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Portland, Oregon 97232

November 9, 2006

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

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97310-2551

Attn: Vikie Bailey-Goggins, Administrator
Regulatory and Technical Support

Re: Docket No. UM-1208

Dear Ms. Orchard:

PacifiCorp (d.b.a. Rocky Mountain Power) hereby submits for filing an original and five copies of PacifiCorp's Comments in Support of its Revised RFP.

It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

By E-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, OR 97232

Informal inquiries may be directed to Laura Beane at (503) 813-5542.

Sincerely,

Andrea L. Kelly
Vice President, Regulation

Enclosures

cc: Service List UM-1208

I hereby certify that on this 9th day of November, 2006, I caused to be served, via E-Mail (if address available) and U.S. mail, a true and correct copy of PacifiCorp's Comments in support of it's Revised RFP in Docket No. UM-1208 to the following:

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A handwritten signature in black ink that reads "Peggy Ryan". The signature is written in a cursive style with a horizontal line underneath it.

Peggy Ryan
Supervisor, Regulatory Administration

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1208

In the Matter of PacifiCorp’s Draft 2012
Requests for Proposals

**PACIFICORP’S COMMENTS IN
SUPPORT OF REVISED RFP**

PacifiCorp filed its revised RFP on November 1, 2006 (“Revised RFP”). Pursuant to the revised schedule adopted on October 26, 2006 in this case, PacifiCorp respectfully submits the following comments in support of its Revised RFP.

PacifiCorp’s Revised RFP is Aligned with the Acknowledged 2004 IRP

As noted by Staff in their opening comments, the Commission’s first review criteria for RFP approval is “alignment of the utility’s RFP with its *acknowledged* IRP.” See Staff’s Opening Comments at 6 (emphasis in original). The Commission must find that the RFP meets the IRP/RFP alignment standard, a flexible standard that focuses on “consistent decision criteria and the exercise of judgment over mechanical implementation or model crank-turning.” Staff’s Reply Comments, UM 1182, at 8-9; *In re Investigation Regarding Competitive Bidding*, Order No. 06-466 at 2 (2006) (adopting Staff approach) (“RFP Order”). The Commission agreed with the Staff that the RFP process is a “means to promote and improve the resource actions identified in the utility’s IRP [Integrated Resource Plan] Action Plan.” RFP Order at 2. Furthermore, the Commission noted that while a utility’s action plan establishes a roadmap, it is not in the customer’s best interest for any utility to march lockstep without any deviation from the plan and that flexibility is important in meeting the

1 goals set forth in its order. *Id.* One of the goals adopted by the Commission is that the
2 competitive bidding process “complement” Oregon’s IRP process. *Id.*

3 PacifiCorp believes that its reliance on the acknowledged 2004 IRP supported by its
4 additional improvements set forth in the Revised RFP meets the Commission’s alignment
5 standard set forth in the RFP Order. The Revised RFP promotes and improves upon the
6 resource actions identified in PacifiCorp’s 2004 acknowledged IRP and serves as a
7 complement to the IRP process by relying on the IRP for all key issues and incorporating
8 additional Commission direction to provide flexibility in the RFP process in order to meet the
9 ultimate goals of acquiring least-cost, adjusted for risk, resources for the customers of
10 Oregon.

11 In Order No. 06-029, the Commission concluded that “PacifiCorp’s [2004] IRP, with
12 agreed-upon modifications, satisfies Oregon’s least-cost planning requirements and appears
13 reasonable in light of current circumstances with one exception and requirements for the next
14 IRP or Action Plan described below. Accordingly, the plan with agreed-upon modifications
15 is acknowledged with two exceptions and with requirements added for the next planning
16 cycle.” *See* Order No. 06-029 at 2 (2006) (“2004 IRP Order”). Staff further notes in its
17 opening comments, the Commission acknowledged PacifiCorp’s 2004 IRP with two primary
18 exceptions -- for a 550 MW flexible resource in or delivered to Utah by summer of 2009 and
19 a 600 MW high capacity factor resource in or delivered to Utah by the summer of 2011.
20 While the Commission failed to acknowledge the specific resources, it stated that it could not
21 dismiss the need for one new thermal plant on the east side of the Company’s system in the
22 near future. As a result, the Commission stated that in “considering approval of an RFP for
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1 such a resource, the Commission would first need to determine whether the Company has
2 demonstrated the need for it. We also expect the Company to fully explore whether delaying
3 a commitment to coal until IGCC technology is further commercialized is a reasonable
4 course of action. We believe it may be possible to do so within the RFP process by
5 providing flexibility for bidders regarding on-line date, contract length, resource type and
6 technology.” Staff’s Opening Comments at 5-6 (quoting 2004 IRP Order at 51).
7

8 In its Revised RFP, PacifiCorp relies on its acknowledged 2004 IRP to establish its
9 need. PacifiCorp has clarified that its total resource need for the east-side for the period
10 2012-2013 is 1109 MW. Page 6 of the Revised RFP contains a table identifying this total
11 resource need and the range of benchmark resource options being evaluated in the RFP by
12 year. In addition, PacifiCorp has included as Exhibit A to these comments a chart which uses
13 the 2004 IRP load and resource balance relying on a 12% planning reserve margin and has
14 included 700 MW of front office transactions and renewable resources as planned resources
15 consistent with the acknowledged 2004 IRP. As set forth on Exhibit A, PacifiCorp’s
16 resource need for 2012 is 808 MW and for 2013 is an additional 301 MW for a total of 1109
17 MW.¹ PacifiCorp will address the projected resource need, the planning reserve margin and
18 the benchmark resources in more detail below.
19

20 Load / Resource Balance
21

22 In discussing the Company’s system-wide position in the 2004 IRP, Staff states that
23 PacifiCorp has “abandoned” its supply-side strategy of combining short-term market
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25 ¹ Note that Exhibit A uses “fiscal years” and therefore, the need for 2012 actually
26 appears in the column labeled “2013” and the need for 2013 actually appears in the column
labeled “2014”.

1 purchases, flexible natural gas fired plants with peaking capability, wind resources and base
2 load resources to meet its projected resource needs. Staff's Reply Comments at 14-15. This
3 is simply not the case. PacifiCorp plans on a system-wide basis which results in a preferred
4 portfolio that fulfills the required resource need. The Company has indicated that it will
5 procure west-side resources through a separate procurement process due to the shorter lead
6 time for the required need in 2012 which is a natural gas "proxy" resource. Furthermore,
7 PacifiCorp has clarified in its Revised RFP that it will be relying on its supply-side strategy,
8 contained in the acknowledged 2004 IRP, to meet its projected resource need for the east-
9 side of the system.

11 East-Side Projected Resource Need

12 In Staff's Reply Comments, they conclude that the east-side energy gap is limited to
13 summertime on-peak hours during 2012-2014 and that there is no identified energy need for
14 other seasons or delivery periods. Staff's Reply Comments at 13. Staff's snap shot look at
15 the average energy need in isolation of the economic benefits of the overall portfolio only
16 partially addresses the requirements of least-cost planning.

18 There are two concerns the Company has with Staff's proposal. First, the average
19 energy position that Staff is referring to is from the 2006 Integrated Resource Planning
20 process, which is still a working document and has not been filed or acknowledged by this
21 Commission. Second, the same pattern observed by Staff in the 2006 data existed in the
22 acknowledged 2004 IRP (*See* 2004 IRP, page 59, Figure 3.7). *Compare* Staff's chart
23 included at page 12 of Staff's Reply Comments with PacifiCorp's chart from the 2004 IRP
24 (page 59, figure 3.7) both attached hereto as Exhibit B. Despite this pattern, the Integrated
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1 Resource Planning models evaluated and concluded, and the Commission acknowledged,
2 that base load resources were needed on the east-side of the system. The fault in Staff's logic
3 rests in their inspection which does not consider two major aspects of least cost planning.
4 First, their assumptions do not account for the economic benefits that result when adding
5 base load resources with low fuel costs into the overall resource portfolio. Second, their
6 assumptions regarding energy surplus, assumes that the Company's entire resource portfolio
7 is dispatching all of the Company's resources 100 percent of the time, whether the resource is
8 or is not economic which is an unrealistic approach and will result in numbers that can not
9 accurately be used when making a resource "need" assessment. Based on the above,
10 acceptance of staff's positions and their findings would be inconsistent with the Commission-
11 acknowledged 2004 IRP.
12

13 Planning Reserve Margin

14
15 PacifiCorp's proposed planning reserve margin of 15% was not acknowledged by the
16 Commission in its IRP Order. *See* 2004 IRP Order at 22. The Commission directed
17 PacifiCorp to determine the appropriate planning margin in its next IRP or Action Plan. As
18 part of its Revised RFP, PacifiCorp has relied on a 12% planning reserve margin to calculate
19 its resource need for purposes of this RFP and, as directed by the Commission, is reviewing
20 the appropriate level of its planning reserve margin as part of its 2006 IRP.
21

22 Benchmark Resources

23 Also, as part of its Revised RFP, PacifiCorp updated its benchmark resource options
24 to reflect that in 2012 the Company benchmark resource will be IPP 3 – 340 MW. The
25 Company's benchmark resource options for 2013 will be either IGCC – 500 MW at Bridger
26

1 or Hunter 4 – 575 MW. Therefore, the total benchmark resources to be evaluated in the RFP
2 are 840 MW to 915 MW. A gap exists between the benchmark resources (840 MW to 915
3 MW) and the resource need (1109 MW) and therefore, the Company expects this resource
4 need to be filled with a combination of benchmark and bid resources through this RFP.
5

6 Consistent with the Commission’s direction in its 2004 IRP Order for the Company to
7 further explore IGCC technology through the RFP process, as noted in the Revised RFP and
8 accompanying filing letter, PacifiCorp has added a new Eligible Resource Alternative
9 Category for IGCC proposals and has made it clear that it is interested in receiving IGCC
10 proposals for either 2012 or 2013. The addition of the new Eligible Resource Alternative
11 Category will permit evaluation of IGCC proposals separately from non-IGCC bids and will
12 ensure that IGCC proposals will make it through the initial shortlist screening, since each
13 Eligible Resource Alternative Category will have a separate shortlist, ensuring an IGCC
14 proposal will be evaluated using the IRP models in the final shortlist evaluation. In addition
15 to allowing tolling service agreements and power purchase agreements for IGCC proposals,
16 PacifiCorp will also consider asset purchase and sale agreements on bidder’s sites for IGCC
17 projects. (See Pages 6, 18-19, Appendix C-5 and Attachment 24 of the Revised RFP).
18

19 PacifiCorp has also provided bidders flexibility in their proposals as part of the
20 Revised RFP to encourage bidders to offer several different alternatives under the same base
21 proposal. Flexibility is also being offered through deferred or accelerated in-service dates of
22 contracts or buy-out options. (See, e.g., Page 7 of the Revised RFP).
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1 **Conclusion**

2 With the filing of its Revised RFP, PacifiCorp has made numerous revisions and
3 improvements to this RFP to address the concerns raised by stakeholders in this process. As
4 set forth in the RFP Order, the RFP is subject to a three-part approval standard: (1)
5 alignment of the utility's RFP with its acknowledged IRP; (2) the RFP's adherence to the
6 Commission's competitive bidding guidelines; and (3) the overall fairness of the bidding
7 process. RFP Order at 9-10. For the reasons stated above and in PacifiCorp's previous
8 filings in this case, the Commission should approve or conditionally approve PacifiCorp's
9 RFP on the basis that it satisfies each of these standards.
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DATED: November 9, 2006.

Natalie L. Hocken/p.n.
Natalie L. Hocken
Assistant General Counsel

PacifiCorp

EXHIBIT A

2004 IRP L&R Balance

Planning Reserve Margin Target = 12%

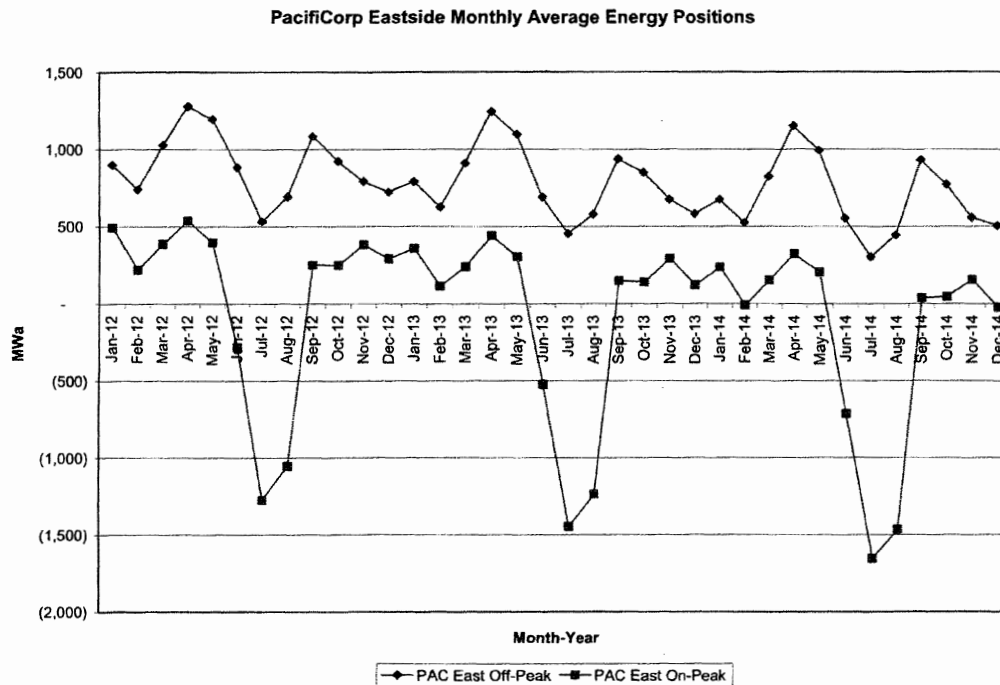
Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
East										
Thermal	5,390	5,713	6,252	6,062	6,062	6,062	6,062	6,062	6,062	6,062
Hydro	100	100	100	100	100	100	100	100	100	100
DSM	108	131	131	131	131	131	131	131	131	0
Wind	9	9	9	9	9	9	9	9	9	9
Purchase	611	195	181	2	(3)	(2)	(1)	1	2	(1)
Interruptible	127	127	60	60	60	60	60	60	60	60
Transfers	454	454	454	454	454	454	454	454	454	454
East Existing Resources	6,799	6,729	7,187	6,818	6,813	6,814	6,816	6,817	6,818	6,684
RFP Wind	0	40	60	100	120	160	160	160	160	160
Front Office Transactions	100	400	450	700	700	700	700	700	700	700
QF	100	100	100	100	100	100	100	100	100	100
East Planned Resources	200	540	610	900	920	960	960	960	960	960
East Resources	6,999	7,269	7,797	7,718	7,733	7,774	7,776	7,777	7,778	7,644
Load	5,829	6,121	6,331	6,602	6,895	7,107	7,368	7,567	7,837	8,091
Sale	360	360	349	314	210	173	134	98	98	104
East Obligation	6,189	6,481	6,680	6,916	7,105	7,280	7,502	7,665	7,935	8,195
East Obligation x PM*	6,932	7,259	7,482	7,746	7,958	8,154	8,402	8,585	8,887	9,178
East Position	67	10	315	(28)	(224)	(379)	(627)	(808)	(1,109)	(1,535)
PRM	13.1%	12.2%	16.7%	11.6%	8.8%	6.8%	3.6%	1.5%	-2.0%	-6.7%
Asset PRM	11.5%	6.0%	10.0%	1.5%	-1.0%	-2.8%	-5.7%	-7.7%	-10.8%	-15.3%
FOT PRM Contribution	1.6%	6.2%	6.7%	10.1%	9.9%	9.6%	9.3%	9.1%	8.8%	8.5%
West										
Thermal	2,285	2,285	2,285	2,045	2,045	2,045	2,045	2,045	2,045	2,045
Hydro	630	691	684	681	681	677	677	677	677	677
Purchase	1,804	1,753	1,461	1,136	1,061	1,044	893	232	229	125
Transfers	(454)	(454)	(454)	(454)	(454)	(454)	(454)	(454)	(454)	(454)
West Existing Resources	4,265	4,275	3,976	3,408	3,333	3,312	3,161	2,500	2,497	2,393
RFP Wind	20	20	40	40	60	60	100	120	120	120
Front Office Transactions	200	150	200	400	400	400	500	500	500	500
West Planned Resources	220	170	240	440	460	460	600	620	620	620
West Resources	4,485	4,445	4,216	3,848	3,793	3,772	3,761	3,120	3,117	3,013
Load	3,583	3,529	3,649	3,110	3,162	3,214	3,253	3,295	3,360	3,448
Sale	215	165	95	95	95	95	95	40	40	39
West Obligation	3,798	3,694	3,744	3,205	3,257	3,309	3,348	3,335	3,400	3,487
West Obligation x PM*	4,254	4,137	4,193	3,590	3,648	3,706	3,750	3,735	3,808	3,905
West Position	231	308	23	258	145	66	11	(615)	(691)	(892)
System										
Existing Resources	11,064	11,004	11,163	10,226	10,146	10,126	9,977	9,317	9,315	9,077
Planned Resources	420	710	850	1,340	1,380	1,420	1,560	1,580	1,580	1,580
Total Resources	11,484	11,714	12,013	11,566	11,526	11,546	11,537	10,897	10,895	10,657
Obligation	9,987	10,175	10,424	10,121	10,362	10,589	10,850	11,000	11,335	11,682
Obligation x PM*	11,185	11,396	11,675	11,336	11,605	11,860	12,152	12,320	12,695	13,084
System Position	298	318	338	230	(79)	(313)	(616)	(1,423)	(1,800)	(2,427)

EXHIBIT B

capacity need under a 12 percent planning margin is *less than the lowest level of* the range of resources the company is seeking to acquire through the 2012 RFP.

Energy Position

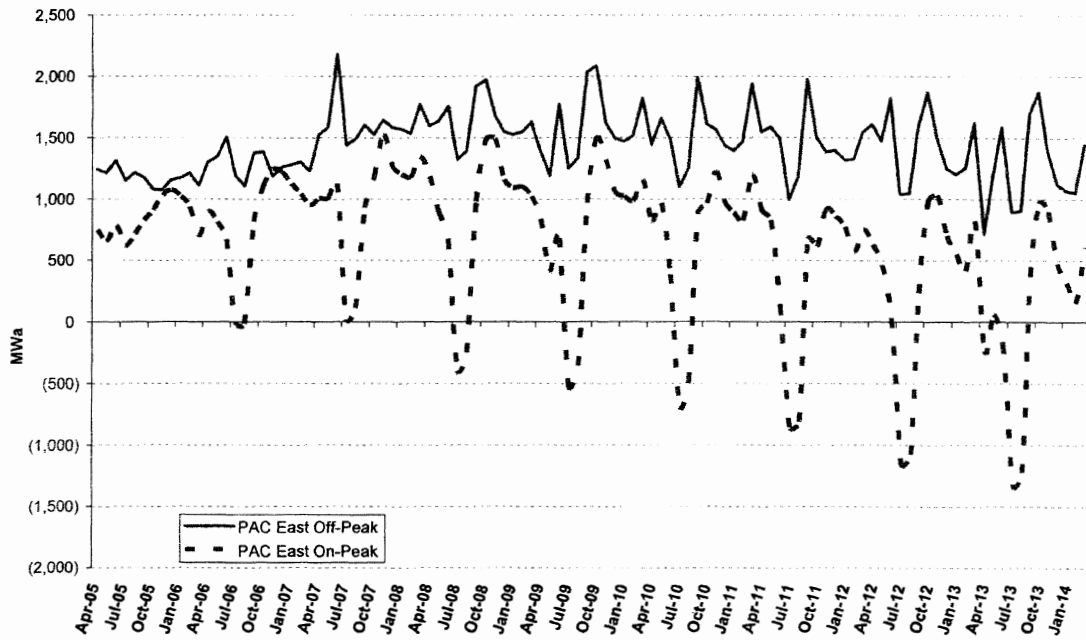
The following chart shows PacifiCorp's *east side* monthly energy position for 2012-2014.



PacifiCorp's energy forecast for the east side of its system shows a long position during all months and delivery periods except during the on-peak hours of June, July and August of 2012-2014.

The following chart shows PacifiCorp's *total system* monthly energy position for 2012-2014.

Figure 3.7 – East Energy Curves



Ryan, Peggy

From: CONFIRMATION Pucefiling [Pucefiling.Confirmation@state.or.us]
Sent: Thursday, November 09, 2006 3:12 PM
To: Ryan, Peggy
Subject: --New eFiling Submitted--Tracking #4015

The following filing was received on 11/9/2006.

PLEASE PRINT OUT THIS EMAIL MESSAGE AND ATTACH IT TO THE HARDCOPY TO BE FILED WITH THE PUBLIC UTILITY COMMISSION.

Tracking #: 4015

Type of Filing: UM - ELECTRIC DEFERRED ACCOUNTING APPLICATIONS

Description: PacifiCorp hereby submits in electronic format, an Application for a Deferred Accounting Order

This message is generated automatically. Do not reply to this email.

Oregon Public Utility Commission, <<<http://www.puc.state.or.us>>>