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February 6, 2008

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket No. UM 1302

Enclosed for filing in the above-referenced docket are the Joint Utility Final Comments on Proposed Guideline 8 Revisions.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Wendy McIndoo

Wendy McIndoo

cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1302 on the following named persons on the date indicated below by email addressed to said persons at his or her last-known address indicated below.

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DATED: February 6, 2008.

Wendy McIndoo

Wendy L. McIndoo

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1302

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff Investigation into the Treatment of CO_2 Risk in the Integrated Resource Planning Process.	**JOINT UTILITIES' FINAL COMMENTS**

Pursuant to Judge Power's January 4, 2008 Ruling, PacifiCorp d.b.a. Pacific Power ("Pacific Power"), Portland General Electric Company ("PGE"), and Idaho Power Company ("Idaho Power") (collectively the "Joint Utilities") hereby submit to the Oregon Public Utility Commission (the "Commission") comments on Staff's January 17, 2007 version of Guideline 8.

I. Comments

The Joint Utilities acknowledge the time and effort expended by Commission Staff and the other parties to craft a guideline that will provide the Commission with a reasonable framework for addressing CO_2 risk in the Integrated Resource Planning ("IRP") process. The parties began the process with significantly divergent viewpoints on the subject and over the course of the several workshops have worked through many of their differences. As a result, the Joint Utilities propose only one substantive change to Staff's proposed guideline, and in addition suggest a few editorial changes.

A. CO_2 Risk Adaptability

Throughout the workshop process the Joint Utilities have voiced their shared opinion that IRP guidelines should remain broad enough to allow utilities the flexibility to adapt to rapidly changing regulatory circumstances. The Joint Utilities have also explained that the IRP guidelines should refrain from requiring specific and detailed analysis that might prove

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superfluous once a regulatory framework for CO_2 is clearly defined. Accordingly, the Joint Utilities have advocated to streamline Guideline 8's requirements as much as possible.

In this spirit, the Joint Utilities urge the Commission *not* to adopt Section d of Staff's Proposed Guideline 8 entitled CO_2 Risk Adaptability. That subsection provides as follows:

> "The utility should assess the costs, risk and benefits of at least two portfolios that use different strategies and technologies to be more adaptable than the preferred portfolio in the event of an unexpected future shift in the CO_2 compliance requirements that causes the utility to fundamentally change course—by abandoning or scaling back key operating or planned-for resources and substituting new resources. The utility should employ a best cost/risk standard in formulating the adaptable portfolio, and compare its costs and risk with those of the preferred portfolio in the contexts of 1) the base case scenario itself, and 2) the as-shifted CO_2 compliance time profile that would cause the course change. The utility should describe the timing and magnitudes of the new CO_2 requirements that would elicit the indicated portfolio modifications and provide an assessment of such a CO_2 regulatory shift taking place."

The Joint Utilities object to Section d as "overkill." Based on workshop discussions, the Joint Utilities understand that Section d is intended to elicit a portfolio that is flexible in the face of changing CO_2 regulation. The Joint Utilities agree that the construction of such a portfolio is helpful, but they do not believe that Section d is necessary to achieve this goal.

A flexible portfolio is likely to a) minimize any capital commitments to new high-CO_2 resources; b) minimize any capital commitments to new low CO_2 but high-cost resources; and (c) include a combination of short and medium term power purchase agreements. It is almost certain that a portfolio adhering to these principles would be submitted as one of the alternative or other compliance IRP scenarios discussed elsewhere in the guidelines.

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Moreover, the trigger point analysis that is required under Section c presents another approach for arriving at the same issue: how a CO_2 regulatory future that is more stringent than anticipated may affect the determination of the preferred portfolio. In addition, the public process, where stakeholders work with the utility to examine issues that they consider important, would also be a forum for developing this portfolio. Therefore, there is no need to specifically require an additional Section d analysis and modeling procedure. Requiring such an analysis would require significantly more work that would provide little beneficial informational value.

B. Clarity

The additional changes to Staff's January 17 version of Guideline 8 suggested by the Joint Utilities are non-substantive, and offered for the benefit of clarity. They are contained in the redline document attached hereto as Exhibit A.

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II. Conclusion

The Joint Utilities appreciate this opportunity to comment on Guideline 8.

DATED: February 6, 2008.

Respectfully submitted,

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EXHIBIT A

Joint Utilities' Redline of Staff's Final Draft Filed 1/17/08

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Guideline 8: Environmental Costs

a. BASE CASE AND OTHER COMPLIANCE SCENARIOS: The utility should construct a base-case scenario to reflect what it considers to be the most likely regulatory compliance future for carbon dioxide (CO_2), nitrogen oxides, sulfur oxides, and mercury emissions. The utility also should develop several compliance scenarios ranging from the present CO_2 regulatory level to the upper reaches of credible proposals by governing entities. Each compliance scenario should include a time profile of CO_2 compliance requirements. The utility should identify whether the basis of those requirements, or "costs," would be CO_2 taxes, a ban on certain types of resources, or CO_2 caps (with or without flexibility mechanisms such as allowance or credit trading or a safety valve). The analysis should recognize significant and important upstream emissions. Each compliance scenario should maintain logical consistency, to the extent practicable, between the CO_2 regulatory requirements and other key inputs.

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b. TESTING ALTERNATIVE PORTFOLIOS AGAINST THE COMPLIANCE SCENARIOS: The utility should estimate, under each of the compliance scenarios, the present value of revenue requirement (PVRR) costs and risk measures, over at least twenty years, for a set of reasonable alternative portfolios from which the preferred portfolio is selected. The utility should incorporate end-effect considerations in the analyses to allow for comparisons of portfolios containing resources with economic or physical lives that extend beyond the planning period. The utility should also modify projected lifetimes as necessary to be consistent with the compliance scenario under analysis. In addition, the utility should include, if material, sensitivity analyses on a range of reasonably possible regulatory futures for nitrogen oxides, sulfur oxides, and mercury to further inform the preferred portfolio selection.

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c. TRIGGER POINT ANALYSIS: The utility should identify at least one CO_2 compliance "turning point" scenario which, if anticipated now, would lead to, or "trigger," the selection of a portfolio of resources that is substantially different from

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the preferred portfolio. The utility should develop a substitute portfolio appropriate for this trigger point scenario and compare the substitute portfolio's expected cost and risk performance to that of the preferred portfolio -- under the base case and each of the above CO_2 compliance scenarios. The utility should provide its assessment of whether a CO_2 regulatory future that is equally or more stringent than the identified trigger point will be mandated.

d. OREGON COMPLIANCE PORTFOLIO: If none of the above portfolios is consistent with Oregon energy policies (including state goals for reducing greenhouse gas emissions) as the Oregon energy policies are applied to the utility, the utility should construct a resource portfolio that is consistent with the Oregon energy policies, present the cost and risk parameters of the compliant resource portfolio, and compare the compliant resource portfolio to the preferred and alternative portfolios.

Deleted: d. CO_2 RISK ADAPTABILITY: The utility should assess the cost, risks and benefits of at least two portfolios that use different strategies and technologies to be more adaptable than the preferred portfolio in the event of an unexpected future shift in the CO_2 compliance requirements that causes the utility to fundamentally change course – by abandoning or scaling back key operating or planned-for resources and substituting new resources. The utility should employ a best cost/risk standard in formulating the adaptable portfolio, and compare its cost and risks with those of the preferred portfolio in the contexts of: 1) The base case scenario itself, and 2) the as-shifted CO_2 compliance time profile that would cause the course change. The utility should describe the timing and magnitudes of the new CO_2 requirements that would elicit the indicated portfolio modifications and provide an assessment of such a CO_2 regulatory shift taking place. ¶
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