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September 30, 2005

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**Re: Docket No. UM 1056**

Enclosed for filing are PacifiCorp's Reply Comments in this matter. A hard copy was served on all parties of record as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in black ink, appearing to be "KAM", written over a horizontal line.

Katherine A. McDowell

KAM:jlf  
Enclosure  
cc: Service List

Oregon  
Washington  
California  
Utah  
Idaho

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **UM 1056**

4 In the Matter of an Investigation into  
5 Integrated Resource Planning Requirements

**PACIFICORP'S  
REPLY COMMENTS**

6  
7 PacifiCorp hereby respectfully submits its reply comments.

8 **I. RESPONSE TO JUDGE LOGAN'S WORKSHOP COMMENTS**

9 On September 22, 2005, pursuant to Administrative Law Judge Logan's July 11  
10 Consolidated Ruling, the parties to this docket participated in a workshop in Salem. At the  
11 workshop, Judge Logan requested that the parties submit reply comments based on a  
12 "common format." While there was not a unanimous agreement, most parties agreed that the  
13 guidelines proposed by the Oregon Public Utility Commission (the "Commission") Staff  
14 ("Staff"), redlined and marked up consistent with each party's comments and responses,  
15 would be the appropriate format for that purpose. In keeping with that agreement,  
16 PacifiCorp's comments to the Staff guidelines are attached as Attachment A.

17 Judge Logan also requested that the parties provide additional clarification to the  
18 Commission on three issues.<sup>1</sup> Following are Judge Logan's specific questions in underlined  
19 font, followed by PacifiCorp's responses (which are also incorporated into Attachment A):

20 1. What procedural and substantive requirements of the Integrated Resource Planning  
21 ("IRP") requirements do the parties not object to being in Oregon administrative  
rules, versus Commission orders?

22 As set out in PacifiCorp's opening comments, PacifiCorp submits that having the  
23 Commission's IRP planning requirements in Commission orders has worked well in the past,  
24 because Commission orders have similar authority to administrative rules, yet provide more

25 <sup>1</sup> Judge Logan also requested clarification of PGE's use of the term  
26 "commercialized." Because this question was specific to PGE, PacifiCorp provides no  
comment on this question.

1 flexibility to respond to changes as necessary. *See* PacifiCorp Opening Comments at 12. If  
2 the Commission believes that there are benefits to implementing some requirements as  
3 Oregon administrative rules, then PacifiCorp proposes that the most suitable guidelines for  
4 the rulemaking process are the IRP timelines (as set out in Staff Guideline 3). The timelines  
5 provide clear direction to the parties and to the utility that is not subject to Commission  
6 interpretation and modification on a case-by-case basis.

7         However, as explained in its opening comments, PacifiCorp believes that the  
8 Commission may lose some flexibility in putting procedural requirements in rules rather than  
9 Commission orders, particularly when events overtake the timing of the process. PacifiCorp  
10 therefore believes that if the Commission chooses to implement these procedural  
11 requirements in Oregon administrative rules, it should also include a waiver provision, under  
12 which the utility may file a request for waiver from the requirements of the proposed rule,  
13 which request may be granted by the Commission for good cause appearing.

14         In contrast, the Commission should maintain more flexibility with respect to  
15 interpretation, guidance and compliance with the substantive guidelines (Staff Guideline 1)  
16 and the plan elements (Staff Guidelines 4-15) for all of the reasons set forth in PacifiCorp's  
17 opening comments, including, but not limited, maintaining Commission flexibility to respond  
18 to changing technologies, improved modeling and analysis methodologies and changing  
19 policy objectives of the Commission and of the State. PacifiCorp believes the Commission  
20 can best maintain this flexibility if it does not include these sections in administrative rules.

21         Finally, Staff Guideline 2 involves public input, the discovery process and protection  
22 of and access to confidential information. These issues are routinely before the Commission  
23 and involve proceedings well beyond the scope of this docket. Therefore, PacifiCorp  
24 believes that the Commission should not attempt to embody these guidelines in rules specific  
25 to the IRP process, but rather, permit the parties to follow well-established Commission  
26 practice with respect to these issues.

1 2. What should be the trigger for an additional Action Plan update to the Commission if  
2 changed circumstances and/or new information require a utility to deviate from its  
3 acknowledged Action Plan, but the utility is not due to update its Action Plan for  
4 several months or if the change occurred after an Action Plan update was recently  
5 filed?

6 As already explained in PacifiCorp’s opening comments at 10-11, PacifiCorp takes  
7 no issue with Staff’s proposed requirement (Staff Guideline 3) that utilities submit an annual  
8 update of the most recently acknowledged Action Plan on or before the IRP filing  
9 anniversary date. In addition, to address the Commission’s concern of “stale” Action Plan  
10 updates, PacifiCorp is willing to provide additional Action Plan updates if material changes  
11 in circumstance or new information will cause the utility to substantially deviate from a  
12 substantive requirement of the acknowledged Action Plan. The Commission should  
13 recognize in this docket that the utilities may seek acknowledgment of these Action Plan  
14 Update filings.

15 3. How do utilities intend to plan for direct access loss of load?

16 Several parties did not address this issue in their opening comments and PacifiCorp  
17 understands that this question was directed at those parties, therefore, PacifiCorp will not  
18 repeat at length the position it stated in opening comments. As set out in PacifiCorp’s  
19 opening comments at 18-19, PacifiCorp agrees with Staff’s comments that PacifiCorp should  
20 continue at this time to serve the entire forecasted load in its Oregon service territory.

## 21 II. RESPONSES TO PARTIES’ COMMENTS

### 22 A. Comments in Response to Staff’s Guidelines

#### 23 Procurement v. Planning (Staff Guideline: 15)

24 In its Opening Comments at 1, the Northwest Independent Power Producers Coalition  
25 (“NIPPC”) makes the following proposal:

26 “[I]n the IRP Action Plan, the utility should indicate whether a  
[RFP] will be conducted to acquire any needed resource,  
specifically indicating whether the utility intends to or desires  
to own a needed resources [sic], either through self-build or  
‘build own transfer.’ If the utility intends to own a resource,

1 then the utility’s Action Plan should also identify the site  
2 location of the resource, and the transmission arrangements the  
3 utility intends to use to deliver the resource to load. If the  
4 utility intends to acquire a Major Resource, defined as a  
5 resource with greater than 5 years duration and greater than 50  
6 MW quantity,<sup>2</sup> then the utility’s IRP Action Plan should  
7 identify the resource, explain its reasons for proceeding  
8 without an RFP, and seek the Commission’s authorization to  
9 proceed with a Major Resources without an RFP.”

6 The Staff opening comments and the joint opening comments of CUB, RNP and NW  
7 Energy Coalition (“Joint Comments”) also advance a similar proposal. *See* CUB/RNP/NW  
8 Energy Coalition Opening Comments at 5; Staff Opening Comments, Guideline 15). These  
9 proposals confuse the important differences between planning and procurement. (*See*  
10 PacifiCorp’s Opening comments at 13-14.) PacifiCorp does not believe that it is appropriate  
11 for the Commission to require that utilities identify in their Action Plans their acquisition  
12 strategy for each resource, including whether they intend to use competitive bidding and if  
13 so, if they intend to have a self-build or build, own, transfer option. (*Id.*) Requiring utilities  
14 to state “whether they intend to own a resource” reveals a fundamental misunderstanding of  
15 the RFP process.

16 PacifiCorp does not “intend to own” or purchase any particular resource. Instead, the  
17 IRP is used to establish proxy resources to evaluate the least cost portfolio. The proxy  
18 resource precisely as modeled may not be available in the market at the time of the RFP.  
19 Instead, PacifiCorp believes that the way to get best value for the customers is to assess  
20 through the RFP process the options the market is willing to provide. PacifiCorp  
21 fundamentally believes that this is one of the purposes of the Commission’s directive to  
22 utilities to use a competitive bidding process for resource acquisition. If the utility can build  
23 a resource more economically than any of the market options, taking into account costs and  
24 benefits of utility ownership (the methods for assessment are discussed in greater detail in the

25 \_\_\_\_\_  
26 <sup>2</sup> PacifiCorp’s position is that a Major Resource should be defined as a resource with  
greater than 10 years duration and greater than 100 MW quantity; this issue is pending in  
UM 1182.

1 opening comments in UM 1182 and are beyond the scope of these comments), than the utility  
2 own option provides the best cost/risk option for ratepayers. If however, the market options  
3 provide a better cost/risk profile, then the utility will not own the resource.

4 PacifiCorp fails to see the logic in the comments of other parties as to how PacifiCorp  
5 or any other utility can make the determination of whether it “intend[s] to own” or procure a  
6 resource in advance of the RFP process without shutting out one or the other of the options.  
7 In other words, PacifiCorp could choose, (without yet knowing what the market will offer) as  
8 requested by NIPPC, to state in the IRP, that there will be no self-build or owned resource.  
9 However, PacifiCorp fails to see how this proposal offers any benefits to ratepayers in the  
10 event that the market options do not ultimately provide better cost-risk resource options than  
11 the self-build resource could have provided. Likewise, at the time of the IRP, if PacifiCorp  
12 chose to simply build a resource without testing the market, PacifiCorp understands that it  
13 will face prudence challenges based on whether the own-option was truly the best value for  
14 the customer. PacifiCorp believes that the best way to fairly evaluate the best options for  
15 customers is through a transparent and competitive RFP process that does not prematurely  
16 exclude available resource options.

17 PacifiCorp also disagrees with NIPPC’s proposal that the Action Plan should identify  
18 the resource, “the site location of the resource, and the transmission arrangements the utility  
19 intends to use to deliver the resource to load.” First, at the time of the IRP, PacifiCorp is  
20 assessing the least cost/risk portfolio which is a combination of resource types and sizes at  
21 various locations. In that process, PacifiCorp uses the best information available to it  
22 regarding the costs of such projects to develop proxy resources for evaluation purposes.  
23 However, at the time that PacifiCorp must go forward with the procurement process this  
24 information may not be the most up-to-date information available to the company regarding  
25 the best owned option. PacifiCorp should not be precluded from using the best information  
26 available to it in the RFP process. This is equivalent to requesting that bidders provide

1 proposals that the utility lock down potentially two years or more before the RFP process  
2 begins. Second, PacifiCorp believes that disclosure of the type of information NIPPC is  
3 seeking in great detail is not in the best interests of the Company or its ratepayers. While  
4 PacifiCorp recognizes that there is a balance between transparency of the product, term and  
5 resource PacifiCorp is seeking, disclosure of too much confidential commercial information  
6 could lead to gaming in the bid process and ultimately, raising of the price to customers.  
7 PacifiCorp believes that disclosure discussion is best dealt with in the context of UM 1182  
8 and the review and approval proceedings of draft RFPs.

9           Finally, with respect to NIPPC's proposal that IRP Action Plan should identify  
10 whether an RFP will be used and if not, why not, PacifiCorp believes that that determination  
11 is more appropriately made in the RFP process as set forth in PacifiCorp's proposed revisions  
12 to the Staff Strawman proposal filed today in UM 1182. PacifiCorp agrees with the concept  
13 in the Strawman proposal that it will have the burden to make a filing with the Commission  
14 to demonstrate why not using an RFP process for acquiring a major resource is in the public  
15 interest or satisfies the other exceptions ultimately established by the Commission. In other  
16 words, the most appropriate time for the discussion, evaluation and Commission  
17 determination on whether or not to use an RFP process is in that waiver proceeding, not in  
18 the IRP process which may predate the time when the best, most up-to-date information for  
19 that determination is available.

20           As an alternative to these proposals, PacifiCorp would not oppose an IRP guideline  
21 that stated that the IRP should include a generic discussion of the benefits and issues  
22 associated with owning versus purchasing a resource. Such a discussion would benefit by  
23 feedback from the parties and the Commission and could inform the evaluation and scoring  
24 criteria for later RFPs. However, on a resource specific basis, this type of discussion is moot  
25 in light of the UM 1182 framework proposed by PacifiCorp. PacifiCorp fundamentally  
26 disagrees with the NIPPC, Staff and the Joint Comments that the IRP process will have better

1 information with which to discuss this issue than in that competitive bidding framework.  
2 Ultimately, the results of the RFP process will be the determining factor of whether the utility  
3 will own or “rent” or resource.

4 **Tenure and Optionality (Staff Guideline: 1)**

5 In their joint opening comments at 5, the Joint Comments state that the treatment of  
6 the tenure and optionality characteristics of various resource choices has not been adequately  
7 addressed in utilities’ IRP or RFP scoring. It does not make sense to model tenure in  
8 advance of the RFP because the utility does not know what terms the market will offer.  
9 PacifiCorp and other utilities have had actual experience in the market in which they sought  
10 shorter-term products through a bidding process and received no economic bids. Thus, an  
11 IRP discussion of the relative merits of differing length contracts is a moot point if the RFP  
12 process reveals that the market is not willing to offer such products. Accordingly, as set out  
13 in PacifiCorp’s opening comments at 7, it is PacifiCorp’s position that the procurement  
14 process is the appropriate place to determine resource duration, not the IRP.

15 With respect to optionality of shorter-lead time resources, PacifiCorp believes that  
16 this optionality is assessed through the timing of its resource procurement process and the  
17 IRP assessment of the availability of resources to meet future needs. No further assessment  
18 is necessary or required. The Joint Comments recommend the use of the NW Power and  
19 Conservation Council’s (“Council”) model; however, the model is inappropriate for the  
20 utility’s planning efforts because the model is not able to capture the complexities inherent in  
21 PacifiCorp’s system, i.e. transmission constraints. PacifiCorp has had conversations with the  
22 Council regarding the model and determined that, at this time, it is not an appropriate tool for  
23 PacifiCorp.

24 **Distribution and Transmission Planning (Staff Guideline: 6)**

25 The Industrial Customers of Northwest Utilities (“ICNU”) state in their opening  
26 comments at 12-13 that in their IRPs, utilities “should consider potential cost savings



1 associated with transmission and distribution resources.” PacifiCorp interprets ICNU’s  
2 comments to mean that utilities should model distribution resources, i.e. distributed  
3 generation, as a resource options in the IRP. PacifiCorp has no objection to this proposal. If,  
4 however, ICNU means to suggest that utilities should assess deferrals of the distribution  
5 system as part of the IRP, PacifiCorp would then disagree with ICNU’s position. As set out  
6 in PacifiCorp’s opening comments at 15, distribution planning and deferrals associated with  
7 the distribution system are based on specific projects and their locations, whereas the IRP  
8 models proxy, not specific, resources. Therefore, PacifiCorp believes that it is not feasible  
9 nor practical to include distribution cost savings associated with deferring distribution  
10 resources in IRPs.

11 **B. Comments Not in Response to Specific Staff Guidelines**

12 **Implementation of Plans**

13 The Joint Comments state that the IRP Action Plan “must be taken as a whole, with  
14 its different resources making up a *package* of elements that *together* provide customers with  
15 the best combination of cost and risk. Thus any single resource acquisition cannot be seen as  
16 prudent. The Commission should make it clear that its acknowledgement of the plan is not  
17 an acknowledgement of separate elements of the plan.” (Emphasis in original.) After  
18 discussion at the September 22 technical conference, PacifiCorp understands that the concern  
19 of the Joint Comments was that utilities will not pursue each component of the Action Plan  
20 with the proper rigor if the Action Plan is not taken as a whole.

21 To the extent that these comments can be interpreted to mean that the Commission  
22 and parties cannot assess the prudence of individual resource decisions unless all resource  
23 decisions have been made, PacifiCorp fundamentally disagrees. Resource acquisitions are on  
24 different schedules in the Action Plan and by definition, the prudence (e.g., was the decision  
25 reasonable based on what was known or knowable to the Company when the decision was  
26

1 made), of one earlier decision cannot depend on the market conditions that exist at a later  
2 time when another resource is sought.

3         Likewise, to the extent these comments are intended to mean that an otherwise  
4 uneconomic decision can be considered prudent in light of another resource acquisition,  
5 PacifiCorp also disagrees with that concept. PacifiCorp believes that the only reasonable  
6 approach to the prudence standard as interpreted by this Commission is that each resource  
7 must be evaluated on its own economic merits based on the information that is known or  
8 knowable at the time the utility makes the decision or takes action. What may have been  
9 analyzed by all parties as a reasonable resource decision in the IRP process may not be a  
10 reasonable option at the time of the procurement process due to changing circumstances or  
11 newly available information. Utilities should not be precluded from prudently deviating  
12 from an Action Plan due to changed circumstances or additional information when such  
13 deviation will benefit ratepayers. As explained in PacifiCorp’s opening comments at 21, this  
14 approach is consistent with the Commission’s current prudence standard as it applies to the  
15 IRP context. Order 89-507 made clear that the Commission did not intend to usurp the role  
16 of the utility as decision-maker, and PacifiCorp does not believe that changes to the  
17 Commission’s current rule in the IRP process are warranted at this time. (See PacifiCorp’s  
18 opening comments at 21-22 for further discussion.)

19         Moreover, the Joint Comments’ approach would likely have a chilling effect on  
20 market participation because it would prohibit utilities from considering all available  
21 proposals on clearly defined terms to meet their energy needs. For example, if potential  
22 bidders understood that their proposals would not be evaluated on their own economic merits  
23 but would be considered with proposals of other types for other resources, bidder  
24 participation would be negatively affected. The Commission recognized in Order 91-1383  
25 that for a successful bidding process, bidders had a need to understand the evaluation  
26

1 criteria.<sup>3</sup> This approach is also unnecessary in the context of an RFP regime as proposed by  
2 Staff that requires analysis of bids in the utility’s IRP production cost models which take into  
3 account the impact of the specific resource on the utility’s actual operations and preferred  
4 portfolio expansion plan.

5 Another problem with the Joint Comments’ approach is related to the practical  
6 problems of contract negotiation. Under the Joint Comments’ approach, in an RFP, the  
7 utility could choose, for example, two bidders on its short-list with whom to negotiate, one of  
8 which is an uneconomic bid made economic only by the presence of the other bid. It is  
9 possible during the negotiation process that the utility could reach agreement with the bidder  
10 of the uneconomic bid but ultimately, due to circumstances beyond its control, reach no  
11 agreement with the bidder of the economic bid. Under those circumstances, undoubtedly, the  
12 prudence of the uneconomic bid would be called into question even though the absence of  
13 the economic bid was due to no fault of the utility. Such an approach could unnecessarily  
14 complicate and lengthen an already complicated negotiation process or subject the utility to  
15 prudence disallowances.

16 Finally, PacifiCorp also points out for the Commission’s consideration that adopting  
17 this Joint Comments’ approach would result in a significant departure from how resource  
18 decisions are currently undertaken. Currently, PacifiCorp ensures that each individual  
19 resource decision is economic on its own merits before committing to the decision and this  
20 approach is generally accepted (although undoubtedly the economic merits are a matter of  
21 discussion) in PacifiCorp’s other jurisdictions.

22  
23  
24

25 <sup>3</sup> “[I]f bidding is to be successful, it is necessary that potential non-utility developers  
26 know the rules of participation, understand the ranking and selection process, and consider  
the probability of success and monetary awards sufficient to justify the costs of  
participation.” Order 91-1383 at 4.

1 **Clarification of Staff's Comments re Future IRPs**


2 In its opening comments at 3-4 and 11, PacifiCorp provided comments to Staff's  
3 statement that the Commission should provide "direction to the utility in the  
4 acknowledgement order for each IRP if additional analyses or other actions are required for  
5 the next planning cycle." PacifiCorp understood this statement to mean that intended to let  
6 new requirements for planning in future IRP cycles affect the Commission's determination  
7 on the plan then-pending before the Commission. However, during the September 22  
8 workshop, Staff explained that it did not intend to argue for this position, but rather intended  
9 to propose a continuation of the existing Commission practice of supplementing the Order  
10 89-507 requirements on an order-by-order basis over time. Staff stated that it would clarify  
11 this point in its reply comments. If that is the case, PacifiCorp no longer takes issue with  
12 Staff's position on the effect of future IRP requirements on current IRPs.

13 **III. CONCLUSION**

14 In Order 89-507, the Commission established a durable and flexible approach to  
15 utility integrated resource planning. PacifiCorp continues to urge the Commission to retain  
16 the durability and flexibility in that approach and to reject recommendations to set  
17 prescriptive guidelines that cannot weather changes in industry, technology and available  
18 analytical tools.

19 DATED: September 30, 2005.

20 STOEL RIVES LLP

21   
22 \_\_\_\_\_  
23 Katherine A. McDowell  
24 Jennifer H. Martin

25 Attorneys for PacifiCorp  
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**Staff's Proposed Guidelines  
Integrated Resource Planning for Energy Utilities<sup>1</sup>  
Docket UM 1056**

1. The plan must meet four substantive requirements:

One, all resources<sup>2</sup> must be evaluated on a consistent and comparable basis.

- All known resources for meeting the utility's load must be considered, including supply-side options which focus on the generation, purchase and transmission of power – or gas purchasing and transportation – and demand-side options which focus on conservation and demand response.
- Utilities should compare resource fuel types, technologies, lead times, in-service dates, ~~durations~~ and locations in portfolio risk modeling.
- Consistent assumptions and methods should be used for evaluation of all resources, taking into account the physical attributes of each resource type.
- The ~~real~~ after-tax marginal weighted-average cost of capital should be used to discount all future resource costs.
- ~~Utilities should analyze how their preferred portfolio would change over a range of reasonable discount rates.~~

Two, uncertainty and risk must be considered.

- At a minimum, utilities should address the following sources of uncertainty:
  - Electric utility plans should address load requirements, hydroelectric generation, plant forced outages, natural gas prices and electricity prices.
  - Natural gas utility plans should address demand (peak, swing and base-load), commodity supply and price, and transportation availability and price.
- Utilities should identify in the plan any additional sources of uncertainty.
- The analysis must recognize the historical variability of these factors as well as future scenarios.

Three, the primary goal must be the selection of a ~~mix~~ portfolio of resources that is expected to yield the best combination of expected costs and associated risks and uncertainties ~~with the best combination of expected costs and risks for the utility and its ratepayers.~~

- The planning horizon for analyzing resource choices should be at least 20 years and account for end effects. Utilities also must consider all costs

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<sup>1</sup> Unless otherwise indicated, the guidelines apply to both electric and natural gas utilities.

<sup>2</sup> "Resource" is the general term used throughout this document for an option that meets customers' energy needs. For electric utilities, that includes power purchases, generating facilities and fuel, and transmission. For natural gas facilities, that includes gas supply purchases, transportation and storage facilities.

- with a reasonable likelihood of being included in rates over the long term, which extends beyond the planning horizon and the life of the resource.
- Utilities should use present value of revenue requirements (PVRR) as the key cost metric. The plan should include analysis of current and estimated future costs for all long-lived resources such as power plants, gas storage facilities, and pipelines as well as short-lived resources such as gas supply and short-term power purchases.<sup>3</sup>
  - To address risk, the utility should at a minimum:
    - Use two measures of PVRR risk: one that measures the variability of costs and another that measures the severity of bad outcomes.
    - Discuss the proposed use of physical and financial hedging and their impact on costs and risks.
    - ~~Analyze the effect of potential compliance costs related to global warming on costs and risks for the resource portfolios under consideration, as well as risk mitigation strategies.~~
  - The utility should explain how its resource choices appropriately balance cost and risk.

Four, the plan must demonstrate that it is be consistent with the long-run public interest as expressed in state of Oregon and federal energy policies. (Issues 2a, 3, 4 and 5)

2. The utility must meet these procedural requirements:
  - The public must be allowed significant involvement in the preparation of the plan.
    - Participation must include opportunities to contribute information and ideas as well as to receive information. It also must include the opportunity to make relevant inquiries of the utility formulating the plan. Any disputes which arise about whether information requests are relevant or unreasonably burdensome or whether a utility is being properly responsive may be submitted to the Commission for resolution.
  - The utility should make public in the plan any information that is relevant to its resource evaluation and action plan. At the same time, confidential information must be protected.
    - Information that is confidential when specifically identified may be made publicly available in an aggregated format or through a blinding procedure.
    - The Commission allows information that is exempt from public disclosure under the Public Records Law – for example, trade secrets – to be treated confidentially. Parties may have access to confidential information in compliance with a protective order. (Issue 6)
  - The utility must provide to the public interim reports outlining its progress on development of the plan.

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<sup>3</sup> Planning for gas storage facilities and pipelines only apply to natural gas utilities.

- The utility must provide a draft plan for public review and comment prior to filing a final plan with the Commission.
3. Plan filing, review and updates will follow this schedule:
- The utility must file an integrated resource plan every two years from the anniversary date of the acknowledgement order of the previous plan. If the utility does not intend to take any significant resource action within two years, the utility may request a waiver.
  - The utility should present the results of its filed plan at a Commission public meeting prior to the deadline for written public comment.
  - Commission staff and parties should complete their comments and recommendations within six months of IRP filing.
  - The Commission will consider acknowledgment of the filed plan at a public meeting. If the Commission finds that further work on a plan is needed, it will provide comments to the utility. This process should eventually lead to acknowledgment of the plan.
  - The Commission will provide direction in its acknowledgment order for any additional analyses or other actions that the utility should undertake in the next planning cycle.
  - Each year the utility must submit an update for its most recently acknowledged plan. The update is due on or before the IRP filing anniversary date. If the utility does not intend to take any significant resource action before the next IRP, the utility may request a waiver. The update is an informational filing that provides an assessment of what has changed since acknowledgment that affects the action plan including such conditions as loads, expiration of resource contracts, supply-side and demand-side resource acquisitions and resource costs. The update should explain any deviations from the acknowledged action plan, ~~such as actual conservation savings vs. targeted savings.~~ The utility will summarize the update at a Commission public meeting. The utility should also provide additional Action Plan updates if material changes in circumstance or new information will cause the utility to substantially deviate from a substantive requirement of the acknowledging Action Plan. Utilities may seek acknowledgment of these Action Plan Update filings. (Issues 1a and 7, 2b, c and d)
4. At a minimum, the plan should include the following elements:
- An explanation of how the utility met each of the Commission's procedural requirements
  - An explanation of how the plan meets each of the Commission's substantive requirements
  - A 20-year load forecast with an explanation of major assumptions
  - For electric utilities:
    - Determination of the levels of peaking capacity and energy capability expected for each year of the plan given existing resources

- Identification of capacity and energy needed to bridge the gap between expected loads and resources
  - Modeling of all existing transmission rights, as well as future transmission additions associated with the resource portfolios tested
  - For natural gas utilities:
    - Determination of the peaking, swing and base-load gas supply and associated transportation and storage expected for each year of the plan given existing resources
    - Identification of gas supplies (peak, swing and base-load), transportation and storage needed to bridge the gap between expected loads and resources
  - Identification and estimated costs of all supply-side and demand-side resource options, taking into account reasonable anticipated advances in technology
  - Analysis of measures the utility intends to take to provide reliable service, including cost-risk tradeoffs
  - Identification of key assumptions about the future — for example, fuel prices and environmental compliance costs — and alternative scenarios considered
  - Construction of a representative set of resource portfolios to test various fuel types, technologies, lead times, in-service dates,  ~~durations~~ and locations
  - Evaluation pitting the portfolios against possible  ~~economic, environmental and social~~ circumstances
  - Results of testing and rank ordering of the portfolios by cost and risk metric and interpretation of those results
  - Analysis of the uncertainties associated with each portfolio evaluated
  - Selection of a portfolio that represents the best combination of cost and risk for the utility and ratepayers
  - Identification and explanation of any inconsistencies of the selected portfolio with the state of Oregon and federal energy policies and any barriers to implementation
  - An action plan with resource activities the utility intends to undertake over the next two to four years to acquire the identified resources, regardless of whether the activity was acknowledged in a previous IRP
- ~~5. The utility should specify the key attributes of each resource evaluated and each resource included in the action plan, including operating characteristics, resource type, fuel and sources if applicable, technology, in-service date, duration and general location — system-wide or delivered to a specific portion of the system. (Issue 9)~~
65. Portfolio analysis should include costs to the utility for the fuel transportation and electric transmission required for each resource being considered. In addition, utilities should consider fuel transportation and electric transmission system development as resource options. Such analysis should consider the



value of such development for additional short-term purchases, additional sales, accessing less costly resources in remote locations, and acquiring alternative fuel supplies. Potential savings in distribution system costs should be identified in the plan for resources that can significantly reduce such costs, including conservation, demand response, combined heat and power facilities, customer standby generation, solar resources, liquefied natural gas and gas storage. (Issue 11a)

~~76. Utilities must consider the availability of public purpose funds in assessing the optimal level of new renewable resources to acquire. They also must demonstrate how their action plan is affected by such funding and explain what steps they are taking to secure public purpose funds for planned renewable resources if there are above-market costs.~~

~~All utilities should fully analyze conservation resources in portfolio modeling on par with supply-side resources, accounting for the cost and risk reduction benefits of conservation resources under all futures evaluated. Unless a third party funds and administers conservation programs, the utility should include in the action plan all least-cost/least-risk conservation resources for meeting projected load growth, specifying annual savings targets.~~

~~A conservation potential study should be conducted periodically for each utility's entire service area. Along with any updates of energy usage trends and conservation costs, the study should form the basis for the 20-year conservation supply curves the utility uses in portfolio modeling.~~

~~If the Energy Trust or other entity acquires conservation on behalf of the utility's Oregon customers, the utility should incorporate the entity's conservation projections in resource planning. Further, both should work cooperatively on the 20-year conservation assessments for the utility's service area, as well as joint load management opportunities. Such assessments should incorporate the utility's load research data as well as its knowledge of energy usage trends by customer type.  
(Issues 12 and 13)~~

~~87. Plans should evaluate firm demand response resources on par with other options for meeting energy, capacity, and transmission needs (for electric utilities) or gas supply and transportation needs (for natural gas utilities). Rate design should be treated as a potential demand response resource. The analysis of demand response resources also should account for potential distribution system savings in load growth areas. Utilities should develop supply curves for a wide variety of demand response resources spanning a wide range of costs. The utilities should use these supply curves to evaluate demand response in the risk modeling of portfolios. (Issue 14)~~

~~98.~~ Utilities should include in their base-case analyses the regulatory compliance costs they expect for carbon dioxide (CO<sub>2</sub>) emissions. Utilities also should analyze the range of potential CO<sub>2</sub> regulatory costs in Order No. 93-695, from zero to \$40 (1990\$). In addition, utilities should evaluate the correlation of these potential CO<sub>2</sub> scenarios on perform sensitivity analyses on a range of cost adders for nitrogen oxides, sulfur oxides and mercury, if applicable, including those based on market-based cap-and-trade programs as well as on projected changes in state and federal requirements or their implementation. Compliance cost projections should consider damages from pollution and estimates of mitigation costs. Sensitivity analyses are no longer required for total suspended particulates. (Issue 15)

~~409.~~ The utility's load-resource balance should reflect customer loads to be served by an alternative electricity or natural gas supplier over the planning horizon. (Issue 17)

~~4110.~~ Multi-state utilities should plan their generation and transmission systems, or gas supply and delivery, on an integrated system basis that achieves a least-cost/least-risk resource portfolio for all their retail customers. (Issue 8)

~~412.~~ Potential ratemaking treatment should not affect the selection of the least-cost/least-risk portfolio. The utility should advise the Commission during the planning process if it does not have reasonable incentives to acquire a resource that is part of that portfolio. (Issues 1d and 22)

~~41311.~~ To address reliability:

- Electric utilities should analyze the appropriate level of resources necessary to meet the expected demand of its customers given uncertainty of supply, i.e., planning margin within the risk modeling of the actual portfolios being considered. The analysis should include varying loads, forced outages, hydro availability, and fuel and market prices and should allow for market purchases within transmission constraints. Loss of load probability and expected unserved energy should be evaluated by year and by future.
- Natural gas utilities should analyze on an integrated basis gas supply, transportation, and storage, along with demand-side resources, to reliably meet peak, swing and base-load system requirements.
- The plan should demonstrate that the utility's chosen portfolio achieves its stated reliability, cost and risk objectives.

(Issue 21)

~~4412.~~ Electric utilities should evaluate commercially available, economic distributed generation technologies on par with other supply-side resources based on their actual operating characteristics, including comparative costs for plant capital expenditures, transmission and environmental compliance. Electric utilities also should consider and where possible quantify the

~~additional benefits of distributed generation, such as potential distribution system cost savings within load growth areas. (Issue 20)~~

~~135. The utility should include in its IRP a general discussion of the issues and benefits of owning versus purchasing a resource. identify in the action plan its acquisition strategy for each resource. Gas utilities should describe in the IRP their proposed bidding process for gas supply and transportation, whether formal or informal. Electric utilities should identify those resources that will be acquired through competitive bidding and indicate if they plan to have a utility resource considered in that process, whether utility-built or built by a third party and transferred to utility ownership. For all utilities, the competitive bidding process should generally follow IRP acknowledgment. If circumstances require a utility to being a competitive bidding process prior to IRP acknowledgment, the utility should explain such reasons in its draft RFP. The cost and risk decision criteria for selecting resources in the bidding process should be consistent with the decision criteria for selecting resources in the acknowledged IRP. (Issues 1c and 16)~~

CERTIFICATE OF SERVICE

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I hereby certify that I served the foregoing document upon the parties of record in Docket UM 1056 on the date indicated below by email and first class mail, mailing a true copy to said person(s) at his or her last-known address(es) indicated below.

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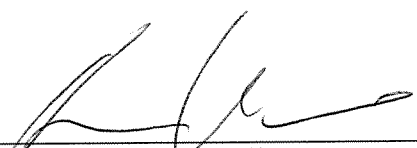
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