



**VIA ELECTRONIC MAIL**

<records@wutc.wa.gov>

May 16, 2003

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  
Least Cost Planning Rulemaking**

Dear Ms. Washburn:

In response to the Commission's April 18 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 Chapter 480-100-238, "least-cost planning."

According to the CR-101 Statement, the review in this proceeding "will examine whether the current rule provides the results that it was originally intended to achieve and whether the rule is consistent with laws, with appropriate and lawful policies, and with the advances in technology in the electric industry." The subjects included in this review may include the following:

- roles of risk and uncertainty in resource planning,
- role of demand management,
- role of resource diversity, resource adequacy, and financial and physical hedging,
- planning issues, such as planning horizons and filing deadlines,
- portfolio analyses,
- rule process and enforcement issues,
- relationship of least-cost plans to Commission review of specific generation or demand response projects,

- relevance of any changes in policies or requirements at the federal and state levels, and
- appropriate uses of least-cost plans.

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. These comments will touch upon many of the issues identified above.

### **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. As discussed in the background discussion below, the Standards and Guidelines currently existing for the states provide for this consistency, and this feature should be retained.
- The issues the Commission is proposing to review in this proceeding are consistent with the items currently included by other states in their Standards and Guidelines (or what other states are planning to evaluate in their review of Standards and Guidelines), and PacifiCorp supports the Commission undertaking a review of these issues.
- 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.
- The Commission’s Notice includes the “roles of risk and uncertainty in resource planning” as an issue to be considered in this proceeding. In PacifiCorp’s view, incorporating some measure of risk as part of the definition of “least-cost plan” is an important element, and reflecting this element in a revised rule would be an improvement.

- With respect to the Commission action taken after its review of a proposed IRP, PacifiCorp proposes that the Commission consider a formal “approval” of an IRP found to be in compliance with the Commission’s requirements. It may logically follow from this “approval” that if the utility acts in compliance with an approved IRP, a rebuttable presumption would arise that the expenditures associated with implementation of a particular action item plan would be recoverable in rates, so long as the utility demonstrates that its implementation actions were prudently executed.

### **Background of Integrated Resource Planning Process**

Integrated Resource Planning, or least-cost planning, guidelines were first imposed on regulated utilities by State commissions in the 1980s. Their purpose was to require utilities to consider all resource alternatives, including demand-side measures, on an equal comparative footing, when making resource planning decisions to meet growing load obligations. IRP rules were also intended to require utilities to involve regulators and the general public in the planning process prior to making resource decisions, rather than after the fact.

PacifiCorp is required to prepare an IRP in the States where it provides retail service. While the rules among the States vary in substance and style, there is a consistent thread in intent and approach. PacifiCorp is required to file an IRP every two years with the state commissions. The preparation of the IRP is done in an open public process with close consultation of all interested parties, including Commissioners and Commission staff, customers, and other stakeholders. This open process provides parties with a substantial opportunity to contribute information and ideas in the planning process, and also serves to inform all parties on the planning issues and approach.

Generally stated, the IRP must look at all resource alternatives on a level playing field and must propose a near-term action plan that assures adequate supply to meet load obligations at least cost, while taking into account risks and uncertainties. The IRP provides a framework and plan for future actions to ensure PacifiCorp continues to provide reliable and least-cost electric service to its customers. The IRP evaluates, over a twenty-year planning period, the future loads of PacifiCorp customers and the capability of existing resources to meet this load. To fill any gap between changes in loads and existing resources, the IRP evaluates all available resource options, as is required by each state commission’s rules. These resource alternatives include supply- and demand-side alternatives.

The resource alternatives are evaluated on a consistent and comparable basis. The evaluation of the alternatives include factors including impact to system costs, operations and reliability, and the impacts of numerous risks, uncertainties and externality costs that could occur. To perform

the analysis and evaluation, PacifiCorp employs a suite of models that simulate the complex operation of the PacifiCorp system and its integration within the Western electric system. The models allow for a rigorous testing of all the available resource alternatives available to PacifiCorp.

The IRP analysis is designed to define a resource plan that is least cost, after consideration of risks and uncertainties. To test resource alternatives and identify a least-cost, risk adjusted plan, portfolios of resource options were developed and tested against each other. This testing includes examination of various tradeoffs among the portfolios, such as capital requirements vs. risk, and varying levels of reliability.

The IRP Action Plan, as typically required by each state's Standards and Guidelines, details near-term actions that are necessary to ensure PacifiCorp continues to provide reliable and least-cost electric service. The Action Plan also describes PacifiCorp's approach to procurement, and how it will adapt to changing circumstances as the future unfolds and uncertainties are resolved or evolve. Further, the Action Plan considers licensing and permitting activities so that PacifiCorp can take advantage of opportunities and can prevent the premature foreclosure of options.

### **Specific Issues in this Rulemaking**

#### **Consistency of Standards and Guidelines**

As discussed above, an important issue for PacifiCorp is preserving the consistency that currently exists among the states with respect to IRP rules. As a multi-state utility, PacifiCorp must be able to continue implementing the integrated resource planning process in a manner that achieves compliance with the requirements of each of the six states in which it operates. As described above, the current Standards and Guidelines in effect in the various states provide for this consistency, and this feature should be retained.

#### **State-Specific IRPs**

During the course of developing the Company's most recent IRP, Commission Staff requested that PacifiCorp provide a Washington-specific resource plan, as well as a system-wide, integrated resource plan. Although the modeling capability to look at State-specific resource plans may be a helpful addition, building that capability into the modeling function was not attainable for the most recent IRP. At the same time, this IRP does evaluate resource needs, alternatives, performance and cost for each control area region of PacifiCorp. While this does

not completely meet Commission Staff's request, the east- and west-side analysis was portrayed to give as much information as possible.

On a going-forward basis, the Commission should consider in this rulemaking how multi-state utilities can achieve compliance with the Commission's rules. In PacifiCorp's view, its previous IRPs complied with the Commission's existing rule, as the requirements were addressed on a system-wide basis. As discussed in the preceding section, imposing a state-specific IRP requirement would be a distinct difference from the Standards and Guidelines followed by the other states, and thus counter to PacifiCorp's objective of preserving consistency across the various jurisdictions. Moreover, a state-specific IRP may not be meaningful when PacifiCorp operates on an integrated basis. An IRP that examines resource needs, alternatives, performance and cost for each control area region—as was done in the current IRP—is a reasonable solution that produces meaningful information. In any event, if the Commission wants to depart from the existing practice and instead impose a Washington-specific IRP requirement, that is a significant new requirement that the Commission itself should determine and address explicitly in the rule, rather than leaving the issue to be subjected to conflicting interpretations based on the language in the existing rule.

### **Relationship of IRP to Commission Review of Specific Projects**

The Commission's Notice includes as an issue to be considered in this proceeding the "relationship of least-cost plans to Commission review of specific generation or demand response projects." Under the current rule, the IRP is used, along "with other available information," to "evaluate the performance of the utility in rate proceedings, including the review of avoided cost determinations, before the commission." WAC 480-100-238(5). Following the Commission's review of an IRP, the Commission's current practice is to send a letter to the utility discussing the plan generally, noting suggestions and requirements, with an "acknowledgement" of the plan.

As noted above, PacifiCorp suggests that the Commission consider taking a more formal action following its review of an IRP. If the Commission determines that an IRP fulfills the requirements of its IRP rule, the Commission could "approve" the IRP. Thereafter, if the utility acted in compliance with the approved IRP, a rebuttable presumption would arise that the investment required by the action plan is recoverable in rates, so long as the utility demonstrates that its implementation actions were prudently executed. In PacifiCorp's view, utilities and participating stakeholders devote significant resources, time and effort to development of an IRP. This commitment should be matched by a response from the Commission that corresponds in significance. A formal "approval" provides an appropriate response, and provides some

Ms. Carole J. Washburn  
May 16, 2003  
Page 6

assurance to the utility that prudent implementation of plans so approved will result in recoverability of expenditures.

### **Appropriate Uses of IRPs**


The Commission's Notice includes as an issue to be considered in this proceeding the "appropriate uses" of IRPs. One such appropriate use is the development of each utility's avoided cost estimates. Each utility's avoided costs should be determined in a manner that is consistent with the analysis and methodology followed in its IRP. As discussed in PacifiCorp's comments in the companion rulemaking (Docket No. UE-030423) regarding Chapter 480-107 WAC, the requirement to calculate and file avoided cost estimates flows from the Federal regulations implementing the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The information to be used in developing these avoided cost estimates is the type of analyses performed in the integrated resource planning process. *See* 18 C.F.R. § 292.302(b). It therefore follows that an appropriate use of an IRP is to provide a basis for the calculation of avoided costs.

### **Conclusion**

PacifiCorp appreciates the opportunity to provide written comments and looks forward to participating in the workshop on June 13. 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 Omohundro  
Director, Regulation