



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

1300 S. Evergreen Park Dr. S.W., P.O. Box 47250 • Olympia, Washington 98504-7250
(360) 664-1160 • TTY (360) 586-8203

September 2, 2009

Andrea Kelly, Vice President, Regulation
Pacific Power & Light Company
825 Northeast Multnomah, Suite 2000
Portland, Oregon 97232

**Re: PacifiCorp's 2008 Integrated Resource Plan
Docket No. UE-080826**

Dear Ms. Kelly:

On May 29, 2009, PacifiCorp dba Pacific Power & Light Company filed with the Washington Utilities and Transportation Commission (Commission) its 2008 Integrated Resource Plan (IRP) for operations within Washington. On July 16, 2009, the company presented an overview of the IRP to the Commission at an open meeting.

After careful review, the Commission has determined that the plan is consistent with the requirements set forth in WAC 480-100-238. In making this determination, the Commission does not pre-approve for ratemaking any action or expenditure discussed in the plan. However, the Commission will give due weight to the information, analysis, and strategies contained in this plan along with other pertinent information during any evaluation of PacifiCorp's services and rates.

Attached to this letter are the Commission's comments and recommendations for improving future plans. PacifiCorp should carefully consider these recommendations, as well as future suggestions by Commission staff.

PacifiCorp's next IRP is due no later than March 31, 2011. The work plan for that IRP is due on or before March 31, 2010. Please call Steve Johnson of our staff at (360) 664-1346 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "David W. Danner".

David W. Danner
Executive Director and Secretary

Attachment

Attachment

Utilities and Transportation Commission Comments on PacifiCorp's 2008 Integrated Resource Plan

As an electric utility operating in Washington, Pacific Power & Light Company (PacifiCorp or Company) has a fundamental responsibility to manage the risks and opportunities associated with acquiring and delivering electricity and electric service to its customers. This responsibility is particularly important in an era of uncertain greenhouse gas (GHG) mitigation costs, natural gas prices and unstable economic conditions. The planning requirements specified in WAC 480-90-238 are intended to help each utility develop a strategic approach to navigate marketplace opportunities and risks based on that utility's unique attributes. PacifiCorp's 2008 Integrated Resource Plan (the Plan) represents such a strategic approach. As such, it is consistent with the Utilities and Transportation Commission's (Commission's) planning regulations. Below we discuss how the Plan addresses selected elements specified in WAC 480-100-238 for integrated resource plans (IRPs).

Transmission Planning (Chapter 4)

The Plan references PacifiCorp's need for transmission connecting resource zones to its various load zones. Much of Chapter 4 is spent discussing two particular projects: Gateway West and Gateway South. IRP analysis is best suited for evaluation of which commercially available resource *types* yield the lowest reasonable cost, rather than specific projects or resources. Though it may be the case that PacifiCorp's expansion optimization model chose the Gateway projects, the model's choices are heavily dependent on the input costs and rated capacities for the projects that PacifiCorp provides to the model. Those projected costs and capacity may not be as certain as PacifiCorp represents. The Commission would prefer to see a comprehensive discussion of transmission alternatives and their implications for resource siting rather than a focus on a select set of specific projects.

The Plan includes a discussion of the suspension of the previously planned Walla Walla to McNary line. The suspension of this transmission project is a good example of why resource plans should have generic alternative *types* of resources modeled.

- The next IRP should discuss alternative transmission options.
- The next IRP should discuss alternative deployment schedules for the transmission projects it considers and the benefits of each of the alternative deployment schedules of any transmission segments considered in the modeling.

Resources Needs Assessment (Chapter 5)

The Plan provides a complete description of current and future resources. The Company is to be commended for re-working much of its modeling in light of the effect of the economic recession on load. But on a practical note, an earlier decision to update the November 2008 base load data in response to the declining economic indicators in the first three quarters of 2008 and the September 2008 financial market tumult would have been beneficial for stakeholders working with the Company on the plan.

The Commission takes note that the Company's Washington service territory has the slowest average annual energy growth of all PacifiCorp's territories. It may be possible that a significant amount of the projected load growth of seven tenths of one percent could be managed by the implementation of aggressive Class 2 DSM.

Modeling and Portfolio Evaluation Approach (Chapter 7)

The number of scenarios and sensitivities in PacifiCorp's IRP modeling is extensive. PacifiCorp's modeling of potential GHG costs is very good.

The change in Class 2 DSM modeling to a supply curve that allows the expansion optimization model to pick the increment of economic DSM is a timely and valuable improvement to the modeling methodology.

Modeling and Portfolio Selection Results (Chapter 8)

As mentioned earlier, the number of scenarios and sensitivities in PacifiCorp's IRP modeling is extensive and PacifiCorp's modeling of potential GHG costs is very good, as is the comprehensiveness of the Company's modeling. However, there may be some limitations in planning options resulting from the combination of the two phases of the modeling process: the Optimization Portfolio Development and the Deterministic Risk Assessment.¹

The Optimization Portfolio Development creates a portfolio optimized over a 20-year period for a given scenario. The set of resources in the portfolio is then fed into the Deterministic Risk Assessment which tests the portfolio against other scenarios such as

¹ See PacifiCorp 2008 IRP, page 135, for a diagram of the modeling.

Pacific Power and Light Company IRP Comments

Docket UG-080826

Page 3

higher GHG costs or high natural gas prices that occur in the second 10 years of the 20-year study period. The set of resources chosen by the Optimized Portfolio Development in the second 10 years of the 20-year period can greatly increase the risk of the portfolio as measured by the Deterministic Risk Assessment. However, if gas prices or GHG costs rise during the first 10 years of the implementation of the portfolio, PacifiCorp could change the resources it selects during the second 10 years in response to the higher costs of certain inputs thereby reducing or mitigating the cost during the second 10 years of the time period of the planning horizon. There may be a problem in that the relationship between the Optimized Portfolio Development and the Deterministic Risk Assessment does not allow for that real-life flexibility that PacifiCorp will have midway through the 20-year planning horizon.

Specifically, the various portfolios have different resource selections during the first five years of the planning period. This might result in PacifiCorp, in its planning process, choosing a set of early resources because they are in a portfolio with lower risks in the later years of the planning horizon, even though the portfolios with higher risks could be mitigated by future flexibility rather than by choosing a different portfolio.

- PacifiCorp should address this issue in its next IRP.

Unfortunately, even the best modeling results do not always indicate which set of resources are the best choice. Reasoning and consideration of the results of the modeling -- and what the modeling reveals about the resource choices -- is necessary to determine the single best portfolio. PacifiCorp does a very good job of discussing the model outputs. However, the Commission does not find the "preference-scoring grid" particularly helpful to the reader or to PacifiCorp in performing the reasoning necessary to choose the best course forward. The Commission is also concerned that the grid could distract or mislead planners from the task of qualitative reasoning.

- If PacifiCorp includes a Portfolio Preference scoring system in its next IRP, it should also include a qualitative discussion of the top performing portfolios.

Action Plan and Resource Risk Management

The improved presentation and description of the action items, including the Company's indication that it will submit a company self-build option in its 2009 RFP, makes the Company's future plans clearer. While self-build is an option, the Company should expect that additional attention will be focused on evaluations of RFP includes when a utility bids a self-build project in its IRP.

Pacific Power and Light Company IRP Comments

Docket UG-080826

Page 4

The action plan does not specifically mention the utility's obligation under RCW 19.285 to determine and meet certain energy efficiency targets. The Commission reminds the Company that it needs to meet this obligation.

The figures and tables explaining the preferred portfolio are very good, particularly Figure 8.27 showing tons of CO₂ per MWh. However, there are one or two additional graphical displays of information that would be useful to communicate PacifiCorp's progress toward meeting Washington State's 2020 GHG stabilization target. A line graph showing PacifiCorp's total GHG generation emissions with PacifiCorp's 1990 levels as a baseline (and/or the Western Climate Initiative emission targets as a baseline) would be helpful in communicating PacifiCorp's progress on GHG emissions. A graph over a 10-year period showing the percentage of PacifiCorp's Washington load growth that is served by DSM could also communicate PacifiCorp's progress in the area of energy efficiency. These are specific examples of how PacifiCorp could communicate progress in the areas of GHG emissions and energy efficiency. The company is welcome to explore other ways to display information about its progress in these two areas.

Conclusion

The Commission acknowledges that PacifiCorp's 2008 Electric Integrated Resource Plan complies with WAC 480-100-238 and fulfills PacifiCorp's 2009 integrated resource planning obligation.