

WUTC Staff Data Request No. 405: Re: System Benefits Charge

Please explain what the relationship will be between the System Benefits Charge (SBC) and the Company's integrated resource planning (IRP) process in the future? Specifically discuss how the IRP process will provide direction on how SBC funds are spent.

Response to WUTC Staff Data Request 405:

The integrated resource planning process has been used to determine two factors which drive the Company's traditional DSM programs. The first is the cost effectiveness ceiling. The IRP can be used to determine the avoided cost for the Company. This avoided cost can then determine the cost effectiveness ceiling for energy efficiency programs. The second factor is the total energy efficiency savings that should be achieved on a year by year basis to meet the IRP targets. This is the result of the optimization process by which the IRP model chooses energy efficiency, power purchases and new resource development to meet future load requirements.

It is difficult for the IRP process to determine either the avoided cost or the appropriate level of savings in the current electric utility environment. PacifiCorp's system faces the potential loss of its large commercial and industrial load in Oregon starting October 1, 2001. Restructuring in other states may occur within the planning horizon as well. The consequence of this is that from a traditional IRP basis PacifiCorp's need for resources is diminished. This translates into a lower avoided cost and a lower energy efficiency requirement from an IRP basis. However, the region's load is not diminishing and therefor the region faces an actual avoided cost which is not reflected in the IRP.

The system benefit charge approach to funding energy efficiency is an attempt to assure that the appropriate level of energy efficiency is achieved within our service territory such that the region's long term energy costs are minimized in the same manner as an IRP is an attempt to minimize an individual utility's long term energy costs. The IRP process will be used as one of the inputs to determine the appropriate level of energy efficiency spending, the cost effectiveness limits, and the targeted energy savings. Under a system benefit charge approach an important new element is added. That is an annual budget and an advisory group. This group may consider and bring before the commission programs that are not simply targeted to meeting traditional IRP goals but also include aspects such as development of infrastructure, distribution of energy efficiency among customer classes and others that the group may come up with. All new programs would be subject to commission review, approval and ongoing evaluation.

WUTC		
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