

ENTERED: FEB 29 2016

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 62

In the Matter of

PACIFICORP, dba PACIFIC POWER,

2015 Integrated Resource Plan.

ORDER

DISPOSITION: 2015 IRP ACKNOWLEDGED WITH AN EXCEPTION

I. INTRODUCTION

This order memorializes our decision, made at a December 17, 2015 Special Public Meeting to acknowledge PacifiCorp, dba Pacific Power's 2015 Integrated Resource Plan (IRP). We adopt most of Staff's recommendations and a recommendation by the Oregon Department of Energy. We decline to acknowledge the Wallula to McNary transmission line, and modify Staff's recommendation for demand response pilot programs. For background on PacifiCorp's 2015 IRP and the parties' comments,¹ see the Staff Report.² We attach, as Appendix A, a list of all acknowledged action items with additional adopted recommendations.

After our December 17, 2015 Special Public Meeting, PacifiCorp and other stakeholders introduced House Bill 4036 that would significantly amend Oregon's renewable portfolio standard and generally eliminate the use of coal-fired generation in Oregon by 2030. If passed, this legislation likely will affect PacifiCorp's action plan contained in its 2015 IRP. We remind the company that IRP Guideline 3(f) requires a utility to file an IRP update once a utility anticipates a significant deviation from its acknowledged IRP.

¹ In this proceeding, eight parties submitted written comments: Commission Staff, Citizens' Utility Board of Oregon (CUB), Northwest Energy Coalition (NVEC), Oregon Department of Energy (ODOE), Industrial Customers of Northwest Utilities (ICNU), Renewable Energy Coalition (REC), Renewable Northwest, and Sierra Club.

² Staff Report for the December 17, 2015 Special Public Meeting (Dec 3, 2015).

II. BACKGROUND

The Commission requires that regulated energy utilities prepare and file IRPs within two years of acknowledgment of the energy utility's last plan.³ The IRP is a road map for providing reliable and least-cost electric service to the utilities' customers while addressing, and planning for, uncertainties. The key elements of the IRP include: a finding of resource need, focusing on the first 10 years of a 20-year planning period; the preferred portfolio of supply-side and demand-side resources to meet this need; and an action plan that identifies the steps the company will take during the next two to four years to deliver resources in the preferred portfolio.

We consider the extent to which the plan satisfies the procedural and substantive requirements of Oregon's IRP Guidelines. We acknowledge or don't acknowledge specific action items based on the reasonableness of those actions with the information available at that time.

We reaffirm our long-standing view that decisions made in IRP proceedings do not constitute ratemaking. Decisions whether to allow a utility to recover from its customers the costs associated with new resources may only be made in a rate case proceeding. Acknowledgment of an IRP, however, is relevant to subsequent examination of whether a utility's resource investment is prudent and should be recovered from ratepayers. Just as acknowledgement does not guarantee favorable ratemaking, a decision to not acknowledge an action item does not constitute a preliminary determination of imprudence. The purpose of the IRP process is to provide the utility with the information and opinion of stakeholders and the Commission based on information presented by the utility. The question of whether a specific investment made by a utility in its planning process was prudent will be fairly examined in any subsequent rate proceeding.

III. DISCUSSION

We discuss the main issues raised in PacifiCorp's 2015 IRP. These are compliance with the previous IRP, PacifiCorp's action plan for 2015-2019, as clarified by recommendations from Staff and parties, and our exception for the Wallula to McNary transmission line.

A. Compliance with the Previous IRP

We previously acknowledged PacifiCorp's 2013 IRP in Order No. 14-252, with exceptions and revisions to the action plan, as well as in Order No. 14-296 to address the specific fleet analyses to be performed in the 2015 IRP. We agree with Staff that the

³ *In the Matter of Investigation into Least-Cost Planning for Resource Acquisitions by Energy Utilities in Oregon*, Docket No. UM 180, Order No. 89-507 (Apr 20, 1989) (explaining the principles of least-cost planning); *In the Matter of Investigation into Integrated Resource Planning*, Docket No. UM 1056, Order No. 07-002 (Jan 8, 2007) and Order No. 07-047 (Feb 9, 2007) (updating and setting forth the IRP Guidelines).

company has complied with our requests and directives, and find that PacifiCorp has complied with the 2013 IRP orders.

Furthermore, in Order No. 14-288, we directed the company to provide quarterly updates on its future coal plant and transmission investment decisions. The company complied with that directive, and moving forward we will consolidate the coal plant and transmission investment decisions update with the twice yearly demand side management (DSM) update and a compliance update on the U.S. Environmental Protection Agency (EPA) final rule under §111(d) of the Clean Air Act (111(d) Rule or Clean Power Plan).

B. Summary of PacifiCorp's 2015 Preferred Portfolio

PacifiCorp's 2015 IRP preferred portfolio shows that the company's resource needs for the next ten years can be met with DSM (primarily energy efficiency) and short-term firm market purchases, labeled as front office transactions (FOTs). PacifiCorp states that it has included in its assumptions 816 MW of executed qualifying facility (QF) power purchase agreements from new wind and solar projects expected to come on-line in 2015 and 2016. PacifiCorp adds that the first thermal resource is added in 2028, four years later relative to the 2013 IRP. Towards the end of the 20-year planning horizon, or 2034, PacifiCorp assumes that it will retire or convert to natural gas 2,800 MW of existing coal generation.

1. Action Item 1 – Renewable Portfolio Standard (RPS) Items

a. Parties' Positions

PacifiCorp proposes three action items to help meet its RPS compliance and solar capacity standards in Oregon. With regard to RPS compliance, PacifiCorp first proposes Action Item 1a to defer issuance of requests for proposals (RFPs) seeking unbundled renewable energy certificates (RECs) to help meet RPS targets until states begin to develop implementation plans under EPA's 111(d) rule. PacifiCorp notes that it has a projected REC bank balance extending through 2027, and adds that this delay will provide clarity on whether an unbundled REC strategy is the least cost compliance alternative for Oregon customers.

For REC optimization, PacifiCorp proposes Action Item 1b to issue reverse RFPs on a quarterly basis to sell older RECs that are not required to meet RPS compliance obligations.

To address Oregon's 2020 solar capacity standard, PacifiCorp proposes Action Item 1c to conclude negotiations with shortlisted bids from its 2013 RFP seeking up to 7 MW of qualifying solar capacity.

Staff supports the company's proposed actions, but notes that Action Items 1a and 1b are business as usual activities and do not require acknowledgement. In response to NWEA's concerns about whether enough physical renewable resources are being built,

Staff explains that building new renewable resources does not represent the least-cost solution in modeling results, and notes that near-term renewable construction may need to be policy-driven since it is not cost-driven.

b. Commission Resolution

We adopt Staff's recommendations for additional Clean Power Plan modeling in the 2017 IRP, as shown in the attached appendix. We add to this the additional requirement that PacifiCorp provide an analysis in the IRP update on 111(d) Rule compliance alternatives that do not double count RECs and the Emission Rate Credits (ERCs). We also direct PacifiCorp to include in its twice yearly DSM/coal action/transmission update information on 111(d) Rule compliance plans.

We acknowledge PacifiCorp's Action Item 1c to conclude negotiations with its shortlisted bids from its RFP. However, we note that HB 4036 eliminates the solar capacity standard. If the legislation is enacted, we expect PacifiCorp to revisit this action item and bring forth its recommendation for our review.

We acknowledge Action Item 1a to defer action on the purchase of additional unbundled RECs until the states develop implementation plans. We expect the company to update its Clean Power Plan modeling in its 2015 IRP update or its next IRP (depending on when Oregon's compliance plan is known) to correctly reflect the final rule and Oregon's implementation plan.

We acknowledge Action Item 1b to sell RECs not required for RPS obligations. In Oregon, we have previously agreed with PacifiCorp's strategy to bank all RPS-eligible RECs,⁴ and we also granted PacifiCorp's application to sell non-RPS eligible RECs.⁵ Sales of non-RPS eligible RECs flow to a property balancing account, and PacifiCorp files an annual report with us that details the account.⁶

2. Action Item 2 – Front Office Transactions (FOTs)

In Action Item 2, PacifiCorp plans to make short-term firm market purchases for on-peak summer deliveries from 2015 through 2017 consistent with its risk management policy and front office procedures. Staff generally supports this action item and believes it is normal business practice.

We acknowledge Action Item 2 as required to deliver the resources in PacifiCorp's preferred portfolio. We note that the projected FOTs for 2016-2017 are generally consistent with the 2013 IRP and actually show a slight decrease. Staff and REC raise

⁴ *In the Matter of PacifiCorp Application for Policy Determination for Sale of Renewable Energy Certificates*, Docket No. UP 266, Order No. 11-512 (Dec 20, 2011).

⁵ *In the Matter of PacifiCorp Application Requesting Approval of Sale of Renewable Energy Credits*, Docket No. UP 260, Order No. 10-210 (Jun 9, 2010) (approving PacifiCorp's sale of non-RPS eligible RECs and directing the company to notify us in advance of any material changes in price or quantities of its sale of RECs).

⁶ *PacifiCorp Annual Report on Property Sales Balancing Account*, Docket No. RE 71.

concerns about the company's reliance on FOTs over the long run, and we adopt Staff's recommendation that the company provide justification for assumed levels of trading hub liquidity. We note that the company has committed to conducting a market reliance risk analysis and we urge the company to also address concerns about reliance on FOTs in its analysis.⁷

3. *Action Item 3 – Demand Side Management (DSM) Actions*

a. *Action Item 3a – West-Side Irrigation Load Control Pilot*

PacifiCorp intends to pursue a West-Side Irrigation Load Control Pilot beginning in 2016 to test the feasibility of its Idaho and Utah programs in the Oregon irrigation environment. PacifiCorp describes this as a Class 1 DSM (dispatchable or scheduled firm capacity) resource.

Staff supports an irrigation load control program but does not believe a pilot is necessary. Nevertheless, Staff agrees a pilot program would be a positive addition to the company's offerings and recommends acknowledgement.

ODOE supports the pilot but would like to see an additional demand response pilot that is available in all seasons. PacifiCorp responds that if the 2017 update identifies an "all season" product that would be a good candidate, then it would determine if support exists for piloting the program.

Both Staff and ODOE suggest PacifiCorp consider additional pilot programs for demand response. Staff lists four programs it recommends PacifiCorp design: a residential direct load control pilot, an aggregator-led commercial demand response pilot, an industrial load control pilot addressing peak load reduction, and a time-of-use rate pilot.

PacifiCorp responds that these programs are for resources modeled, but not selected, in near-term years on the west side and asserts they are well understood programs with off-the-shelf options if a resource need is present.⁸ PacifiCorp notes these include winter-focused resources to be researched in the 2017 DSM potential study to inform the need for a future pilot or program.

We acknowledge Action Item 3a. However, in addition to the Action Item 3a irrigation pilot program, we direct PacifiCorp to design and present additional pilots. We remain concerned PacifiCorp has not placed enough attention on developing demand response as a viable and significant resource on the western portion of its system. The company needs practical experience designing and running demand response programs—

⁷ Washington Utilities and Transportation Commission, Docket No. UE-140546, Pacific Power & Light Co. 2015 IRP Acknowledgement Letter Attachment at 7 (questioning whether the region has sufficient capacity at the end of 2020 with the Boardman and Centralia retirements and noting that the company will be performing a market reliance risk assessment).

⁸ See PacifiCorp letter filed December 22, 2015 clarifying that it objects to Staff's recommendation that the company design additional demand response pilot programs.

experience in other states is of limited use given the climatic, population, and other distinctive characteristics of Oregon. In addition, robust demand response programs could serve as a source of flexibility reserves as we add more wind and solar generation. We adopt the following recommendation:

Present at a public meeting within six months of this order, potential demand response pilot programs including: a time-varying rate pilot,⁹ peak-time rebate, and direct load control program for other sectors. The company may also consider demand bidding programs.

We will decide disposition of those programs after the presentation by PacifiCorp.

b. Action Item 3b – Acquire Cost Effective Class 2 DSM

PacifiCorp intends to acquire 2,385 GWh of Class 2 DSM (energy efficiency) by 2018,¹⁰ a 37 percent increase from the 2013 IRP. The company anticipates new opportunities for cost-effective energy efficiency in LED lighting, space and water heating, space cooling, and industrial processes.

Staff supports the short-term action plan targets but encourages PacifiCorp to invest in new approaches and technologies to accelerate development. Staff and ODOE recommend PacifiCorp run the accelerated DSM portfolios through the risk model to better understand the impact of aggressive energy efficiency acquisition as compared to base case conditions. PacifiCorp responds that the base and accelerated cases are similar enough that there will not be much to glean from such a run. Staff recommends acknowledgement.

Sierra Club claims the projected savings is overly conservative and lower than what has been achieved in the past.

We acknowledge Action Item 3b. We also adopt Staff's proposal for additional DSM modeling information in the 2015 IRP Update and in the 2017 IRP, as shown in Appendix A. We highlight the reporting requirement that the company continue to provide twice yearly updates on the status of DSM IRP acquisition goals at regular public meetings. Include in these updates information on future coal plant and transmission investment decisions, as a streamlined continuation of Order No. 14-288. Also include an update on 111(d) Rule compliance.

⁹ Examples of time-varying rates include critical peak pricing, time-of-use pricing, and variable peak pricing.

¹⁰ PacifiCorp 2015 IRP, Volume 1 at 11 (for DSM 2 the company estimates that 2,385 GWh of energy equals approximately 564 MW of capacity).

4. *Action Item 4 – Coal Resource Actions*

Action Items 4a – 4d involve proposed coal resource actions for Naughton Unit 3, Dave Johnston Unit 3, Wyodak, and Cholla Unit 4. PacifiCorp analyzed these four units for compliance alternatives for the EPA’s Regional Haze Rule.¹¹

a. *Naughton Unit 3 – Gas Conversion*

In Action Item 4a on Naughton Unit 3, the company proposes to issue an RFP to procure gas transportation and continue plans for natural gas conversion. While subject to some Wyoming regional haze litigation, the EPA has expressed support for the State of Wyoming’s alternate compliance approach to convert the unit to natural gas by 2018 rather than install selective catalytic reduction (SCR).

Staff believes that the economic case for Naughton’s conversion versus shutdown is close enough to demand ongoing analysis because a change in assumed natural gas costs or new plant capital expenses could reverse the analysis. Staff concludes that, at this time, the gas conversion is justified as least-cost. PacifiCorp is willing to update its analysis depending on the cost of gas transportation and engineering, procurement, and construction (EPC) through the RFPs, however, the company states that quarterly updates are impractical.

We acknowledge Action Item 4a with a modification similar to our review of PacifiCorp’s 2013 IRP. In that proceeding, PacifiCorp agreed to model and evaluate natural gas conversion in 2018 versus early retirement at year-end 2017. Even with the updated analysis in this proceeding, Naughton Unit 3 retrofit to gas conversion is still a close call. As we said at the public meeting, we would like to see additional updated comparative analysis for conversion versus shutdown, and acknowledge that PacifiCorp has committed to provide this analysis in their IRP update. The company assured us that it is not locked-in to any commitment before the IRP update, despite its action plan stating that it will issue an RFP “in the first quarter of 2016.” We thus acknowledge Action Item 4a modified as follows:

Evaluate the Naughton Unit 3 investment decision in the 2015 IRP Update and include updated analysis on the option of shutdown versus conversion.

b. *Dave Johnston Unit 3 – Avoid SCR*

PacifiCorp and Staff describe Action Item 4b for Dave Johnston Unit 3 as continuing on the path to avoid SCR and shutdown in 2027. Staff recommends acknowledgement of this item.

¹¹ PacifiCorp 2015 IRP, Volume 3.

We acknowledge this item. We note however, that PacifiCorp's action plan describes this item as contingent on the outcome of Wyoming regional haze litigation. PacifiCorp expects a final court decision in 2016. We clarify that we acknowledge this action item as described above, based on our understanding that the regional haze plan requires SCR to be installed by 2019 or a company commitment to shut down Dave Johnston Unit 3 by 2027.

c. Wyodak – Avoid SCR

PacifiCorp and Staff describe Action Item 4c for Wyodak as continuing legal action to avoid SCR. SCR at Wyodak is also subject to the outcome of Wyoming regional haze litigation. PacifiCorp has appealed the portion of EPA's implementation plan that requires SCR at Wyodak by 2019, and the court has stayed the requirement pending resolution of the appeals. Staff and the company state that continuing the company's appeal is a reasonable and low risk approach.

We acknowledge Action Item 4c, including the full action plan language that contemplates the company updating its alternative compliance strategies if installation of SCR at Wyodak is upheld.

d. Cholla Unit 4 – Avoid SCR

Staff describes Action Item 4d as continuing legal efforts to avoid SCR and cease coal operation in 2025. PacifiCorp states that installation of SCR was required by December 2017, but the State of Arizona has submitted a revised plan to the EPA with the alternate Cholla compliance approach, and EPA final action is expected by the end of 2016.

PacifiCorp performed specific Cholla analysis in the 2013 IRP update. Staff states that the company's approach to avoid SCR is reasonable with either a 2025 shutdown or conversion to natural gas as the end result.

We acknowledge Action Items 4d, with PacifiCorp continuing with permitting efforts to avoid SCR with a commitment to cease operating Cholla Unit 4 as a coal-fired resource by the end of April 2025.

5. Action Item 5 – Transmission Actions

a. Energy Gateway Permitting Actions (Action Item 5a)

In its proposed Action Item 5a, PacifiCorp intends to continue with permitting and pre-construction actions for its Energy Gateway transmission line, including Populus to Windstar (Segment D), Populus to Hemingway (Segment E), Aeolus to Mona (Segment F), and Boardman to Hemingway (Segment H). The anticipated in-service dates are 2019 and beyond.

Staff recommends acknowledgement of Action Item 5a because the company showed significant preliminary benefits of these segments in discovery. NWECC believes the Energy Gateway strategy should be reassessed due to flattening of load forecasts, anticipated coal plant retirements, and new renewable projects. Sierra Club raised concerns over the company making commitments to these transmission line segments.

We acknowledge Action Item 5a only to the extent of PacifiCorp's permitting actions. We expect to see updated analysis in the next IRP or before the company makes significant commitments to these transmission lines.

We also adopt Staff's proposal for additional transmission modeling information in the 2017 IRP, as shown in Appendix A.

b. Wallula to McNary Transmission Line (Action Item 5b)

PacifiCorp requests acknowledgement for the completion of the Wallula to McNary transmission project in 2017. This project consists of approximately 30 miles of single-circuit, 230-kV line, with 400 MW of capacity, to be built alongside the existing Wallula to McNary transmission line, at a cost of approximately \$30 million.¹² PacifiCorp states there is no available capacity on the existing Wallula to McNary transmission line, and the new line is needed to meet its Open Access Transmission Tariff (OATT) service obligations, to improve reliability, and to support future resource growth.

Staff concludes that the line is not economic, but recommends acknowledgement based on PacifiCorp's regulatory obligation to provide transmission service under its OATT. Staff explains it previously analyzed the economics of the line in 2011, when PacifiCorp had two transmission service agreements (TSAs), one for 25 MW from the Eugene Water and Electric Board (EWEB) and a second for 100 MW from NextEra. However, the company now has only the 25 MW subscription from EWEB, as NextEra and PacifiCorp mutually terminated the 100 MW TSA in 2013. Staff concludes that the line is not economic because the revenues from EWEB will cover only a small fraction of the costs of the line.

In response to Staff's concerns and also in response to a bench request, PacifiCorp emphasized it is obligated to build the line under its OATT. PacifiCorp stated that it has a point-to-point TSA with EWEB to provide 25 MW of service by December 31, 2017.

We decline to acknowledge Action Item 5b based on the information we have at this time. We cannot find that building the Wallula to McNary transmission line is the least cost, least risk option available to PacifiCorp.

As stated above, our decision whether to allow PacifiCorp to recover the costs associated with new resources may only be made in a rate case proceeding. In our preliminary review here, we question PacifiCorp's actions in offering EWEB an embedded cost rate

¹² See PacifiCorp 2015 IRP, Volume 1 at 49; see also *In the Matter of PacifiCorp, Petition for Certificate of Public Convenience and Necessity*, Docket No. UM 1495.

in the 2011 TSA for a line that was not fully subscribed. Our understanding is that PacifiCorp had the ability to offer EWEB an incremental transmission rate,¹³ or to include a contingency in the TSA to recalculate the rate in the event other subscribers withdrew from the line, as occurred here.¹⁴ PacifiCorp acknowledges that an incremental rate based on the revenue requirement for the new transmission line would be significantly higher than the company's embedded cost rate offered to EWEB.¹⁵ We cannot be certain how EWEB would have reacted to the higher embedded cost rate. Nonetheless, there is a likelihood that EWEB would not have proceeded with the TSA, thus eliminating the need for this line.

C. Additional Items

At the December 17, 2015 Public Meeting, we adopted additional recommendations shown in the Staff Report. Many of these recommendations originated from the parties' opening and reply comments. PacifiCorp did not object to the additional requests, with the exception of the demand response pilot programs, discussed above. We have included these additional recommendations in Appendix A, shown as additional modeling actions and additional Clean Power Plan analysis.

Although we adopted Staff's recommendation that the company use North American Electric Reliability Corporation (NERC) reliability standard (RBC/BAAL) in its forthcoming wind integration study, we questioned why this was being raised, as we believed it was settled in docket UE 296.¹⁶ Our understanding is that the company believes it has been properly applying the BAAL standard, while ICNU believes that the company is only using the BAAL standard in name, and not accurately implementing the components of the standard. We direct the company to confirm and demonstrate that its upcoming wind integration study is based on implementation of the BAAL standard.

¹³ See *Northeast Texas Elec. Coop.*, 111 FERC ¶ 61,189 (2005) ("we reiterate that our incremental pricing policy, whereby the transmission provider can charge the higher of the incremental cost of network facilities or the rolled in rate, will be effective in protecting other customers from rate increases caused by a particular customer's request for service.").

¹⁴ FERC will accept transmission service agreements with non-conforming provisions if those provisions are necessary to address reliability concerns, novel legal issues or other unique factors. See e.g., Bench Request 5, Attachment at 3, 11 (copy of FERC 8/9/2013 letter order accepting PacifiCorp's filing of its unexecuted TSA with EWEB, noting that the start date of the agreement is contingent upon completion of construction of the Wallula to McNary 230 kV transmission line).

¹⁵ PacifiCorp Responses to Bench Request (Nov 30, 2015).


¹⁶ *In the Matter of PacifiCorp 2016 Transition Adjustment Mechanism*. Docket No. UE 296, Order No 15-395 at 5-6 (Dec 11, 2015) (accepting PacifiCorp's regulation reserves estimate).

IV. ORDER


IT IS ORDERED that the Integrated Resource Plan, filed by PacifiCorp, dba Pacific Power, is acknowledged in part consistent with the terms of this order and the attached Appendix A.

FEB 29 2016

Made, entered, and effective _____.



John Savage
Commissioner

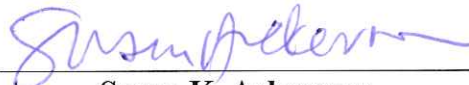


Stephen M. Bloom
Commissioner



Chair Ackerman dissenting in part:

I adopt the staff motion to acknowledge the Wallula to McNary transmission line, but caution the company that prudence will still be taken up in a general rate case.



Susan K. Ackerman
Chair

Appendix A

Acknowledged Action Items with Additional Adopted Recommendations shown in Italics

Action Items 1a – 1c: Renewable Resource Actions

Acknowledged.

Additional Renewable Resource Actions:

- *Include sensitivity studies around solar costs;*
- *Provide analysis of the system benefits of storage.*

Action Item 2a: Front Office Transactions

Acknowledged.

Additional Actions:

- *Provide quantitative justification for assumed levels of trading hub liquidity and depth.*

Action Item 3a: Class 1 DSM (dispatchable or scheduled firm capacity resources) and Class 3 DSM (price responsive capacity resources)

Acknowledged.

Additional Actions:

- *Present at a public meeting within six months of this order, potential demand response pilot programs including: a time-varying rate pilot, peak-time rebate, and direct load control programs for other sectors. The company may also consider demand bidding programs.*
- *Engage Oregon stakeholders in an informal process to address increased voluntary participation in time-of-use pricing and present the outcome of this informal process to the Portfolio Options Committee.*

Action Item 3b: Class 2 DSM (energy efficiency)

Acknowledged.

Additional Actions:

- *Continue to provide twice yearly updates on the status of DSM IRP acquisition goals at public meetings. Include in these updates information on future coal plant and transmission investment decisions, as a streamlined continuation of Order No. 14-288. Also include information on 111(d) rule compliance analysis;*
- *Provide more risk analysis on portfolios that include accelerated energy efficiency as a resource;*
- *Include annual incremental summer and winter peak demand capacity (MW) corresponding to 2015 through 2018 Class 2 DSM annual energy savings targets;*
- *For the 2015 IRP Update, provide model run results of the preferred portfolio with base case DSM and with accelerated DSM for comparison purposes.*
- *Perform stochastic modeling on all portfolios with accelerated DSM;*

Action Item 4a: Naughton Unit 3

Acknowledged.

Additional Actions:

- *Evaluate the Naughton Unit 3 investment decision in the 2015 IRP Update and include updated analysis on the option of shutdown versus conversion.*

Action Item 4b: Dave Johnston Unit 3

Acknowledged with the clarification that the company is continuing on the path to avoid SCR and shutdown in 2027.

Action Item 4c: Wyodak

Acknowledged.

Action Item 4d: Cholla Unit 4

Acknowledged.

Action Item 5a: Energy Gateway Permitting

Acknowledged as revised by Staff:

- *Continue permitting Segments D, E, F, and H until PacifiCorp files its 2017 IRP.*

Action Item 5b: Wallula to McNary Transmission Line

Not acknowledged, exception taken.

Additional Transmission Items:

- *In the next IRP, evaluate the benefits of freed-up transmission due to plant closures;*
- *Update the available dynamic transfer capability between east and west balancing authority areas (BAAs) in modeling;*
- *Incorporate an analysis of California Independent System Operator (CAISO) membership in the 2017 IRP as appropriate.*

Additional Actions:

Modeling:

- *Include more robust analysis regarding the west BAA winter peak load/resource balance and portfolios to meet this peak load;*
- *Provide quantitative justification for the planning reserve margin of 13 percent;*
- *Utilize the Balancing Authority's Area Control Error (ACE) Limit (BAAL) NERC standard in forthcoming wind integration studies, and confirm and demonstrate that the study is based on implementation of the BAAL standard;*
- *Use the same regional haze assumptions when directly comparing portfolios.*

Clean Power Plan Analysis

- *Provide alternate 111(d) rule compliance paths, including mass-based solutions, with stochastic analysis for each;*
- *Include the constraints needed for 111(d) rule compliance in all cost risk analysis ("PaR" analyses);*
- *Estimate the effects of 111(d) rule compliance on western wholesale power prices;*
- *Provide additional analysis in the IRP update on 111(d) rule compliance alternatives that do not double count Renewable Energy Credits (RECs) and the Emission Rate Credits (ERCs).*