

DRAFT

MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities, Committee of Consumer Services, Utah Clean Energy, Sego, Wal-Mart, Rocky Mountain Power/PacifiCorp, Questar Gas Company, Western Resource Advocates, IBEW Local 57, Salt Lake Community Action Plan, Utah State Energy Program, Intermountain CHP Center, Central Valley Water, and the UAE Intervention Group, (collectively, the “Work Group”)

Subject: PURPA 111(d) Standard (EISA sec. 532) (16)(A) and (16)(B),
Docket No. 08-999-05

Date: April 7, 2009

ISSUE

The Energy Independence and Security Act of 2007 (EISA) requires the Utah Public Service Commission (Commission) to consider and make a determination for integrating energy efficiency resources into utility, state, and regional plans. This memo and report specifically

addresses the addition to Public Utility Regulatory Policies Act (PURPA) of 1978¹ section 111(d) standard 16(A) and 16(B) as listed below:

PURPA 111(d) Standard 16

- (16) INTEGRATED RESOURCE PLANNING - Each electric utility shall***
(A) integrate energy efficiency resources into utility, State, and regional plans; and
(B) adopt policies establishing cost-effective energy efficiency as a priority resource.

PacifiCorp (the Company) is the only electric utility for which the Commission has comprehensive ratemaking authority over and which the Commission determined is subject to this PURPA requirement.

RECOMMENDATION

Regarding standard 16(A), the work group determined that the Company already has comparable standards in place that are equivalent to the criteria set forth in this standard. The Company has acquired a diverse portfolio of energy efficiency resources and currently plans to target increased participation levels in various programs, which demonstrates the Company's commitment to energy efficiency in its resource planning process. The comments that follow identify the statutes and regulations that have been put in place by the Commission to integrate energy efficiency resources into utility, state, and regional plans as identified by the work group.

¹ Letter from the Utah Public Service Commission to the U.S. Department of Energy, dated August 28, 2008 (as required by 16 U.S.C. § 2612(c), <http://www.psc.utah.gov/utilities/misc/08docs/0899905/082808not.pdf>).

This report also references programs and plans that the Company has implemented that meet the requirements set forth in standard 16(B). In the Company's resource planning process, energy efficiency and supply side resources are selected based on their cost effectiveness, customer-rate impact, and the balance between cost and risk exposure. Energy efficiency resources are selected for implementation over supply side resources when they compare favorably to supply side resources with respect to the criteria listed above. Energy efficiency resources are a priority resource of the Company, as they are considered equally along with supply side resources in the Company's resource planning process.

It is recommended that the Commission not adopt standards 16(A) and 16(B) as the Commission and Rocky Mountain Power have existing policies and practices which satisfy the criteria set forth in the standards.

BACKGROUND

On November 5, 2008, the Commission scheduled an informal proceeding to discuss the new integrated resource planning standard applicable to electric utilities (Title 16 U.S.C. 2621(d)(16)) enacted by the 2007 Energy Independence and Security Act (EISA). As a result of this proceeding, a work group was formed to consider and make a determination on the proposed new federal standards. The Commission scheduled a Technical Conference regarding these matters for January 14, 2009 in Docket No. 08-999-05.² The attendee list is attached to this document as well as the minutes from this meeting.

After an in-depth analysis of the PURPA standards 16(A) and 16(B) respectively, the work group determined by consensus that the Commission and Rocky Mountain Power already have comparable energy efficiency standards and programs in place (see below) and that there is no need to adopt the new standards at this time. ~~In fact, a~~ adopting the standards might ~~create confusion in the many effective~~ confuse some of the programs and plans already in place in

² Docket 08-999-05 "In the Matter of the Consideration of the Amendment of Title 16 U.S.C. 2621(d) and the Addition of Title 42 U.S.C 6344 by the U.S. Energy Independence and Security Act of 2007," December 23, 2008.

several other Utah dockets addressing energy efficiency resources. The existing standards and programs in place include:

- IRP guidelines
- Modeling procedure for energy efficiency in the 2008 IRP
- Cost effectiveness test for energy efficiency
- Successful energy efficiency programs
- Company support for state policies in the 2009 Legislative Session

ANALYSIS

The Commission regulates only one investor owned electric utility in the state, PacifiCorp, dba in Utah as Rocky Mountain Power. The Company accounted for 80.66 percent of total retail electric sales in Utah during the 12 months of 2008.³ In addition to PacifiCorp, there are several small, rural electric co-operatives over which the Commission exercises some regulatory authority, but none of these co-operatives are required to submit integrated resource plans. The state has 38 municipal electric utilities, however they are outside the Commission's purview. Since the early 1990s, PacifiCorp has been required to provide a biennial integrated resource plan (IRP) with an update issued a year after each plan. The Commission defines the IRP as a planning process used by the utility to evaluate possible resources "in order to meet the current and future customer electric energy service needs at the lowest cost to the utility and customer, and in a manner consistent with the long-run public interest."⁴

With respect to integrated resource planning, the Commission's Report and Order on Standards and Guidelines (Order) in Docket No. 90-2035-01 states the following:

The Commission reaffirms its position on this threshold issue. Demand-side and supply-side resources must be evaluated on a consistent and comparable basis.⁵

³ U.S. Energy Information Administration, January-December 2008, 22,656,366.75 MWh / 28,088,685 (MWh) "Electric Power Monthly."

⁴ Docket No. 90-2035-01, Report and Order on Standards and Guidelines, September 5, 1990, p. 17.

⁵ Id at p. 15.

PacifiCorp has been operating successful energy efficiency programs since the late 1980s. ~~While the company's DSM focus on energy efficiency has remained strong over this time, s~~Since the 2001 western energy crisis, the company's DSM pursuits have been expanded in terms of investment level, state presence, breadth of DSM resources pursued and resource planning considerations. Company investments continue to increase year on year with 2008 investments exceeding \$76 million (all states) with \$36 million in the state of Utah. Work continues on the expansion of program portfolios in the states of Utah, Washington, Idaho and California. In late 2008, the company received approval to begin offering energy efficiency programs to Wyoming customers beginning in January 2009. In Oregon, the company is working closely with the Energy Trust of Oregon on helping to identify additional resource opportunities, improve delivery and communication coordination, and ensure adequate funding and company support in pursuit of energy efficiency resource targets. PacifiCorp's planning methodology, treatment of energy efficiency as ~~a a-priority~~ resource, and energy efficiency programs are ~~well~~ documented in the company's integrated resource plan. Company resource plans dating back to 2003 can be found on the company's website at:

<http://www.pacificorp.com/Navigation/Navigation23807.html>.

In PacifiCorp's 2007 Integrated Resource Plan, energy efficiency resources accounted for approximately 2.2 million megawatt-hours within the 2007 preferred portfolio. In addition to the energy efficiency resources identified in the 2007 Integrated Resource Plan, the Company completed a comprehensive system-wide demand-side resource market assessment, filed in Utah under Docket No. 08-035-56. The Company will incorporate the information from this study, along with the resources identified in the 2007 Integrated Resource Plan into the planning assumptions and forecasts going forward that will identify and develop the energy efficiency resources included in the Company's next Integrated Resource Plan. As an example of this, in June 2008 the Company updated its 2007 Integrated Resource Plan, using information made available by the demand-side resource potential assessment study. The information from the study increased the company's forecasted energy efficiency resources to 4.6 million megawatt-hours from the 2.2 million megawatt-hours included in the 2007 Integrated Resource Plan.

Modeling of energy efficiency resources in the 2007 integrated resource planning process was done by decrementing the load forecast by the 2.2 million megawatt-hours ~~known to be available at that time, in effect taking these resources ahead of supply side alternatives~~. In the next Integrated Resource Plan, energy efficiency resources available will be adjusted based on the results of the comprehensive system-wide demand-side resource market assessment study, and the resources will be treated functionally equivalent to supply-side resources utilizing supply-curves. If the energy efficiency resource compares favorably to other resources in terms of cost effectiveness, customer-rate impact, and the balance between cost and risk exposure, the resource will be selected for inclusion in the preferred portfolio.^[MSOffice1]

PacifiCorp also supported a legislative policy that recognizes energy efficiency as a priority resource in Utah and set the stage for additional positive steps for increased energy efficiency, which was adopted by the Utah State Legislature in its 2009 General Session: *HJR 9 – Joint Resolution on Cost-effective Energy Efficiency and Utility Demand Side Management*. This policy also set a voluntary energy efficiency goal for the Company.

As demonstrated by the information presented above, the Commission has an existing standard in place which requires that energy efficiency resources be considered on a consistent and comparable basis in resource planning. Additionally, as demonstrated above, PacifiCorp integrates energy efficiency resources into its resource planning process. Together, these items combine to satisfy standard 16(A).

Regarding standard 16(B), HJR 9 encourages energy efficiency resources ~~are to be~~ considered ~~to be~~ a priority resource for the State of Utah and Utah's utilities. Furthermore, PacifiCorp. This is demonstrated in that in the Company's resource planning process, energy efficiency resources are considered equally with supply side resources. ~~in the company's resource planning process.~~ Energy efficiency resources are selected for inclusion ~~in~~ the preferred portfolio if they compare favorably to supply side resource during the resource planning process. While equal comparison with supply side resources does not make energy efficiency a priority resource, this IRP

provision coupled with HJR9 will be interpreted to establish energy efficiency as a priority resource, thereby satisfying standard 16(B).

CONCLUSION

The work group reviewed and discussed the criteria set forth in the new PURPA standard with respect to integrated resource planning and energy efficiency as a priority resources. The work group concluded that there is no clear need for the Commission to should not adopt the PURPA addition section 111(d) standard 16(A) and 16(B) because comparable standards and practices are already in place and adoption of the additional PURPA standard is unnecessary. The Commission's present standards have been applied in the Company's IRP process, DSM energy efficiency programs, and other dockets and policies as described above.