



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. Wells 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:

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?


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.

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

LRB/dll

SERVICE LIST

PACIFICORP

David Engberg, Director
Strategic & Resource & Planning
Rob Servaitis, Director
Pricing
920 SW Sixth Avenue
Portland, OR 97204

UTAH POWER & LIGHT COMPANY

Doug Larson, Director
Economic Regulation Dept
David Taylor, Manager
Pricing
One Utah Center
P O Box 899/201 South Main Street
Salt Lake City, UT 84140

KIMBALL PARR CROCKETT & WADDOUPS

Gary Dodge
for Geneva Steel and WECCO
185 South State Street Suite 1300
Salt Lake City, Utah 84111

RANDLE DEAMER ZARR & LEE PC

Thomas M. Zarr
139 East South Temple Ste 330
Salt Lake City, Utah 84145

WESTERN AREA POWER ADMINISTRATION

Lyle Johnson
P O Box 11606
Salt Lake City, Utah 84145

RITTS BRICKFIELD & KAUFMAN

Peter Brickfield
Kenneth Hurwitz
600 Watergate Building, Suite 915
Washington, DC 20037-2474

UTAH DIVISION OF ENERGY

David Christensen
Assistant Attorney General
Kevin Higgins
Richard Anderson
Rebecca Wilson
3 Triad Center, Suite 450
Salt Lake City, Ut 84111

UTAH PUBLIC SERVICE COMMISSION

Commissioner James Byrne
Rich Collins
Heber M Wells Building 4th Floor
P O Box 45585
160 East 300 South
Salt Lake City, UT 84145-585

PARSON BEHLE & LATIMER

F. Robert Reeder
for Kennecott Utah Copper Corp.
P O Box 45000
Salt Lake City, Utah 84147

UTAH CHAPTER SIERRA CLUB

Ivan Webber
C/O FFKR Architects
132 Pierpont, Suite #200
Salt Lake City, Utah 84111

SOUTHERN UTAH WILDERNESS ALLIANCE

Amy J. O'Conner
436 Alameda Avenue
Salt Lake City, Utah 84111

PRESERVATION COUNSEL

James M Grizzard
637 East 400 South
Salt Lake City, Utah 84103

CONDER & WANGSGARD

Jerrald D. Conder
4059 South 4000 West
Salt Lake City, Utah 84120

ENERGY SPECIALISTS INC

Heber C. Bishop
5225 Wiley Post Way Suite 190
Salt Lake City, Utah 84116

ENERGY STRATEGIES INC

Scott Gutting
39 West Post Office Place Suite 200
Salt Lake City, Utah 84101

BUILDING MAIL

SALT LAKE COMMUNITY ACTION PROGRAM

Joe Duke-Rosati
764 South 200 West
Salt Lake City, Utah 84101

KIRTON McCONKIE & POELMAN

Raymond W. Gee
60 East South Temple Suite 1800
Salt Lake City, Utah 84111

LEAGUE OF WOMEN VOTERS

Gigi Brandt
3804 South Highland Drive
Salt Lake City, Utah 84106

MOUNTAIN FUEL SUPPLY COMPANY

Glen Watkins
Allan Allred
P O Box 11368
180 East 100 South
Salt Lake City, Utah 84139

RITTS BRICKFIELD & KAUFMAN

Kenneth Hurwitz Esq
Mark Nicewicz Esq

NUCOR

600 Watergate Building, Suite 915
Washington, DC 20037-2474

PACIFICORP

Dennis Steinberg, Vice President
Power Systems & Development
Robert F Lanz, Vice President & Treas.
Brian T McClelland
John R Stageberg
700 N E Multnomah Suite 1600
Portland OR 97232

COMMITTEE OF CONSUMER SERVICES

Dan Gimble
Margo Hovingh
Heber M Wells Building 4th Floor
P O Box 45809/160 East 300 South
Salt Lake City, UT 84145-809

MAGACORP

Lee R. Brown
238 North 2200 West
Salt Lake City, Utah 84116

MAGCORP/^{Barker} DAGAR & BOTTS

Charles Darling Esq
555 W. 13th Street NW Ste 500 East
Washington DC 20004

WATKISS and SAPERSTEIN

Glen Davies
310 South Main Street 12th Floor
Salt Lake City, Utah 84101

TELLUS INSTITUTE

Richard Rosen
Ann Bachman
89 Broad Street
Boston, MA 02110

John M Schweitzer
700 NE Multnomah Suite 950
Portland OR 97232

**STATE REGULATION RELATIONS
AND PIPELINE 500**

Jodi Otto

RENAISSANCE CENTER

Detroit MI 48243

LAND & WATER FUND OF THE ROCKIES

Eric Blank, Staff Attorney
2260 Baseline Road #200
Boulder, CO 80302

STOEL RIVES BOLEY JONES & GRAY

Edward A. Hunter, Jr. Esq.
for UTAH POWER & LIGHT COMPANY
One Utah Center 11th Floor
201 South Main Street
Salt Lake City, UT 84140

**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.