PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
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January 28, 2010

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Oregon Public Utility Commission
550 Capital Street NE, Ste. 215
Salem, OR 97301-2551

Attn: Filing Center

RE: **Docket No. LC 47**
PacifiCorp's 2008 Integrated Resource Plan ("2008 IRP")
PacifiCorp's Response to Northwest Energy Coalition's Reply Comments

Please find enclosed the original and one (1) copy of PacifiCorp's response to Northwest Energy Coalition's (NWEC) reply comments dated January 7, 2010 (and NWEC errata version of the reply comments dated January 8, 2010).

It is respectfully requested that all formal data requests regarding this filing be provided to the Company as follows:

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

By regular mail: Data Request Response Center
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Please direct any informal inquiries to Pete Warnken, Manager Integrated Resource Planning at (503) 813-5518 or Joelle Steward, Regulatory Manager, at (503) 813-5542.

Sincerely,

Andrea L. Kelly

Andrea L. Kelly
Vice President, Regulation

cc: Service List for Docket No. LC 47

CERTIFICATE OF SERVICE

I certify that I have cause to be served the foregoing **Reply Comments** in OPUC Docket No. LC 47 by electronic mail and US mail to those parties who have not waived paper service on the attached service list.
DATED this 28th day of January, 2010.

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Response to the Northwest Energy Coalition's Reply Comments on PacifiCorp's 2008 Integrated Resource Plan

(Docket LC 47)

January 28, 2010

Introduction

The Northwest Energy Coalition ("NWEC") filed unsolicited comments on PacifiCorp's 2008 Integrated Resource Plan ("IRP") with the Public Utility Commission of Oregon ("Commission") on January 7, 2010 and an errata version of the comments on January 8, 2010. Because these raise new criticisms of the IRP and were filed out-of-time, PacifiCorp provides this brief response.

NWEC's comments raise two major themes:

- PacifiCorp's portfolio preference scoring scheme is faulty and meaningless[1]; and
- Climate change impacts should override all other resource acquisition considerations.

Scoring Scheme

NWEC criticism of the scoring scheme is based on its attempt to apply a statistical correlation analysis to the scoring scheme in order to prove that adding together certain evaluation measures as part of the portfolio preference ranking scheme is invalid and provides little informational value for distinguishing portfolio performance. While correlations are of concern for statistical analysis purposes, they are not a concern for preference scoring systems, which only require that preferences are not dependent on one another. This is true of cost and risk; the preference for low cost does not depend on the preference for low risk. This is a central tenet of multi-attribute decision analysis. NWEC has missed the point of a scoring scheme, which, in the Company's view, is intended to be a straightforward, rational and transparent means to select a portfolio.

In past IRPs, various stakeholders have urged the Company to use a transparent method for selecting a preferred portfolio from the myriad of portfolios and analysis performed as part of the IRP process. The current scoring scheme responds to those concerns and complies with the Commission's IRP guidelines.

In addition, it should be noted that the preferred portfolio selected in the IRP process is used as a guide to resource procurement. It is not intended to set forth the exact resources the Company will acquire over the planning horizon. Using correlation analysis of portfolio performance measures to criticize the selection method should be seen for what it is; a red herring.

[1] NWEC claims this is due to statistical correlations among portfolio evaluation criteria and negligible differences in portfolio cost measures and cost results.

Climate Change

Regarding the treatment of societal risks of climate change in the IRP, PacifiCorp complies with IRP Guideline 8, which calls for development of scenarios based on regulatory compliance futures for CO_2. Guideline 8 was recently revised and was developed with significant input from the Commission Staff, the Company and Oregon IRP stakeholders.

NWEC's suggestion amounts to no more than asking the Commission to adopt a policy of reducing carbon at any cost. NWEC's suggestion is tantamount to asking the Commission to abrogate its clear statutory role as economic regulators. In that role, and consistent with the IRP process, the Commission must consider and balance both risk and cost. If the Commission's role is to change – and PacifiCorp does not believe it should – then such a change must come from the legislature, the source of the Commission's authority.

It is worth noting that the Company was instrumental in the development of a legislative proposal in the 2009 Oregon legislative session that would have (1) established an integrated resource planning process that would identify the acceptable portfolio for reducing greenhouse gas emissions and (2) identified a process to obtain public input and a regulatory commitment to the actions reducing greenhouse gas emissions. Regrettably, the draft legislation was not enacted.

In the interim, for the next IRP, PacifiCorp has agreed to consider including CO_2 emissions as a separate measure in its preference scoring model, as well as evaluate coal plant retirement options. The Company has already invested in the development of an improved capacity expansion optimization model that better represents CO_2 and renewable portfolio standard regulatory impacts. As climate change regulations become better defined and more certain, the Company will incorporate that information in future IRPs and procurement initiatives.

PacifiCorp, through its parent MidAmerican Energy Holdings Company ("MidAmerican"), continues to advocate for action at the national level on greenhouse gas emissions. As an alternative to mandating that utilities with coal-fueled generation participate in an allowance trading scheme, MidAmerican is promoting an alternative greenhouse gas reduction compliance mechanism that would require the retirement or retrofit of all coal-fueled electric generating units[2] on a legally binding schedule. This opt-out alternative to cap-and-trade may be selected by any investor-owned utility, municipal utility, public utility district, or electric cooperative. Individual utilities electing the alternative would be required to certify that their state regulatory authority, governing board or supervising state or political subdivision has the ability to (i) consider the interests of retail electric consumers served by the utility, and (ii) require the utility to retire and/or retrofit the coal-fueled generating units per the legally binding schedule. This alternative would also be implemented by the utility under the supervision of the utility's state regulatory authority, governing board or supervising state or political subdivision in concert with the U.S. Environmental Protection Agency. If MidAmerican's preferred alternative were adopted as part of national climate policy, many of the concerns raised by NWEC and others about the IRP process would be addressed.

[2] A coal-fueled electric generating unit is defined as a unit that derives at least 85% of its heat input from coal, petroleum coke, or any combination of those two fuels.

Conclusion

The Company urges the Commission to not give serious consideration to NWEC's comments on the scoring scheme. More importantly, the Company requests that the Commission affirmatively reject NWEC's suggested plan exclusively on the basis of CO_2 emissions without regard to cost until such time as Oregon's energy policy is updated to reflect such a re-prioritization.