

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1208

In the Matter of PacifiCorp Draft 2012  
Request for Proposals

STAFF'S COMMENTS ON PACIFICORP'S  
NOVEMBER 9, 2006 FILING

Staff submits the following comments in reply to PacifiCorp's November 9, 2006, filing on its Draft Request for Proposals for Base Load Resources (Draft RFP).

**Complying with Order No. 06-446 requires both consistency with the company's acknowledged Integrated Resource Plan and accounting for changes since acknowledgment.**

The Commission's requirements for RFP approval include "alignment of the utility's RFP with its acknowledged IRP." See Order No. 06-446 at 9. At the same time, the order states (at 2): "Changes occur from the time an Action Plan is acknowledged to when an RFP is released. The changes may be simple, due merely to the passage of time, or dramatic, such as the Western power crisis in 2000.... [I]t is not in the customer's best interest for any utility to march lockstep without any deviation from the plan...."

As staff stated previously, RFP alignment with the acknowledged IRP means the utility must justify any substantive deviation, including deviations from the acknowledged Action Plan. The alignment standard also requires the utility to justify continuing assumptions or actions that the Commission has explicitly declined to acknowledge. See Staff's Reply Comments at 9 (October 13, 2006).

Staff's recommendations in this proceeding also recognize the Commission's requirement that the RFP account for changes that have taken place since IRP acknowledgment. Specifically, staff's analysis of PacifiCorp's resource needs for this RFP takes into account the company's current load forecast for 2007-2017 as well as resource additions since acknowledgment. See Staff's Reply Comments at 10-13 (October 13, 2006) and Staff's Comments at 2-5 (November 9, 2006). The Commission explicitly required a new assessment of resource need for a RFP for thermal resources pursuant to PacifiCorp's 2004 IRP.<sup>1</sup>

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<sup>1</sup> "In considering approval of an RFP for such a resource, the Commission would first need to determine whether the Company has demonstrated the need for it." See Order No. 06-029 at 51.

In its filings on July 19 and August 30, 2006, the company relied on the total supply-side resources and Front Office Transactions identified in the informational 2004 IRP Update to determine the size of its Benchmark Resources. See Staff's Reply Comments at 10 (October 13, 2006); PacifiCorp's 2012 RFP at 2 (July 19, 2006). In its October 4, 2006, filing, the company stated, "The resource need in the IRP and the IRP update has changed.... The resource need previously filled with market purchases, i.e., front office transactions, on a planning basis will use specific generation assets for the purposes of a benchmark in this RFP." The company stated its revised resource need as a range based on both the 2004 IRP and the informational 2004 IRP Update. See Draft RFP at 2 (October 4, 2006).

In its most recent filing, the company recognizes that the Commission requires compliance with the *acknowledged* (i.e. 2004) IRP. In doing so, however, the company inappropriately relies on its outdated load forecast and reverts to its 2004 IRP load-resource balance, rather than using the company's current long-term load forecast and incorporating up-to-date information on continuing contracts and resources acquired since the 2004 IRP was filed nearly two years ago.

The company states that its November 1, 2006, RFP filing "...uses the 2004 IRP load and resource balance relying on a 12% planning reserve margin and ... 700 MW of front office transactions and renewable resources as planning resources consistent with the acknowledged 2004 IRP." See PacifiCorp's Comments at 3, and Exhibit A, "2004 IRP L&R Balance" (November 9, 2006).

Thus, the discrepancy between PacifiCorp's asserted resource needs (808 MW in 2012 and 1,109 MW in 2013) and staff's analysis (157 MW in 2012 and 335 MW in 2013) lies in the company's use of outdated information.<sup>2</sup> The company has not yet put together the Commission's two requirements for assessing resource need for this RFP: 1) consistency with the acknowledged IRP and 2) changes since that time — in particular, the company's updated long-term load forecast, continuing contracts and recent resource acquisitions. The Commission requires both consistency with the acknowledged IRP and improving upon the IRP with such updated information.<sup>3</sup>

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<sup>2</sup> Both PacifiCorp's and staff's analyses use a 12 percent planning margin and assume the levels of short-term market purchases and renewable resources the Commission acknowledged for the company's 2004 IRP.

<sup>3</sup> In contrast, the company largely argued that its initial filing, as amended following issuance of Order No. 06-446, complied with the Commission's competitive bidding guidelines because the Draft RFP was consistent with the company's 2006 IRP analysis and modeling process. See staff's Opening Comments at 6 and PacifiCorp's letter accompanying its RFP filing on August 30, 2006.

## **PacifiCorp's criticism of staff's resource needs analysis is unfounded.**

The company asserts there are two flaws in staff's logic regarding east-side energy needs. First, the company maintains that staff does not account for the economic benefits that result when adding base load resources with low fuel costs. Second, the company contends that staff's analysis of the company's energy position is an "unrealistic approach." See PacifiCorp's Comments at 4-5 (November 9, 2006).

Regarding PacifiCorp's first criticism, each resource acquisition strategy — for example, bridging resources until clean coal technology is commercially ready versus large base load units — has its own expected costs, opportunity costs and risks. Staff's comments about PacifiCorp's proposed reliance on base load resources have focused on the company's failure to propose an RFP process that would: 1) evaluate resources that target the seasonal, on-peak need on the east side of its system and 2) evaluate a bridging strategy of additional short-term purchases, demand-side measures and distributed resources, and analyze renewable resources beyond the 1,400 MW assumed as planned resources in the 2004 IRP, as directed by the Commission. See Order No. 06-029 at 33 and 51; Staff's Comments at 6-7 (November 9, 2006). Staff is recommending that PacifiCorp evaluate the economic benefits, costs, and risks of a targeted bridging strategy and compare them to a base load resource strategy.

As to PacifiCorp's second criticism (that using the energy data it provided is an "unrealistic approach"), staff's analysis of the company's average energy position relied on the supplemental response to staff Data Request No. 48. In its request, staff asked the company for its annual load-resource balance tables for 2007-2016 for a variety of scenarios related to front office transactions and acquisition of renewable resources and Benchmark Resources. In doing so, staff asked the company to provide its currently projected needs for capacity (megawatts) and energy (average megawatts). See attachment to Staff's Comments (October 24, 2006).

PacifiCorp states that using the energy data it provided is an "unrealistic approach" to viewing the company's average energy position because the data do not account for economic dispatch of resources (dispatched to market prices). See PacifiCorp's Comments at 5 (November 9, 2006). Instead, the average energy data the company provided are based on theoretical dispatch (resources are dispatched all the time except for outages and accounting for transfers). Staff notes that this theoretical dispatch is the same approach the company used in its 2004 IRP to describe its load-resource balance. See Figure 3.7, included in Exhibit B in PacifiCorp's Comments (November 9, 2006).<sup>4</sup>

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<sup>4</sup> "Figures 3.6 and 3.7 represent the energy curves for each side of PacifiCorp's system. These curves show the net position by month for On-Peak and Off-Peak hours for each Control Area. The On-Peak hours are weekdays and Saturdays, hour ending 7:00 am to 10:00 pm; Off-Peak hours are all other hours. The net position is resources minus obligation and includes

Coal plants dominate PacifiCorp's resource mix. The company dispatches its coal (and hydro) plants nearly all the time. Therefore, staff would not expect a large difference between theoretical and economic dispatch. Further, staff's analysis of the company's annual energy position did not include the addition of 1,000 MW of the 1,400 MW wind commitment or Front Office Transactions.

**The Commission should rely on staff's load-resource analysis in considering the company's resource needs for the RFP.**

Staff's analysis relies on the company's updated long-term load forecast and takes into account recent resource acquisitions, while at the same time incorporating the Commission's acknowledged levels of short-term market purchases and renewable resources. Further, staff provides its analysis using both a 12 percent and a 15 percent planning margin consistent with the Commission's requirement that the company analyze top-performing portfolios for its next IRP at both these levels.

On the other hand, the company's analysis is based on an outdated load forecast and ignores resource acquisitions that are not accounted for in the company's 2004 IRP. Therefore, staff does not agree with the company that its total resource need for the east side of its system in 2012-2013 is 1,109 MW, even under a 15 percent planning margin.

Staff's analysis shows that at the 15 percent level, the company's capacity needs after accounting for acknowledged levels of short-term market purchases and renewable resources is 355 MW in 2012 and 538 MW in 2013. At a 12 percent planning margin, staff's analysis shows a capacity need of 157 MW in 2012 and 335 MW in 2013. Resources to meet these capacity needs could include incremental short-term market purchases, renewable resources and demand-side measures targeting peak hours, as well as thermal resources. See Staff's Comments at 4 (November 9, 2006).

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average monthly outages and the WECC reserve requirement. Results are shown after area transfers." See PacifiCorp's 2004 IRP at 58-59.

1 **CERTIFICATE OF SERVICE**

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3 I certify that on November 17, 2006, I served the foregoing upon all parties of record in  
4 this proceeding by delivering a copy by electronic mail and by mailing a copy by postage prepaid  
5 first class mail or by hand delivery/shuttle mail to the parties accepting paper service.

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