



VIA ELECTRONIC MAIL

<records@wutc.wa.gov>

May 13, 2005

Ms. Carole J. Washburn
Executive Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

**Re: Docket No. UE-030311
Rulemaking for Integrated Resource Planning Requirements**

Dear Ms. Washburn:

In response to the Commission's April 22 Notice of Opportunity to File Written Comments, PacifiCorp dba Pacific Power & Light Company ("PacifiCorp") hereby submits written comments on the Commission's proposed changes to WAC 480-100-238, the current "least-cost planning" rule. These comments are in addition to the initial comments filed by PacifiCorp on May 16, 2003 in this docket.

In these comments, PacifiCorp will offer its view of the general principles that should be incorporated into any modification of the least-cost planning rule. Thereafter, PacifiCorp will offer comments on specific sections of the proposed rule.

General Principles

- As a multi-state utility, an important issue for PacifiCorp is preserving the consistency that currently exists among the states with respect to integrated resource planning (IRP) rules. It is important to PacifiCorp that it be able to continue pursuing the integrated resource planning process in a manner that largely fulfills the requirements of each of the six states in which it operates.
- The integrated resource planning process should be the primary forum for determining the need for future long-term resource acquisitions.
- The key attributes of the integrated resource planning process are:

- a public process with a wide range of perspectives,
 - a longer-term perspective,
 - a periodic update, currently every other year, and
 - appropriate Commission action upon review of the IRP.
- With respect to the Commission action taken after its review of a proposed IRP, PacifiCorp proposes that the Commission consider a subsequent process whereby a utility could obtain regulatory approval before committing significant expenditures to developing or acquiring new resources. Such a process would *not* be part of the IRP review; rather, the IRP review is the starting point to inform the process of acquiring resources, typically implemented through a request for proposals (RFP). This resource review process, which is currently in place in another jurisdiction in which PacifiCorp operates,¹ could be an optional procedure in Washington that would be available to utilities seeking greater certainty of cost recovery for acquiring new resources. Such a resource review process would also provide an opportunity for stakeholders to submit their views at a timely stage in the course of activities associated with acquiring new resources, rather than after the resource is acquired and rate recovery is being sought.

Comments on Specific Provisions in the Proposed Rule

Proposed WAC 480-100-238(2)(b). PacifiCorp proposes that the language be revised as follows:

(b) “Lowest reasonable cost” means the lowest cost resulting from an ~~exhaustive and detailed~~ analysis of all reasonable alternative sources and mixes of supply, including considerations of market-volatility risks of generating and demand-side resources, ~~and of~~ system reliability and operational risks, and cost of capital impacts associated with acquiring new resources.

Only “reasonable” alternatives should be required to be evaluated. Inclusion of “exhaustive and detailed” seems unnecessary in light of the matters to be addressed in an IRP, and provides no meaningful guidance. Finally, analysis of “cost” should take into account the credit and cost of capital impacts associated with various resources due to debt imputations by credit rating agencies or debt that is directly added to PacifiCorp’s balance sheet as a result of accounting. Long-term purchased power agreements (PPAs), for example, are viewed by rating agencies as debt-like in nature, and the additional debt associated with such agreements would require additional equity to avoid adverse impacts on credit quality. Likewise, if debt is added directly to PacifiCorp’s balance sheet, additional equity would be required. Because equity is more

¹ Utah Senate Bill (S.B.) 26, codified at Utah Code Chapter 54-17, “Energy Resource Procurement Act.”

expensive than debt, the increase in equity required to offset the PPA-related debt and allow PacifiCorp to maintain credit quality and compliance with its financing requirements and other commitments would impose additional costs on PacifiCorp and its customers. These costs should be considered in evaluating “lowest reasonable cost.”

Proposed WAC 480-100-238(3)(b) and (c). PacifiCorp proposes that the language be revised as follows:

(b) An assessment of commercially ~~technically~~-feasible improvements in the efficient use of electricity, including load management, as well as an assessment of currently employed and new policies and programs needed to obtain the efficiency improvements.

(c) An assessment of commercially ~~technically~~-feasible generating technologies.

There are a number of improvements or technologies that may be “technically feasible” but not available on terms that make them commercially or economically feasible. The rule should limit the scope to only those improvements or technologies that are “commercially” feasible, so as to avoid wasting time assessing matters that are incapable of being implemented.

Proposed WAC 480-100-238(4). PacifiCorp proposes that the language be revised as follows:

(4) Timing. Unless otherwise ordered by the commission, each electric utility must submit an IRP within two years after the date on which the previous plan was filed with the Commission. ~~Not later than 16 months prior to the due date of a plan, the utility must provide a work plan for Commission review.~~

Specifying a deadline for submitting a workplan for Commission review seems overly prescriptive, and of limited value. The flexibility afforded by the current rule should be maintained.

Proposed WAC 480-100-238(5). PacifiCorp proposes that the language be revised as follows:

(5) Work plan. After consulting with commission staff, the utility must develop a The work plan, must. The work plan will outline the content of the integrated resource plan to be developed by the utility and the method for assessing potential resources, and will provide for. Consultations with commission staff and public participation in the process are essential to the development of an effective plan. The work plan must also outline the timing and extent of public participation and must be conducted in consultation with staff.

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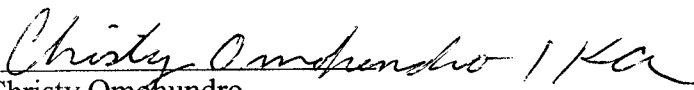
It is unnecessary to be overly prescriptive in describing the work plan or the process for its development. The existing rule seems to be working fine in this regard, and the flexibility afforded by the current rule should be retained.

Conclusion

PacifiCorp appreciates the opportunity to provide written comments and looks forward to participating in the workshop on June 9. Please direct any questions regarding these comments to either the undersigned at (503) 813-6092 or Melissa Seymour at (503) 813-6711.

Very truly yours,

PacifiCorp

By 
Christy Omondro
Managing Director, Regulation