PACIFIC POWER
A DIVISION OF PACIFICORP

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June 1, 2009

VIA ELECTRONIC FILING

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, WA 98504-7250

Attention: David Danner
Executive Director and Secretary

Re: UE-090222, Review of PURPA Standards in the Energy Independence and Security Act of 2007, PacifiCorp Comments

Dear Mr. Danner,

On May 22, 2009, the Washington Utilities and Transportation Commission ("Commission") issued a Notice of Opportunity to File Written Comments by June 1, 2009 ("Notice") in Docket UE-090222. The Notice poses four questions resulting from the workshop held on May 21, 2009. PacifiCorp, d.b.a. Pacific Power ("Company") submits the following responses to the questions posed in the Notice.

1) Please provide statutory authority for the Commission's ability to consider a conservation priority criteria, e.g., 10 percent.

In comments filed April 24, 2009, the Company provided its position on "priority resource," which did not include discussion of a conservation priority criteria. RCW 19.285.040(1) requires utilities to use methodologies established by the Pacific Northwest Electric Power and Conservation Planning Council to develop achievable energy conservation potential. The Northwest Power Act created the Pacific Northwest Electric Power and Conservation Planning Council. Section 839a(4)(D) of the Northwest Power Act states, "For purposes of this paragraph, the "estimated incremental system cost" of any conservation measure or resource shall not be treated as greater than that of any non-conservation measure or resource unless the incremental system cost of such conservation measure or resource is in excess of 110 per centum of the incremental system cost of the nonconservation measure or resource."

The above statutory citations notwithstanding, the current IRP process allows for the conservation priority criteria to be resolved. Therefore, no further processes or rules are necessary.

2) How are the utilities currently evaluating smart grid technology and opportunities internally? Is this evaluation coordinated with or otherwise a part of processes used to develop the Integrated Resource Plan? If so, how? If not, please elaborate?

Evaluation of smart grid technologies is being done in a coordinated effort within the Company and will encompass those departments effected by the technology changes. This is an ongoing effort to identify the appropriate functions and benefits made available through smart grid technology. As these items are identified, they will be input into a standard business model. The model will include all monetized costs and quantifiable benefits to develop the cost benefit analysis. This methodology is used by the Company when making decisions related to major investments to determine the appropriate benefits for the Company's customers. The Company's current assessment shows that smart grid is an emergent technology and its development must be monitored carefully to avoid unnecessary burdens on customers. The Integrated Resource Plan ("IRP") is focused on commercially available technologies. While smart grid has many theoretical benefits, it has not produced proven utility-scale benefits to date and therefore PacifiCorp has not included smart grid enabled resources in its IRP as a commercially viable alternative. As the resources made available through smart grid become more readily identified and quantifiable, the outcome of any demand reduction or load shedding benefits derived from an investment in smart grid would become an input to the IRP.

3) Would a planning requirement, analogous to an IRP, for assessment of smart grid technology and opportunities, be practical? Why or why not?

PacifiCorp does not believe a planning requirement similar to an IRP is appropriate for smart grid technologies. Given the current state of the process for smart grid investigation and assessment, it is premature at this time to formulate a useful planning requirement for such. As stated above, smart grid is an emergent technology with unproven benefits. Smart grid benefits would remain as a line item input to the IRP when realized. The Company does not believe it advisable to change the current rules for IRP to integrate smart grid.

4) For Avista and PacifiCorp, how is smart grid assessment or planning addressed in the other states you serve?

PacifiCorp has participated in several workshops and has filed comments in the other states that it serves regarding the smart grid and resource planning standards. The following is a brief summary on the activity that has occurred related to these standards in PacifiCorp's other jurisdictions.

In Oregon, workshops have been scheduled to discuss the assessment of smart grid, but no decisions have been made. Regarding the resource planning standard, the Oregon Commission staff has drafted comments recommending no action regarding this standard, but the memo has not been filed with the Commission as of this time.

In California, workshops have been conducted with future workshops to be held to discuss the smart grid standards. No decisions regarding these standards have been made at this time.

In Idaho, the Company filed comments regarding the smart grid and resource planning standards and a workshop was held at the Idaho Public Utilities Commission's offices on May 6, 2009 to discuss the standards. No decisions regarding the standards have been made at this time.

In Utah, workshops regarding the smart grid standards have been held and an additional workshop has been scheduled for June 16, 2009. No decision has been made regarding these standards in Utah. Regarding the resource planning standard, workshops have been held and a memo from the Utah Division of Public Utilities was filed with the Public Service Commission of Utah recommending that no changes be made to current Utah rules as a result of this standard.

In Wyoming, the Company filed comments regarding the smart grid and resource planning standards. On January 21, 2009, the Wyoming Public Service Commission held a hearing to consider the EISA standards. The hearing resulted in the Wyoming Commission determining that adoption of the smart grid and resource planning standards was not necessary.

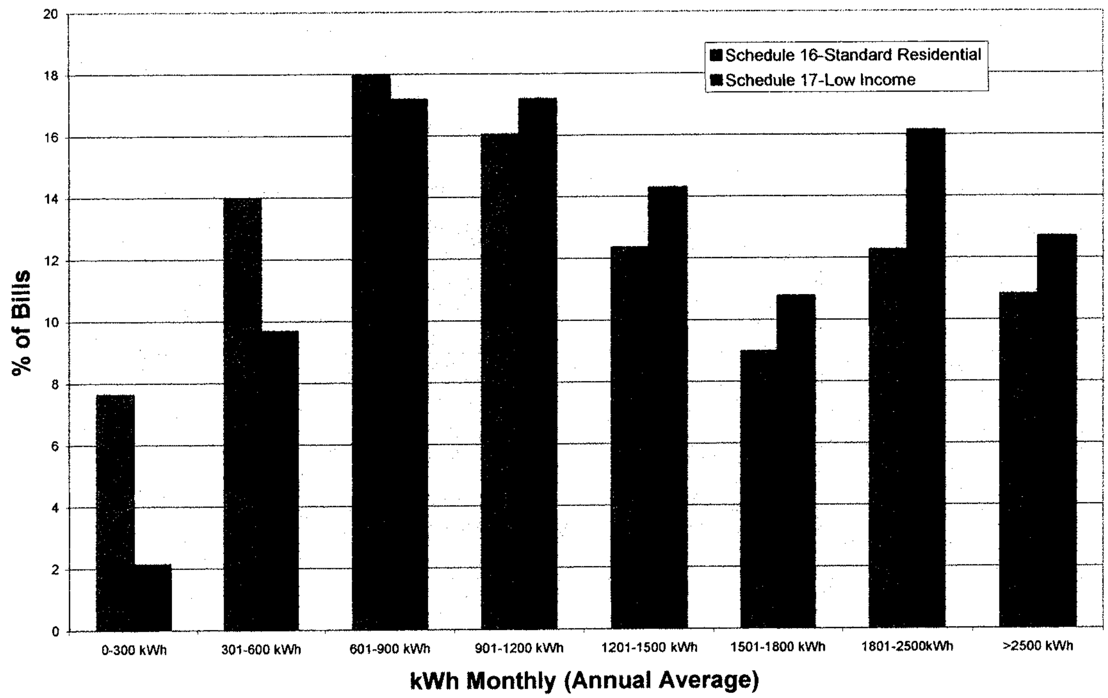
Additional Comments

While not expressly addressed in the Notice, the Company would like to respond to points made by Public Counsel regarding fixed charges during the May 21, 2009 workshop. Public Counsel expressed concerns that low-income residential customers would bear a disproportionate burden from higher fixed charges using the assumption that low-income customers are also low-usage customers.

As the Company previously commented, a larger fixed charge designed to recover a greater portion of fixed costs would more closely reflect the actual cost of serving all customers within a rate schedule class. Additionally, it could be structured to provide stronger price signals, in turn creating an incentive for customers to conserve. A lower customer charge has been an issue for the Company in the states that it serves, resulting in customers receiving inaccurate price signals.

The Company's experience with Washington low-income customers has been just the opposite of the position presented by Public Counsel. Customers receiving service on the Company's residential low income bill assistance program, Schedule 17 have, on average, a higher monthly usage than those customers receiving service on the Company's standard residential schedule, Schedule 16. Therefore based on current usage levels, recovering a greater share of costs through a larger fixed charge, with an offsetting reduction in the energy charge, would benefit our bill-assisted low-income customers.

Bills Frequency All Washington Residential & Bill Assisted Customers



Data in Table from 2009 GRC, UE-090205, 12 months ended June 30, 2008.

The table shows, on an annual average, that only 12 percent of the Company's Washington low-income customers (Schedule 17) use less than 600 kWh per month versus an overall annual average of about 1,500 kWh per month. Because a large percentage of the Company's low-income customers are larger users, a fixed charge set below full fixed cost recovery offset by a larger energy charge is producing a negative impact for a large percentage of the Company's low-income customers in Washington.

Whether a larger fixed charge will encourage residential users to change their usage habits is not known, but a fixed charge designed to collect a larger portion of fixed costs produces a more appropriate price signal for customers.

Sincerely,

Andrea L. Kelly
Vice President, Regulation