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June 24, 2008

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

Attention: Vikie Bailey-Goggins
Administrator, Regulatory Operations

Re: **Docket UM 1374** – Reply Comments of Pacific Power

PacifiCorp, d.b.a. Pacific Power, hereby submits in electronic format, its Reply Comments in the above-referenced matter.

Informal questions may be directed to Joelle Steward at (503) 813-5542.

Sincerely,


Andrea L. Kelly
Vice President, Regulation

Enclosure
Cc: Service List UM-1374

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1374

In the Matter of
PacifiCorp dba Pacific Power
Petition for Waiver of the Commission's
Competitive Bidding Guidelines

Reply Comments of Pacific Power

1 PacifiCorp dba Pacific Power appreciates the opportunity to file reply comments in
2 response to the report of Boston Pacific Company, Inc. (the Oregon Independent Evaluator
3 (IE)) dated June 18, 2008 entitled "An Analysis of PacifiCorp's Waiver Request For The
4 Chehalis Power Generating Plant" (IE Report). Boston Pacific Company, Inc. was requested
5 to conduct a limited review of the evidence offered for and against the requested waiver; this
6 included addressing issues raised by the intervenors in their opening comments filed in this
7 proceeding. As described by the IE, the purpose of the IE Report is to offer an opinion as to
8 whether or not this transaction does indeed represent a "time-limited" opportunity of "unique
9 value", and therefore, warrants a waiver of the Commission's competitive bidding guidelines.

10 In its IE Report, the IE reached the following conclusion in support of the waiver
11 request: "Given Chehalis' obvious benefits in capacity cost, risk mitigation and given the
12 fact that those benefits are not clearly wiped away by its disadvantages, we think that it is
13 reasonable to grant the Company's waiver request, subject to our review of the information
14 below." The IE proposes a review of the information below and the subsequent provision of
15 a brief supplementary report.

- PacifiCorp should provide more detailed documentation concerning the transmission component of its analysis. This documentation should include; (a) proof of the existing point-to-point arrangement, (b) proof of the new proposed wheeling agreements, (c) a description of the original rationale for

1 extending the existing arrangement, and (d) a detailed description of how the
2 new agreements remove the need for the current agreement.

- 3 • PacifiCorp should confirm the gas prices that it used to determine fuel costs
4 for the Chehalis plant and for the proxy CCCT and provide the fuel price
5 forecasts that were used in the modeling process for these two facilities, along
6 with explanations for how it developed the forecasts. If the Company used a
7 price point for Chehalis different from the Sumas point it should explain why
8 it did so. The Company should also provide its view on whether the 2007 gap
9 between Sumas and Opal prices was an aberration or a portent for the future.
- 10 • The Company should produce the actual historical O&M costs for the facility
11 along with an explanation of any difference between these costs and the
12 Company's assumptions.
- 13 • The Company should provide an analysis of the transaction using the GRID
14 model.

15 Pacific Power has provided the additional documentation requested by the IEs in their
16 recommendation. Pacific Power believes that the IE's recommendation for approval of its
17 waiver request is further supported by the documentation provided.

18 Pacific Power would like to take this opportunity to address the Policy Issues raised
19 by the IE in their recommendation for approval of its waiver.

20 The first policy issue raised is the scope of the waiver proceeding. As agreed by the
21 IE, this waiver request is not, and should not be, a substitute for a full prudence review.¹
22 However, Pacific Power does not believe that the suggestion made by the IE that "for
23 purposes of cost recovery we suggest that PacifiCorp be held, within some reasonable
24 bounds, to its assumptions made here as if it was offering a pay-for-performance PPA," is
25 appropriate in this proceeding. As the Company has previously noted in other request for
26 proposal forums, the current ratemaking treatment available to the Company does not support
27 a pay-for-performance type arrangement. Pacific Power is subject to traditional ratemaking

¹ See IE Report (June 18, 2008) at page 8.
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1 and until this policy changes, Pacific Power is not in a position to agree to a pay-for-
2 performance concept.

3 On the other two policy issues, Pacific Power would note that the IE has made two
4 recommendations related to the Company's request for proposal process. Although Pacific
5 Power acknowledges the recommendations, this docket is not the appropriate forum for
6 responding to recommendations related to Pacific Power's pending requests for proposals. As
7 a result, the Company believes that these suggestions should be addressed in the existing
8 dockets for request for proposal approval where Staff, the Company, and intervenors may
9 have the opportunity to comment and respond in the appropriate forum.

10 **Conclusion**

11 Based on the testimony and evidence provided by Pacific Power, supported by the
12 conclusions reached in the IE Report, Pacific Power has met the standard for waiver because
13 this transaction represents a "time-limited" opportunity of "unique value" to customers. As a
14 result, Pacific Power respectfully requests approval of its petition for waiver of the
15 Commission's competitive bidding guidelines.

DATED: June 24, 2008

/s/ Natalie L. Hocken
Natalie L. Hocken
Vice President & General Counsel,
Pacific Power

Counsel for PacifiCorp

CERTIFICATE OF SERVICE

I hereby certify that on this 24th day of June, 2008, I caused to be served, via E-Mail and US Mail (to those parties who have not waived paper service), a true and correct copy of the foregoing document on the following named person(s) at his or her last-known address(es) indicated below.

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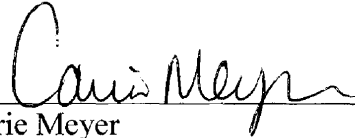
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A handwritten signature in cursive script, reading "Carrie Meyer", written over a horizontal line.

Carrie Meyer
Coordinator, Administrative Services