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July 10, 2009

VIA ELECTRONIC FILING AND U.S. MAIL

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Re: Docket UM 1396

Enclosed for filing in the above docket are an original and five copies of PacifiCorp's Opening 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

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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BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1396

In the Matter of: PUBLIC UTILITY COMMISSION OF OREGON Investigation into determination of resource sufficiency, pursuant to Order No. 06-538	**PACIFICORP'S OPENING BRIEF**

Pursuant to Administrative Law Judge ("ALJ") Patrick Power's Ruling on June 15, 2009, PacifiCorp d/b/a Pacific Power hereby submits this Opening Brief to the Public Utility Commission of Oregon ("Commission").

I. INTRODUCTION

The purpose of this proceeding is to establish a methodology for determining resource sufficiency that is consistent with Commission policy and the Public Utility Regulatory Policies Act ("PURPA"). PacifiCorp has presented a methodology that is straightforward, consistent with both Commission precedent and PURPA, and accurately reflects utility resource planning. PacifiCorp's method ensures that utility customers do not pay more than avoided costs, meaning a higher price for energy than they otherwise would have without the utility's acquisition of energy from qualifying facilities ("QFs").

In contrast, the Industrial Customers of Northwest Utilities ("ICNU") has presented a proposal that is in conflict with PURPA, in that it would result in utilities regularly paying more than the avoided costs of energy to QFs. ICNU's method does not reflect how utilities actually plan for resources and would result in overcompensating QFs at the expense of customers. ICNU's proposal is also inconsistent with Commission precedent on avoided costs. The

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Commission should therefore reject ICNU's proposal and implement the method proposed by Staff, PacifiCorp, and Portland General Electric ("PGE").[1]

II. BACKGROUND

In Docket UM 1129, the Commission investigated a number of issues related to utility purchases from QFs under PURPA. PURPA requires, among other things, that electric utilities purchase energy from QFs at rates that are just and reasonable to the utility's customers, in the public interest, do not discriminate against QFs, and are not more than the "incremental cost of alternative electric energy," or avoided cost. 16 U.S.C. § 824a-3(b), (d); *See Re Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket UM 1129, Order No. 05-584 at 6 (May 13, 2005) [hereinafter "Order No. 05-584"]. The Commission addressed issues such as the content of standard PURPA contracts, the size of QFs eligible for standard contracts, and the calculation of avoided costs.

The Commission found that "an accurate calculation of avoided costs requires differentiation when a utility is in a resource sufficient position versus a resource deficient position." Order No. 05-584 at 26. The Commission also found that avoided cost rates for utilities in a resource deficient position "will reflect the variable and fixed costs of a natural gas-fired CCCT." Order No. 05-584 at 27. The Commission did not decide, however, how to calculate resource sufficiency. In a separate order on the compliance of the utilities' standard QF contracts based on the policy laid out in Order No. 05-584, the Commission found that the issue of when a utility should be considered to be resource deficient is beyond the scope of the proceeding. *Re Public Utility Commission of Oregon Staff's Investigation Relating to Electric Utility Purchases from Qualifying Facilities*, Docket UM 1129, Order No. 06-538 at 54

[1] In Staff's Opening Brief filed on July 9, 2009, Staff states that it has clarified its position on issues since the parties filed testimony. PacifiCorp's Opening Brief discusses Staff's positions as clarified in its Opening Brief.

(Sept. 20, 2006). The Commission stated that it anticipated opening a new docket to consider the issue. *Id.*

The Commission opened this proceeding on October 23, 2008 to investigate how the Commission should determine resource sufficiency. ALJ Power adopted Staff's Issues List on March 3, 2009 to guide the parties' testimony on resource sufficiency.

The Commission's evaluation of the parties' positions must be informed by the global policy and statutory considerations relevant to resource sufficiency. With that in mind, this Opening Brief first explains the Commission precedent, policy, and statutory mandates relevant to the Commission's determination of resource sufficiency and examines the parties' proposals in light of these parameters. The Opening Brief then presents PacifiCorp's recommendations on the specific issues in the Issues List.

III. ARGUMENT

A. PacifiCorp's Proposal for Determining Resource Sufficiency Most Accurately Reflects Commission Precedent, Policy, and Statutory Mandates.

The Commission's previous findings on avoided cost issues provide parameters that guide the Commission's decision on resource sufficiency in this case. First, at the most basic level, the method must reflect the Commission's finding that an accurate calculation of avoided costs must differentiate between periods of resource sufficiency and deficiency. Second, the method must be consistent with the Commission's finding that avoided costs must reflect the variable and fixed costs of a natural gas-fired CCCT when a utility is resource deficient. Third, the method must reflect the realities of resource planning and prudent utility practice. Fourth, the method must be consistent with PURPA. PacifiCorp's proposed method for determining resource deficiency reflects these parameters and should be adopted by the Commission.

1. The Parties' Positions.

PacifiCorp's proposal for defining the periods of resource sufficiency and deficiency is straightforward and based on the Commission's definition of avoided costs during the deficiency period as the cost of a natural gas-fired CCCT. Under PacifiCorp's proposal, the deficiency period will begin when a new CCCT is necessary to serve load most economically as identified in the utility's Integrated Resource Plan ("IRP") or IRP update. PPL/100, Warnken/3, ll. 11-14; PPL/101, Warnken/2 ll. 5-7. Staff and PGE also define resource deficiency as beginning on the date the IRP indicates a CCCT addition is necessary and assumed to be in service. Staff's Opening Brief at 1; PGE/100, Kuns-Drennan/5, ll. 5-10.

In contrast, ICNU proposes a complex, three-tier approach. ICNU's proposal would calculate avoided costs to be the cost of a new CCCT plant if a utility is peak demand deficient. ICNU/100, Falkenberg/7, ll. 12-13. If a utility is peak demand sufficient but reserve deficient, avoided costs would be based on firm standard product purchases or new peaking plants. ICNU/100, Falkenberg/7, ll. 8-11. Finally, if a utility is peak demand and reserve sufficient, avoided costs would be based on market value. ICNU/100, Falkenberg/7, ll. 3-7. ICNU would create a rebuttable presumption that utilities are resource deficient—and therefore pay the highest avoided costs calculated by the Commission. *See* ICNU/100, Falkenberg/14-19.

2. PacifiCorp's Proposal Accurately Differentiates between Periods of Resource Sufficiency and Deficiency.

The Commission found in Docket UM 1129 that it was "convinced that the accurate calculation of avoided costs requires differentiation when a utility is in a resource sufficient position versus a resource deficient position." Order No. 05-584 at 26. The Commission should reject any method that fails to differentiate between periods of sufficiency and deficiency.

PacifiCorp's proposal is consistent with the Commission's previous finding that utilities will address gaps between increasing demand and actual resources with purchases of energy and capacity on the market. Order No. 05-584 at 28. The IRP will identify the point in time when a CCCT would be more economic than market purchases to serve the utility's load. PPL/101, Warnken/2 ll. 18-21. At that point, the utility is resource deficient. PacifiCorp's proposal accurately differentiates between periods of sufficiency and deficiency.

ICNU's proposal is inconsistent with Commission's policy for two reasons. First, under ICNU's proposal, a utility that is acquiring resources to meet peak demand is automatically deficient. This definition is in direct opposition to the Commission's finding that utilities will address gaps between increasing demand and actual resources with purchases of energy and capacity on the market. Order No. 05-584 at 28. The Commission explicitly found that PGE's practice of "buying significant resources on the market prior to a commitment to build new utility plant to be illustrative" of this finding. *Id.* ICNU's proposal that a utility be deemed resource deficient even if the utility can meet its peak demand most economically by purchasing resources on the market rather than building a new CCCT conflicts with the Commission's policy on bridging the gap between increasing demand and building a new CCCT with market purchases.

Second, ICNU's definition of resource sufficiency also conflicts with Commission precedent on avoided costs because the definition would, in practice, result in there being only one period: resource deficiency. ICNU claims that if a utility is acquiring new resources on an on-going basis, it should be considered deficient. ICNU/100, Falkenberg/2, ll. 4-6. ICNU's definition ignores the practical realities of system management. Even utilities that are peak demand sufficient, as defined by ICNU, may continue to acquire resources to ensure reliability and adherence to least cost resource planning. *See* PPL/100, Warnken/10, ll. 3-5. The result of ICNU's definition would be that a utility would continually be deficient. The practical effect of ICNU's proposal—no differentiation between sufficiency and deficiency periods—is contrary

to the Commission's finding that the calculation of avoided costs must differentiate between periods of sufficiency and deficiency.

3. PacifiCorp's Proposal Is Consistent with the Commission's Finding that Avoided Cost Rates During Resource Deficiency Reflect the Cost of a CCCT.

The method the Commission chooses for determining resource sufficiency must reflect the Commission's historic methodology for calculating avoided costs when a utility is resource deficient: avoided costs will reflect the variable and fixed costs of a natural gas-fired CCCT. Order No. 05-584 at 27. PacifiCorp's approach is a logical extension of the Commission's calculation of avoided costs. Under PacifiCorp's proposal, the deficiency period begins when a new CCCT is necessary to serve load most economically. PPL/100, Warnken/3, ll. 11-14; PPL/101, Warnken/2 ll. 5-7.

ICNU's three-tier methodology is inconsistent with the Commission's calculation of avoided costs in deficiency. ICNU's method will result in a utility paying the cost of a proxy CCCT even when the utility could meet peak demand most economically using market purchases, as contemplated by the Commission in Order No. 05-584. PPL/100, Warnken/9, ll. 4-8; PPL/101, Warnken/6, ll. 14-19. If the utility can meet its peak more economically with resources other than a CCCT, then by definition the cost of a CCCT is not the avoided cost. *See also* PGE/100, Kuns-Drennan/7, ll. 14-16. ICNU's proposal ignores this fundamental principle in favor of an approach that will define utilities as deficient and therefore over-compensate QFs at the expense of customers.

ICNU objects to the idea that a utility is sufficient until it needs to acquire a CCCT to most economically serve its load, arguing that PacifiCorp and PGE acquired substantial capacity and energy resources while they were presumed to be resource sufficient. ICNU/100, Falkenberg/4, ll. 9-11. ICNU cites PacifiCorp's purchase of the 520 MW Chehalis gas plant in 2008 as evidence that using the date a utility plans to add a CCCT in its IRP does not accurately define the sufficiency period. *Id.*; ICNU/100, Falkenberg/5, ll. 9-11. According

to ICNU, then, a utility that acquires a CCCT is by definition resource deficient, even if the utility would not have added a CCCT at full cost, but acquired a CCCT at lower cost to meet a future resource need identified in the IRP or IRP update. Chehalis was just such an example—the Commission found it was a time-limited opportunity of unique value to customers and appears to provide a better value to customers than other resources available through current Requests for Proposals ("RFP"). *Re PacifiCorp Petition for Waiver of the Commission's Competitive Bidding Guidelines*, Docket UM 1374, Order No. 08-376, Appendix A at 2 (July 17, 2008). ICNU's citation of the Chehalis acquisition as evidence that PacifiCorp is resource deficient gives further support to the finding that ICNU's proposal would result in there being effectively no sufficiency period.

4. PacifiCorp's Proposal Reflects the Realities of Utility Resource Planning and Prudent Utility Practice.

To determine accurately when a utility is resource sufficient or deficient, the method the Commission adopts must reflect the realities of how utilities plan for and value resources. The Commission's method should, therefore, use the IRP as the foundation for determining resource sufficiency and should consider both energy and capacity, as utilities actually do when determining what portfolio of resources to use to most economically meet load.

a. The Commission Should Use the IRP as the Foundation for Determining Resource Sufficiency.

As the Commission explained in Order No. 05-584, calculation of avoided cost rates begins with the utility filing an IRP. Order No. 05-584 at 21. The IRP process allows the Commission and parties to evaluate a utility's resource strategy, covering a 20-year time horizon. The utility uses the IRP to determine the amount and timing of resources to ensure that the utility has sufficient capacity to meet future loads, focusing on the first 10 years of the forecast period. PPL/100, Warnken/3, ll. 17-22. Using the IRP as the basis for determining resource sufficiency will result in the most accurate determination, because it is a

comprehensive and thorough process for establishing a utility's resource strategy and is already used to calculate avoided costs. Without the link between the IRP and determination of resource sufficiency, the utility may be paying the avoided cost of a CCCT when the IRP shows that a CCCT would not be economic. PPL/100, Warnken/6, l. 19- Warnken/7, l. 7. In addition, the IRP is the foundation for a utility's RFPs to solicit bids for projects pursuant to Guideline 7 of the Competitive Bidding Guidelines. *Re. Investigation Regarding Competitive Bidding*, Docket UM 1182, Order No. 06-446 at 9 (Aug. 10, 2006).

ICNU raises a number of objections to the use of the IRP as the basis for determining resource sufficiency. First, ICNU's argument appears to be based upon a belief that the flexibility of the IRP process allows utilities to "game" the IRP process to extend the resource deficiency period in order to pay QFs lower rates. *See* ICNU/200, Falkenberg/2, ll. 4-12. ICNU's theory is unfounded. Even if it were possible for a utility to develop its IRP to show a CCCT addition later than is actually needed, there is no motivation for a utility to do so. Utilities use their IRPs to plan their load/resource balance to ensure they can meet future system loads. To imply that utilities would bias their resource planning processes and produce inaccurate IRPs in order to obtain lower avoided costs for QFs strains credulity.

Additionally, a utility that pursues projects inconsistent with its IRP bears a higher risk that those projects may be disallowed. *See re PacifiCorp's Integrated Resource Plan*, Docket LC 42, Order No. 08-232 at 38 (April 24, 2008) ("In rate-making proceedings in which the reasonableness of resource acquisitions is considered, the Commission will give considerable weight to utility actions which are consistent with acknowledged integrated resource plans."). If a utility's IRP shows that the utility does not need to add a base load resource until 2015, a utility acquiring a base load CCCT in 2010 will bear the burden of showing that the acquisition was prudent, even if it was not consistent with the IRP. ICNU's suggestion that utilities would take such a risk to manipulate QF prices is nonsensical.

ICNU's testimony indicates that it objects to using the IRP process to determine resource sufficiency even if the utilities are not using the process inappropriately, because the process allows avoided costs to be influenced by a utility's "subjective and open ended determinations." ICNU/200, Falkenberg/2, ll. 20-22. In fact, the flexibility of the IRP process allows utilities to acquire economic resources as they become available and as circumstances change. ICNU would apparently prefer that utilities avoid acquiring a CCCT until the time specified in the IRP, even if the utility could purchase a lower cost CCCT now rather than wait to purchase a higher cost resource when the deficiency period starts. ICNU's proposal is incompatible with prudent resource acquisition. In addition, under ICNU's proposal, utilities acquiring capacity resources for short-term balancing purposes would be deemed deficient. ICNU's proposal results in a standard so inflexible that utilities engaging in prudent resource planning will never achieve resource sufficiency.

Second, ICNU argues that utilities generally have acquired enough capacity in the short run to avoid including new base load capacity in their IRPs, but continue to add new long-term resources. ICNU/100, Falkenberg/8, ll. 22-24. ICNU appears to be criticizing utilities for engaging in the prudent practice of seeking to serve load as economically as possible. As discussed above, prudent resource planning may result in a utility taking advantage of unexpected opportunities of economic base load generation before the utility is deficient. To ignore such opportunities only to adhere to the IRP timeline would not be prudent. ICNU's proposal values achieving higher rates for QFs over serving load as economically as possible.

Finally, ICNU argues that QFs should not be required to participate in the long and costly IRP process in order to comment on avoided costs. ICNU/200, Falkenberg/1, l. 19-Falkenberg/2, l. 3. While ICNU presents the rigorousness of the IRP process as a drawback, it is actually a benefit. The IRP process allows interested parties and the Commission to scrutinize the IRP to accurately calculate avoided costs. ICNU's implicit alternative of creating

a separate process would unnecessarily duplicate resources. It would also cause a disconnect between avoided costs and resource planning that would result in avoided costs being calculated inaccurately. If the Commission believes that QFs would be disadvantaged by participating in the IRP process in order to provide input on resource sufficiency, the Commission can take procedural steps within the IRP process to address this challenge.

Staff agrees that resource sufficiency should be determined in the context of the IRP process. Staff's Opening Brief at 3. PGE also agrees that the IRP process is the proper vehicle for determining resource sufficiency needs and that a separate process for QF avoided cost purposes is unnecessary and would be burdensome. PGE/100, Kuns-Drennan/15, ll. 19-22; Kuns-Drennan/3, ll. 11-12. ICNU has presented the Commission with no reasoned basis to find otherwise.

b. The Resources Included in the IRP Should Be the Resources Used for the Determination of Resource Sufficiency.

To be consistent with utility resource planning, the determination of resource sufficiency must be based on the same resources used in the IRP, with the qualification that non-firm resources should be excluded. Short-term resources were explicitly cited by the Commission as a method utilities may use to defer the acquisition of long-term generation resources and should therefore be included in the sufficiency determination. PPL/100, Warnken/9, ll. 9-21; Order No. 05-584 at 27. Non-firm resources, on the other hand, should not be included because they cannot be relied upon to meet peak load requirements. PPL/100, Warnken/10, ll. 1-6. Staff agrees with PacifiCorp that short-term firm resources should be included in the determination of resource sufficiency and that non-firm resources should not. Staff/100, Durrenberger/10, ll. 4-13; Durrenberger/11, ll. 1-7. PGE agrees that the generating portfolio included in the IRP, including short-term purchases, is the portfolio to use in determining resource sufficiency. PGE/100, Kuns-Drennan/13, ll. 14-20. PGE proposes to

consider whether resource sufficiency is applicable only to firm resources in the IRP findings. PGE/100, Kuns-Drennan/14, ll. 3-8.

ICNU argues that the resources to be included in the determination of sufficiency should be limited to those included in the capacity acquisition assumptions used for the resource acquisition process—capacity under construction that is "past the point of no return," capacity under contract, and existing resources. ICNU/100, Falkenberg/10, ll. 22-25. ICNU's proposal is in conflict with the Commission's previous finding that short-term market purchases are an appropriate way for a utility to defer long-term resources. ICNU's proposal would also exclude known and measurable resources that are not yet under contract but will be in the resource forecast period.

ICNU also objects to including "front office transactions" in the determination of resource sufficiency, arguing that the transactions are too speculative. ICNU/100, Falkenberg/11, ll. 1-2; ICNU/200, ll. 14-17. As Staff previously discussed in Docket UM 1129, front office transactions are routine and reflect market resources that can reasonably be used to delay large long-term acquisitions. Staff/102, Durrenberger/10, ll. 3-6.[2] The expected level of front office transactions can be calculated based on historical operational data and are included in utilities' resource plans. Staff/102, Durrenberger/10, ll. 3-6. Such resources are appropriately included in the determination of resource sufficiency. ICNU's proposals on this issue fail to reflect prudent utility resource planning.

c. The Commission Should Consider Both Energy and Capacity when Determining Resource Sufficiency.

In order to reflect prudent utility resource planning, the method adopted by the Commission for determining resource sufficiency should consider both energy and capacity. PPL/101, Warnken/2. Utilities consider both energy and capacity when evaluating resource

[2] Staff's exhibit Staff/102 is Maury Galbraith's direct testimony from Docket UM 1129.

suitability for meeting loads reliably. PPL/101, Warnken/2, ll. 20-23. A resource may have the ability to defer higher-cost spot market balancing purchases and short-term firm market purchases (or energy deferral value), the ability to defer a higher-cost long-term resource for at least one year (or capacity deferral value), or both. PPL/101, Warnken/3, ll. 10-23. Modeling experience shows that energy only resources can have both energy and capacity deferral value. PPL/101, Warnken/4, ll. 9-10. This means that an energy only resource, such as short-term firm market purchases, can defer or reduce the need for a long-term resource. PPL/101, Warnken/4, ll. 11-15. Staff and PGE agree that the determination of resource sufficiency should consider both energy and capacity. Staff's Opening Brief at 2; PGE/100, Kuns-Drennan/12, ll. 3-11.

ICNU's proposal to include only capacity in the calculation of resource sufficiency ignores the realities of resource planning and the real value of energy and capacity resources. Relying on capacity only ignores other, more economic ways the utility could meet capacity needs, such as heavy-load hour market purchases or peaking resources. PPL/101, Warnken/6. Ignoring more economic resources would result in a utility being deemed insufficient even if the utility could avoid paying the cost of a base load CCCT with a more economic resource. The result would be the utility paying the cost of a CCCT as avoided cost unnecessarily, resulting in QFs being over-compensated at customers' expense.

5. PacifiCorp's Proposal is Consistent with PURPA.

The Commission has interpreted its PURPA mandate "to be the adoption of policies and rules that promote QF development, using among other tactics, accurate price signals and full information to developers, while ensuring that utilities pay no more than avoided costs." Order No. 05-584. *See* 16 U.S.C. § 824a-3(b) & (d). PacifiCorp's proposal is consistent with the Commission's mandate under PURPA. The Commission has already determined that the avoided cost during periods of resource deficiency is the cost of a new gas-fired CCCT. To be consistent with PURPA's requirement that utilities pay no more than

avoided costs, the resource deficiency period must be the period in which the utility must add a CCCT to most economically serve future system loads. ICNU's proposal is fundamentally flawed because it will result in customers paying more than the utility's avoided cost to QFs and is therefore inconsistent with PURPA.

B. PacifiCorp Recommends the Commission Make the Following Findings on the Issues in the Issues List.

The Commission's precedent, policy, and statutory mandates support the Commission's adoption of PacifiCorp's approach to resource sufficiency. This section of the Opening Brief provides the Commission with PacifiCorp's response to each of the questions on the Issues List and, to the extent the issue has not been addressed above, a discussion of the issue.

Issue 1: How are periods defined?

The deficiency period is defined as the time when a utility must add a new base load CCCT. PPL/100, Warnken/2, l. 21-Warnken/3, l. 2. The sufficiency period spans the time before the utility must add a new base load CCCT. *Id.* Once a sufficiency period is established, it should remain unchanged until the utility's IRP or IRP update identifies that the utility must add a new base load CCCT. *Id.*

Issue 2: What is the definition of resource sufficiency/deficiency for avoided cost purposes?

The deficiency period—when the utility must add a base load CCCT to serve loads—is determined based on the preferred portfolio resulting from the IRP process. PPL/100, Warnken/4, ll. 1-7. The preferred portfolio is the least-cost resource plan that accounts for risk, uncertainty, regulatory requirements, and the long-term public interest. *Id.* Resource sufficiency and deficiency are intertwined with load/resource balance, but differ conceptually. The load/resource balance is used to determine the amount and timing of resource needed to ensure sufficient capacity to meet loads and is the driver for IRP development. PPL/100,

Warnken/3, ll. 17-23. Resource sufficiency and deficiency is the outcome of the IRP process and describes the timing for the next base load CCCT after the load/resource balance is evaluated. *Id.*

Issue 3: What loads were used to compute the load forecast?

PacifiCorp proposes that it incorporate its IRP load forecasts in its avoided cost filing each year. PPL/100, Warnken/5, ll. 2-6. Under stable economic conditions, the Company would normally prepare one load forecast a year for its IRP. PPL/100, Warnken/5, ll. 6-8. During volatile economic conditions, however, the Company will update loads more frequently. PPL/100, Warnken/5, ll. 8-11. Staff, PGE, and ICNU agree that load forecasts should be consistent for IRP and avoided cost purposes. Staff/100, Durrenberger/6, ll. 19-21; PGE/100, Kuns-Drennan/8, ll. 19-21; ICNU/100, Falkenberg/8, ll. 13-15.

PacifiCorp recommends that it continue use of its current method to forecast loads—by starting with customer class sales in each state and adding line losses to the customer-class forecasts to determine the total load required to meet customer demands. PPL/100, Warnken/4, ll. 9-11. PacifiCorp's methodology reasonably forecasts loads and no party has argued otherwise in this proceeding. PPL/100, Warnken/5, ll. 18-20.

Issue 4: Is it appropriate to determine resource sufficiency for avoided cost filings in a different manner than is used to determine resource needs for the IRP planning process?

No. The method for determining resource sufficiency should be the same for avoided cost and IRP purposes. PPL/100, Warnken/6, ll. 2-5. As discussed in detail above, PURPA's requirement that utility customers pay no more than avoided costs can only be achieved if the determination of resource sufficiency for avoided cost filings is consistent with determining resource needs for IRP. PPL/100, Warnken/7, l. 5-Warnken/8, l. 8. Staff and PGE agree that the resource sufficiency determination should be consistent with the IRP process. Staff/100, Durrenberger/7, ll. 7-12; PGE/100, Kuns-Drennan/10, ll. 1-3. As Staff points out, now that IRPs are updated annually, the load and resource forecasts should remain up to date, making

IRP findings relevant to avoided cost sufficiency determination. Staff/100, Durrenberger/7, ll. 16-21.

Issue 5: Must a utility be both capacity and energy deficient to be in a period of resource deficiency?

A utility does not necessarily need to be short on both capacity and energy to be resource deficient. PPL/100, Warnken/7, ll. 15-20. The determination of sufficiency should take into account both energy and capacity, as utilities do in actual resource planning, to determine whether the utility must add a base load CCCT to most economically serve future load. The issue is whether the cost of a new base load CCCT would be the most economic option for meeting future loads, a determination that requires consideration of both energy and capacity. PPL/100, Warnken/7, l. 21-Warnken/8, l. 2. Staff and PGE agree that a utility can be short on energy or capacity or both and be considered sufficient. Staff/100, Durrenberger/8, ll. 2-17; PGE/100, Kuns-Drennan/12, ll. 3-11.

Issue 6: How should resource energy and capacities be determined?

Resource energy and capacities should be determined through the IRP process, where individual resource characteristics are modeled for capacity expansion optimization and production cost estimation purposes. PPL/100, Warnken/8, ll. 4-7. To accurately plan resources, firm QF capacity should be included in the capacity load/resource balance. PPL/100, Warnken/8, ll. 8-12. QF capacity should also be considered in the utility's energy load/resource balance. PPL/100, Warnken/8, ll. 12-13.

Issue 7: What resources go into the determination of sufficiency/deficiency?

The resources used to develop the utility's IRP should be the same resources used to determine the sufficiency period, because the Commission should use the IRP process to determine resource sufficiency to avoid violating PURPA. PPL/100, Warnken/9, ll. 2-5. The Oregon Renewable Portfolio Standard ("RPS") requirements indirectly affect resource

sufficiency, because the resources acquired to meet RPS requirements may affect the load and resource determination.

Issue 8: How do multiple jurisdictional utilities calculate resource sufficiency?

Multijurisdictional utilities should calculate resource sufficiency as a whole and not on a control area or jurisdictional basis. PPL/100, Warnken/10, ll. 13-21. PacifiCorp plans and operates on a single system basis. PPL/100, Warnken/10, ll. 15-16. Staff agrees that multi-jurisdictional utilities should be analyzed as a whole company. Staff/100, Durrenberger/11, ll. 19-23.

IV. CONCLUSION

PacifiCorp recommends that the Commission adopt PacifiCorp's, Staff's, and PGE's proposal for determining resource sufficiency, as it is a straightforward method that is consistent with Commission precedent, policy, and PURPA mandates, and reflects prudent utility practice.

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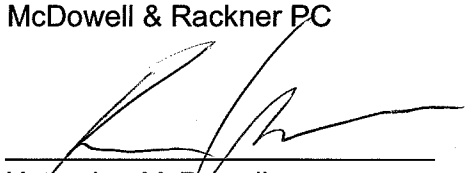

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