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March 21, 2008

***Via Electronic and U.S. Mail***

Public Utility Commission  
Attn: Filing Center  
550 Capitol St. NE #215  
P.O. Box 2148  
Salem OR 97308-2148

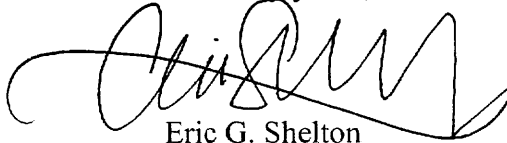
Re: In the Matter of PACIFICORP, dba PACIFIC POWER Application for approval of a solicitation process for flexible resources starting in 2012 through 2017  
**Docket No. UM 1360**

Dear Filing Center:

Enclosed please find the original and one (1) copy of the Opening Comments of the Industrial Customers of Northwest Utilities in the above-referenced matter.

Thank you for your assistance.

Sincerely yours,



Eric G. Shelton

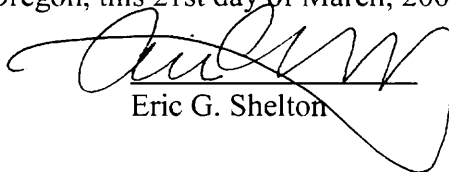
Enclosures

cc: Service List

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that I have this day served the foregoing Opening Comments of the Industrial Customers of Northwest Utilities upon the parties, shown below, on the official service list by causing the foregoing document to be deposited, postage-prepaid, in the U.S. Mail, or by service via electronic mail to those parties who have waived paper service.

Dated at Portland, Oregon, this 21st day of March, 2008.



Eric G. Shelton

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**W = Waived Paper Service**

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UM 1360**

In the Matter of	)	
	)	
PACIFICORP, dba PACIFIC POWER	)	OPENING COMMENTS OF THE
	)	INDUSTRIAL CUSTOMERS OF
Application for approval of a solicitation	)	NORTHWEST UTILITIES
process for flexible resources starting in	)	
2012 through 2017.	)	
_____	)	

**I. INTRODUCTION**

The Industrial Customers of Northwest Utilities (“ICNU”) submits the following Opening Comments regarding PacifiCorp’s (or the “Company”) 2008 request for proposal (“2008 RFP”). ICNU is only submitting limited comments at this time and may submit additional final comments on April 25, 2008, after reviewing the comments of other parties and the report from the Oregon independent evaluators. These Opening Comments, however, identify some preliminary concerns with PacifiCorp’s 2008 RFP, specifically that PacifiCorp has not demonstrated a need to acquire up to 2,000 megawatts (“MWs”). The Oregon Public Utility Commission (“OPUC” or the “Commission”) should also reject the Company’s request to submit self build options, instead of benchmark resources, and the Company’s proposal to use bid fees to offset the costs of the Utah independent evaluator. ICNU recommends that the Commission not approve the current draft of the 2008 RFP.

## II. COMMENTS

### 1. PacifiCorp Has Not Proven a Need for 2,000 MWs of Baseload Resources

In its 2008 RFP, PacifiCorp has proposed to acquire up to 2,000 MWs of capacity and energy resources for the 2012 to 2016 time period. PacifiCorp forecasts this resource deficit based on the Company's 2007 integrated resource plan ("IRP") that has not yet been approved by the Commission, and its 2008 Business Plan Load and Resources Balance ("2008 L&R Balance"). These documents, and the discovery in this proceeding, indicate the Company is once again significantly overestimating its resource needs.

PacifiCorp does not appear to need to acquire up to 2,000 MWs of new resources. PacifiCorp's 2008 L&R Balance shows a range of a 702 to 886 MW overall system wide resource deficit for the 2012-2017 time period. PacifiCorp Response to Staff Data Request ("DR") 20. This forecasted deficit likely overestimates PacifiCorp's resource needs because it omits certain potential resources. For example, this deficit assumes that the Company will not purchase or acquire any new resources in its RFP that was issued in Docket No. UM 1208.

PacifiCorp's estimated resource deficits may have been overestimated. Although the Commission has not yet issued an order regarding the Company's 2007 IRP, Staff raised concerns regarding the Company's IRP load growth forecasts. Similarly, ICNU remains skeptical of the Company's reliance upon the use of a 12% planning margin for resource acquisition purposes. More reasonable assumptions regarding load growth and planning reserves would further reduce PacifiCorp's estimated

resource deficit. Overall, depending on the outcome of its RFP in UM 1208, the Company may need to acquire one new baseload generating resource, but 2,000 MWs does not appear to be needed based on PacifiCorp's own documents.

## **2. PacifiCorp's 2008 RFP Is Inconsistent with Its Acknowledged IRP**

PacifiCorp cannot demonstrate that its 2008 RFP is consistent with its acknowledged IRP. Although the Commission has not issued a final order regarding the 2007 IRP, PacifiCorp has filed its 2008 RFP and attempted to conform it to its 2007 IRP. This presents a significant problem for PacifiCorp because the Company must demonstrate that its RFP is in alignment with its acknowledged IRP. Re an Investigation regarding Competitive Bidding, Docket No. UM 1182, Order No. 06-446. Appendix A at 2 (Aug. 10, 2006).

Staff raised numerous legitimate concerns with PacifiCorp's 2007 IRP, many of which, if adopted by the Commission, would require a ruling that the Company's 2008 RFP is not in alignment with the Company's acknowledged IRP. Staff recommended that the Commission acknowledge PacifiCorp's 2007 IRP, but not acknowledge the Company's proposals to procure four new baseload and intermediate load resources of 350 to 600 MWs from 2011 to 2014. Re PacifiCorp, Docket No. LC 42, Staff Report at 6 (Dec. 14, 2007). Instead, Staff recommended that PacifiCorp procure a 350 to 650 MW in front office transactions over the 2010 to 2014 time period, and investigate acquiring a 350 MW baseload resource on the east side of the Company's system by 2016. PacifiCorp's proposed acquisition of up to 2,000 MWs is inconsistent with these Staff recommendations.

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PacifiCorp may also be using this RFP to inappropriately depart from its 2007 IRP and replace its planned wholesale market purchases with baseload resources. In discovery responses, PacifiCorp indicates that it may deviate from its filed 2007 IRP and replace all, or a portion, of these market purchases with baseload resources in its 2008 RFP. PacifiCorp Response to Staff DRs 7-8, 10.

**3. PacifiCorp Has Not Provided Sufficient Support to Treat Its Own Resources As “Self-Build Options” Instead of “Benchmark” Resources**

PacifiCorp has proposed to deviate from the Commission’s competitive bidding guidelines by requiring different treatment of the Company’s “self build options.” PacifiCorp proposes not to submit its resources as “benchmark resources,” but to instead treat its own generation proposals the same as a third-party bidder. Natalie Hocken, February 15, 2008 Letter PacifiCorp Draft 2008 RFP at 2. As a practical matter, because the Company does not guarantee its bid price, PacifiCorp’s generation resources will not be treated like any other third-party bidder. PacifiCorp also proposes to depart from the Commission’s guidelines by imposing bid fees to recover some of the costs of the Utah independent evaluator.

ICNU recommends that the Commission reject PacifiCorp’s deviations from the Commission’s competitive bidding guidelines because the Company has not provided sufficient explanation or justification to waive these rules. The Commission should allow the new competitive bidding rules a chance to operate before allowing the

utilities to propose significant exceptions or changes.<sup>1/</sup> The Commission should only allow the Company to deviate from these new guidelines if there are unique factual, legal circumstances, or clear ratepayer benefits—none of which have been shown here.

PacifiCorp has not identified any problems with the current rules or any concrete benefits that would result from the submission of self build options (instead of benchmark resources). In workshops, PacifiCorp has suggested the different treatment would provide the Company with the flexibility to submit more resource options. However, this justification is not valid because the Company can already submit multiple benchmark resources under the current rules. Unless PacifiCorp is able to identify significant problems with the current rules or can identify material benefits to its proposed course of action, ICNU recommends that the Commission not approve this departure from the competitive bidding guidelines.

PacifiCorp also requests to deviate from the Oregon guideline that the costs of the independent evaluator be recovered in customer rates and proposes that bid fees be used to defray the expenses of the Utah independent evaluator. PacifiCorp alleges that this is required to comply with the Utah Energy Resource Procurement Act. If required by Utah law, ICNU is not opposed to using bid fees to defray some of the costs of the independent evaluators; however, it is inequitable for the bid fees to be

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<sup>1/</sup> The 2008 RFP may be the first PacifiCorp RFP that will operate under the Commission's competitive bidding guidelines. PacifiCorp is in the middle of conducting a separate RFP, but this RFP may not be a good test case to evaluate the Commission's new competitive bidding rules because the RFP was not acknowledged by the Commission, did not benefit from early participation from an Oregon independent evaluator, and was nearly terminated by the Company in mid-course.

applied to defray the costs of only the Utah independent evaluator. Bid fees, if allowed, should be used to offset the costs of both the Oregon and Utah independent evaluators.


### III. CONCLUSION

ICNU recommends that the Commission not approve the Company's 2008 RFP. Based on the information from the 2007 IRP, PacifiCorp likely needs to acquire one new baseload resource for the eastern part of its system over the 2010 to 2014 time period. PacifiCorp, however, has not demonstrated a need to acquire up to 2,000 MWs of new baseload resources. In addition, PacifiCorp's proposed deviations from the Commission's competitive bidding rules do not appear to be necessary, and are unfair to Oregon ratepayers.

Dated this 21st day of March, 2008.

Respectfully submitted,

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