. The Company will work with lending institutions to provide, through H-Pro dealers, low-interest equipment financing packages for qualifying customers. Company will provide a 1.5% interest buy-down from the lending institution's interest rate for such financing.

Modification of program - Increase SEER rating of A/C from 10 to 12 and HSPF rating of heat pumps from 68 to 7.0.

Additional Action Required: Annual Report on Program due June 1, 1992.
Filed with the Public Service Commission of Utah on June 1, 1992.

UTAH POWER - STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Commercial Energy Services - Optional for Qualifying Customers (Schedule No. 20 changed to Schedule No. 120)

Filing Date: Original Filing - May 15, 1991
First Revision - April 10, 1992
Second Revision - September 11, 1992

Docket No. 92-035-T04 (Advice Letter No. 92-04)
92-035-T11 (Advice Letter No. 92-11)

Approval Date: Original Filing - July 16, 1991
First Revision - May 12, 1992
Pending

Description of Program:

Service under this program is available to improve the energy efficiency of new Commercial Buildings larger than 12,000 square feet and existing Commercial Buildings undergoing major renovation to be connected to Company's system on or after the effective date of this schedule. The Company will provide the Conservation Payments for incremental construction which result in the installation of Energy Conservation Measures. Upon connection of electric service to new Commercial Buildings having such measures installed under this program, Company will bill the Customer an Energy Service Charge as specified by this schedule.

Additional Action Required:

Annual Report on program due September 1, 1992.
Annual Report filed on September 15, 1992.

UTAH POWER - STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Industrial Energy Services - Optional for Qualifying Customers (Schedule No. 20A changed to Schedule No. 140)

Filing Date: Original Filing - July 5, 1991
Revised - April 10, 1992

Docket No. 92-035-T05 and Advice Letter No. 92-05

Approval Date: Original Filing - August 5, 1991
Revised - May 12, 1992

Description of Program:

Service under this program is available to improve the energy efficiency of applicable Industrial Facilities connected to Company's system. The Company will provide the Conservation Payments for both design assistance and construction which results in the installation of Energy Conservation Measures, and also may provide for evaluation studies and inspections related to such Measures. Upon completion of Measures installed under this program, Company will bill the Customer an Energy Service Charge as specified by this schedule.

Additional Action Required:

Annual Report due September 1, 1992.
Filed Annual Report on September 15, 1992.

UTAH POWER - STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Industrial Energy Services - Optional for
Qualifying Customers (Schedule No. 141)

Filing Date: Original Filing - July 5, 1991
Revised - April 10, 1992

Docket No. 92-035-T05 and Advice Letter No. 92-05

Approval Date: Original Filing - August 5, 1991
Revised - May 12, 1992

**Description of
Program:**

Service under this program is available to improve the energy efficiency of applicable Industrial Facilities connected to Company's system. The Company will provide the Conservation Payments for both design assistance and construction which results in the installation of Energy Conservation Measures, and also may provide for evaluation studies and inspections related to such Measures. Upon completion of Measures installed under this program, Company will bill the Customer an Energy Service Charge as specified by this schedule.

**Additional Action
Required:**

Annual Report due September 1, 1992.
Filed Annual Report on September 15, 1992.

UTAH POWER - STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Residential New Construction Energy Efficiency Program (Super Good Cents)

Filing Date: April 20, 1992

Docket No. 92-035-T07 - Advice Letter No. 92-07

Approval Date: Schedule vacated July 9, 1992.

Description of Program:

The Company will provide grants to the owner/builder, up to the maximum amounts shown below, toward the cost of energy-efficient measures in new residential construction. The energy-efficient measures must meet the requirements of energy efficiency for Climate Zone II as set forth in the 1986 Model Conservation Standards (MCS) as specified in the Northwest Power Planning Council's Conservation and Electric Service Act as amended. Energy efficient measures may include, but are not limited to, ceiling, floor, and wall insulation; insulated glass; advanced framing and building techniques to accommodate insulation levels; heat recovery and non-heat recovery ventilation. Measures related to installation of heat pumps as a builder option to meet MCS and qualify for grants are excluded. Payment will be made to the owner/builder upon verification and certification by the Company that the qualifying measures have been installed.

Additional Action Required:

Docket to be reopened upon successful resolution of accounting treatment of DSR investments.

UTAH POWER - STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Commercial Energy Services - Optional for
Qualifying Customers (Schedule No. 122)

Filing Date: September 11, 1992

Docket No. 92-035-T11 (Advice Letter No. 92-11)

Approval Date: Pending

**Description of
Program:**

Service under this program is available to improve the energy efficiency of new Commercial Buildings with 12,000 square feet or less and new warehouses to be connected to Company's system. This program will utilize a prescriptive approach. Company will provide to Owner a menu of recommended Energy Conservation Measures. From this menu, Owner will select the specific Energy Conservation Measures which are to be installed in Owner's Commercial Building and for which the Company will provide Conservation Payments. Upon connection of electric service to new Commercial Buildings having such measures installed under this program, Company will bill the Customer an Energy Service Charge as specified by this schedule.

**Additional Action
Required:**

Pending approval by the Public Service Commission of Utah.

UTAH POWER -- STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Utah Power Showerhead Pilot Program

Filing Date: August 18, 1992

Docket No. N/A

Approval Date: N/A

**Description of
Program:**

The program will provide three primary benefits to our participating customers. They are:

1. Provide education on using energy wisely.
2. Create an awareness of the water and energy savings benefits available from energy efficient showerheads and faucet aerators.
3. Provide a water and energy savings solution that is relatively inexpensive and simple to install.

**Additional Action
Required:**

Pilot program beginning late August and running through November 15, 1992.

UTAH POWER - STATE OF UTAH
STATUS OF DEMAND-SIDE RESOURCE FILINGS

Program Name: Statewide Utility-financed Low Income
Weatherization Program

Filing Date: July 17, 1992

Docket No.

Approval Date:

Description of
Program:

Utah Power is interested in initiating a statewide low-income program offering reimbursement in conjunction with funding from the Utah Division of Energy for the weatherization of electrically heated dwellings using current Weatherization Assistance Program procedures. This "transition" program, available during the development of the fuel-blind program, will allow Utah Power to begin funding services aimed at their residential customers with electrically heated homes that meet income eligibility requirements. The percentage of customers that qualify is small, but it is estimated that there are approximately 7,000 potential recipients throughout Utah. The "transition" program would be developed and implemented upon assurance by the Commission of acceptable cost recovery treatment. Utah Power will request that the Commission address accounting treatment issues related to this demand side resource program.

Additional Action
Required:

Committee members request that the Public Service Commission establish a statewide fuel-blind low-income weatherization program involving both Utah Power and Mountain Fuel. To that end, we ask that the Commission convene a meeting including all parties with an interest in this endeavor. We also urge the Commission to expeditiously resolve the issue of acceptable cost recovery treatment so that Utah Power can begin funding a "transition" program as previously mentioned.

We hope to start funding weatherization in January 1993. The program will be available to low income people who have electric heat. The plan is to weatherize 300 homes annually.

ATTACHMENT 3

DOCKET NO. 92-2035-04
SCHEDULING CONFERENCE MARCH 8, 1993

UTAH DIVISION OF ENERGY
Suggestions Regarding the Development of the
Technical Conference/Collaborative Process

This paper is in response to the Utah Public Service Commission order, issued February 12, 1993, to proceed with a technical conference/collaborative approach to investigate and analyze issues regarding utility acquisition of Demand Side Resources (DSR) and implementation of Integrated Resource Plans. Specifically we outline our expectations for the first scheduling conference, our overall goals for the proceeding and suggest issues for the technical conferences.

UTAH DIVISION OF ENERGY GOALS FOR SCHEDULING CONFERENCE

- Define the scope of the proceeding. We expect that this docket will address cost recovery of DSR expenditures as well as regulatory incentives for utility investment. We are unclear if there is consensus that the outcome of this docket will apply to both the electric and natural gas utilities.
- Identify the goals and expectations of parties interested in participating in this process.
- Establish a common set of goals.
- Discuss and select the substance and sequencing of issues to be investigated and analyzed.
- Establish timetable and format for technical conferences, papers and hearings.
- Establish procedures for information flow.
- Discuss use and distinction of workshops suggested by DPU.
- Assign sponsorship of technical workshop topics.

GOALS FOR THE TECHNICAL CONFERENCE PROCEEDING

- Improve common understanding of the issues affecting utility investment and success in DSR acquisition. Ultimately we would like to see this proceeding culminate in ensuring that implementation of the Company's IRP is its most profitable course of action.
- Develop a common understanding of the role and value of DSR to utility customers and shareholders both in the short-run and long-run and understand the impact of DSR investment on key stakeholders.
- Conclude technical conference proceeding by August 31, 1993.
- Prepare and submit a paper to the Commission indicating the results of the investigation and analysis of the issues raised in the proceedings as well as issues of consensus and disagreement.
- The UDE will use this proceeding to formulate the position we will advocate when the docket goes to hearing.

ATTACHMENT 4



Magnesium Corporation of America

238 North 2200 West, Salt Lake City, Utah 84116
(801) 532-2043, Telex 6711664, Fax (801) 534-1407

March 8, 1993

Frank Johnson, Director of
Division of Public Utilities
Utah State Department of Commerce
Heber M. Walls Building
160 East 300 South
P. O. Box 45585
Salt Lake City, UT 84145-0807

Re: Proposed Demand Side Resources (DSR)
Technical Conference/Collaborative Process

Dear Sir:

Read this portion

After having received your notice dated February 26, 1993, announcing the Division of Public Utilities' intent to conduct a Technical Conference/Collaborative Process, I discussed the risks and benefits of your endeavor with other representatives of business. Everyone I spoke to is in favor of cost effective conservation of energy and supports the concepts of energy conservation in order to reduce costs to all consumers while delaying costly development of additional energy resources. Unfortunately, I and other consumers with whom I have spoken are also concerned that Demand Side Resource Management (DSRM) as presented by PacifiCorp representatives has serious consequences for all Utah consumers unless the program is properly regulated.

In summary, our concerns are:

1. As PacifiCorp spends money to encourage consumers to conserve energy and achievements in conservation occur, will PacifiCorp require additional charges from rate payers in order to remain revenue neutral as a pre-requisite to conducting the DSRM program?
2. Where will PacifiCorp get the financial funding to provide incentives to consumers to conserve energy and what rate of return will be earned by PacifiCorp on the financial incentives which are allowed?

- 2 -

Read this portion

3. I favor a program where all consumers are revenue neutral with regard to PacifiCorp's DSRM proposal. More specifically, when PacifiCorp provides financial incentives to a consumer to assist the customer to conserve energy, the benefits of lower energy utilization and costs to the customer should be utilized to repay PacifiCorp at no more than their current approved rate of return. The lost revenues resulting from selling fewer kWhs of power to that customer should not be recovered from the conserving customer or other rate payers. Instead, PacifiCorp should be required to accept responsibility for selling the newly created resources rather than seeking subsidization by its current customer base to make up for lost revenues which result from fewer kWhs being sold as a result of conservation efforts. If PacifiCorp is allowed to remain revenue neutral in all aspects of the proposed DSRM program it is possible Utah customers could see significant increases in future power rates. I have been told Puget Sound Power and Light in the State of Washington gave a 15% rate increase to customers after implementing a similar DSRM program.

4. The current concept of conducting a Technical Conference/Collaborative Process has inherent risks and potential injustice for rate payers which should be prevented. My concerns with the Technical Conference which is proposed is:

A. The information presented lacks the test of legal foundation required in a commission hearing and may be unreliable or predisposed to represent the position of a few self serving interests. The Committee of Consumer Services, D.P.U. and the Commissioners and/or their staff can be indoctrinated to the views of the utility or other self-serving interests.

B. The technical Conference procedure requires business to incur double costs to hire consultants to present the risks of DSRM programs at the Technical Conference and again at the Commission hearing. *New costs of sponsoring a conference*

In conclusion, I propose the division focus on the risks of DSRM rather than the benefits. Nearly all of us are enamored with the benefits of such a program but few of us are aware of the risks.

Sincerely,



Lee R. Brown
Vice President, Human Resources,
Public & Government Affairs

LRE/dli

ATTACHMENT 5

UTAH PUBLIC SERVICE COMMISSION

MARCH 8, 1993

I first want to state that DSR programs are an important part of the Company's resource acquisition plans. But, we must be prudent and careful in our choices and in how we implement these programs.

DSR programs may be beneficial to both customers and Company, but they may not be.

However, it is important that we move carefully to identify and promote programs which are beneficial and which have minimal negative impacts.

We have to keep DSR programs in perspective both as to the nature of the program and the timing for various Company actions. An example we believe is to concentrate available dollars on new construction because failure to take advantage of the opportunity may result in a lost opportunity . . . or at the least in making the same saving available later on at a greatly increased cost.

On the other hand, DSR programs should not come ahead of opportunities to acquire other resources which offer cost and

- 2 -

reliability advantages simply because someone has an emotional attachment to DSR . . . because those opportunities will not be available later whereas the DSR options probably will be.

With respect to certain programs, it is important to remember that some are better than others. Some offer more reliable energy savings . . . some offer more certainty in the ability to measure savings . . . and some obviously offer lower cost per unit of savings.

Because we have a good system with adequate capacity for the short term, it is important that we prioritize carefully and implement the best and lowest cost programs first.

We can also move slowly and monitor both our own programs in other states and programs of other companies to be sure that savings result and that costs which may be imposed on other customers are minimized.

These programs should indeed be examined carefully to be sure that they are not simply programs which shift wealth from one class to another and may or may not accomplish their purpose.

We should also be mindful of the substantial benefits which have come to all of our Utah customers as a result of the substantial rate reductions over the past several years. A significant turn around in that trend appears likely as a result of the proposed federal tax on energy production, and we all need to work hard so as not to impose undue additional burdens on customers if they can be avoided . . . or if the benefits are not clear . . . or if the price per unit is too high.

In summary, we again state that these programs are important. However, it is essential that we move forward with implementation in a careful way with a limited number of programs which can be controlled and monitored. That to the maximum extent possible, we determine costs and benefits and that those who receive benefits pay for the costs. Cost shifting should be avoided and carefully analyzed to be certain it is justified. And, lastly, it is important for any evaluation of the programs that full and timely recovery of costs be a part of the program. Otherwise, the results may be illusionary.