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July 23, 2009

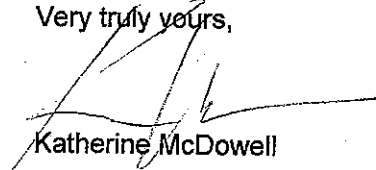
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**Re: Docket UM 1396**

Enclosed for filing in the above docket are an original and five copies of PacifiCorp's Reply Brief. 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,



Katherine McDowell

cc: Service List

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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1396 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: July 23, 2009



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1 Integrated Resource Plan ("IRP") for resource determination. ICNU's argument is based on  
2 an inaccurate depiction of the IRP process and a lack of understanding of the nature of  
3 resource sufficiency.

4  
5 **1. A Reasonable Resource Sufficiency Determination is One that is Subject  
to Change Based on Changes in Economic Conditions.**

6 ICNU claims that PacifiCorp's recent thermal Request for Proposal ("RFP") shows  
7 that a utility's date of need for CCCT can change dramatically almost overnight. ICNU's  
8 Opening Brief at 12. ICNU fails to recognize that the determination of resource sufficiency  
9 under *any* proposal that accurately differentiates between sufficiency and deficiency is subject  
10 to change, especially during a significant global economic downturn. ICNU's proposal,  
11 however, will likely avoid such changes because it effectively results in utilities being deemed  
12 deficient at all times. As a result, utilities would be deemed deficient regardless of significant  
13 economic or market changes that affect a utility's resource planning. Staff's and the utilities'  
14 proposal will result in a sufficiency determination that changes in response to economic  
15 conditions, which more accurately captures the resource sufficiency/deficiency determination  
16 than ICNU's static deficiency approach.

17 **2. The Commission Can Eliminate Issues Related to the Timing and  
18 Uncertainty of Acknowledgment of the IRP by Using the Filed IRP for the  
Sufficiency Determination.**

19 ICNU also claims that the IRP process is the inappropriate venue for the sufficiency  
20 determination because the Commission may not acknowledge the utility's IRP. ICNU's  
21 Opening Brief at 14. The potential for the Commission to decline to acknowledge an IRP is  
22 hardly the insurmountable problem that ICNU suggests. Even if a utility's IRP is not fully  
23 acknowledged, the Commission can acknowledge the sufficiency determination portion of the  
24 IRP.

25 In addition, the Commission can allow utilities to make resource sufficiency  
26 determinations on the basis of filed, rather than acknowledged, IRPs. The Commission has

1 previously used filed IRPs as a basis for approving RFPs. See *Re PacifiCorp Request for*  
2 *Proposals in Compliance with Competitive Bidding Guidelines*, Docket UM 1079, Order  
3 No. 03-356 (June 12, 2003) (adopting Staff's conclusion that it is not necessary to delay  
4 issuance of the RFP until the IRP is acknowledged); *Re Portland General Elec. Co. Request*  
5 *for Proposals for Power Supply Resources in Compliance with Competitive Bidding*  
6 *Guidelines*, Docket UM 1080, Order No. 03-387 (July 3, 2003) (approving PGE's RFP and  
7 finding it to be consistent with the filed IRP). During the time between when the utility files a  
8 new IRP and when the IRP is acknowledged, the filed IRP will provide a more accurate  
9 determination of resource sufficiency than an acknowledged IRP, which may have been filed  
10 up to a year before it was acknowledged. See, e.g., *Re PacifiCorp 2007 Integrated Resource*  
11 *Plan*, Docket LC 42, Order No. 08-232 at 2 (IRP filed in May, 2007 and acknowledged in April,  
12 2008).

13 For this reason, the Commission should reject ICNU's proposal to base the  
14 sufficiency period on the last IRP in which the Commission acknowledged a date for acquiring  
15 a new baseload resource. See ICNU's Opening Brief at 16. The Commission should instead  
16 use the utility's most recently filed IRP to determine resource sufficiency during the time  
17 between when a utility files its most recent IRP and when that IRP is acknowledged, unless  
18 the Commission finds good cause to believe the sufficiency determination in the filed IRP is  
19 less accurate than in the most recently acknowledged IRP. See PPL/100, Warnken/3, II. 5-7  
20 ("once a sufficiency period is established . . . [it] should remain unchanged until such time as a  
21 new IRP or IRP Update is filed with the Commission.").

22  
23 **3. The IRP Process Allows Parties Ample Opportunity to Evaluate and Raise  
Concerns with the Utility's IRP.**

24 ICNU also argues that QFs will be disadvantaged because the IRP does not allow  
25 parties to factually contest utilities' evidence. ICNU's Opening Brief at 15. ICNU's argument  
26 does not accurately reflect the nature of the IRP process. The IRP process allows parties to

1 submit data requests, file comments contesting evidence, and participate in 10 to 15 IRP  
2 meetings throughout the IRP preparation cycle. Parties also have the opportunity to respond  
3 to the Staff's IRP report, which includes comments, recommendations, and a draft IRP  
4 acknowledgment order. The Commission considers parties' concerns with the IRP regardless  
5 of the fact that there is no formal evidentiary hearing. ICNU's claim that the IRP does not  
6 allow parties the ability to contest evidence ignores the reality that the IRP process is a more-  
7 than-sufficient alternative to an evidentiary hearing for purposes of evaluating resource  
8 sufficiency.

9

10 **4. The Resource Sufficiency Determination Should Include Resources that  
the Utility Reasonably Expects to Acquire.**

11 Finally, ICNU's proposal to remove "unidentified, non-contracted capacity sources  
12 and speculative resources" from the need determination will result in an inaccurate sufficiency  
13 determination. See ICNU's Opening Brief at 16. The Commission has previously recognized  
14 that utilities may buy significant resources on the market prior to investing in a base load  
15 resource. Order No. 05-584 at 28. While such resources may not be contracted for when the  
16 utility establishes its IRP, they are not speculative and should reasonably be included in the  
17 sufficiency determination. There is no reason to remove resources that the utility reasonably  
18 includes in its resource plan for purposes of calculating avoided cost. The result of ICNU's  
19 proposal is to remove resources that the utility reasonably expects to acquire from the  
20 sufficiency determination, thereby making it more likely that utilities will be found resource  
21 deficient and pay higher avoided costs to QFs.

22

23 **C. Utilities Consider Energy When Evaluating Resource Acquisitions and Should  
Do So in Their Sufficiency Determinations.**

24 ICNU's claim that utilities do not rely upon energy deficits when actually deciding to  
25 acquire resources is incorrect. ICNU's Opening Brief at 8. Utilities include energy-only  
26 resources in their resource planning. PPL/101, Warnken/4, II. 9-15. Energy resources can

1 have capacity deferral value, meaning that they can defer a higher-cost, long-term resource  
2 for at least a year. *Id.* ICNU's claim that increasing energy output cannot address a capacity  
3 deficit is incorrect if the increase in energy output can defer a capacity resource. See ICNU  
4 Opening Brief at 10. ICNU's proposal to exclude energy from the consideration of resource  
5 sufficiency means that resources that allow the utility to avoid the more expensive CCCT cost  
6 will be excluded from the sufficiency calculation—artificially moving the deficiency date  
7 forward. ICNU has presented no reason for the Commission to require utilities to depart from  
8 prudent utility planning when determining resource sufficiency by ignoring energy.

9

10 **D. A Utility's Acquisition of Capacity Resources During the Sufficiency Period Does  
11 Not Mean that the Utility is Resource Deficient.**

11 ICNU's argument that utilities that acquire capacity resources during the sufficiency  
12 period are by definition deficient ignores the realities of resource planning. A utility engaging  
13 in prudent resource planning would seek to acquire resources before the utility is deficient in  
14 order to obtain least-cost resources. The alternative would be to assume that utilities are by  
15 definition resource deficient, because they may possibly acquire cost-effective resources  
16 during the sufficiency period.<sup>1</sup> Assuming that utilities engaging in prudent, least-cost planning  
17 are deficient, as ICNU does, would require customers to pay more than actual avoided costs.

18 Moreover, how a utility procures resources after the Commission establishes the  
19 sufficiency period is not relevant to defining the deficiency period for current avoided cost  
20 pricing. The IRP represents the best current view of the utilities' long-term resource needs  
21 and the type of resources that are most cost effective at meeting customers' electricity needs  
22 given numerous planning considerations. Differences in timing, process, and evaluation

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24 <sup>1</sup> ICNU's citation to PacifiCorp's acquisition of Lake Side as an example of a utility acquiring a  
25 resource in a manner inconsistent with its designated resource sufficiency period is perplexing. ICNU did  
26 not discuss the resource in testimony and the Lake Side resource was obtained as an outcome of the  
2003 IRP, which found a significant and near-term finding of need for a baseload resource.

26



1 criteria between today's resource plan and future resource procurement activities means that  
2 actual resources acquired could deviate from the resources identified in the IRP preferred  
3 portfolio. Any changes in the timing of forecasted CCCT acquisition resulting from  
4 procurement activities would then be factored into future IRPs and associated updates to the  
5 sufficiency/deficiency period.

6

7 **E. The Commission Need Not Address ICNU's Proposal that Prices be Set Based  
8 on the Utilities' Power Cost Models.**

8 ICNU proposes that the Commission set prices based on the utilities' power cost  
9 models when they are peak demand and resource sufficient if the Commission adopts ICNU's  
10 three-tier approach. ICNU's Opening Brief at 11. Because the Commission should reject  
11 ICNU's methodology for determining resource sufficiency, it should also reject ICNU's  
12 proposal to use the prices based on the utilities' power cost models.

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1 **II. CONCLUSION**

2 ICNU's proposed sufficiency calculation will result in an inaccurate calculation of  
3 avoided costs and will harm customers by artificially inflating avoided costs. The Commission  
4 should reject ICNU's attempt to eliminate the sufficiency period through the implementation of  
5 a proposal that will make it virtually impossible for utilities to be found resource sufficient.  
6 PacifiCorp respectfully requests that the Commission adopt PacifiCorp's, Staff's, and PGE's  
7 proposal for determining resource sufficiency.

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10 DATED: July 23, 2009

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