BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
LC 47

In the Matter of PacifiCorp 2008 Integrated Resource Plan.	STAFF'S DRAFT COMMENTS AND RECOMMENDATIONS

Following are Staff's draft comments and recommendations on PacifiCorp's 2008 Integrated Resource Plan (IRP).

Before issuing final comments, recommendations and a proposed order, Staff will further review the company's filed plan, responses to recent data requests and parties' comments.

Draft Comments

1) In 2008, Staff's initial comments and recommendations associated with PacifiCorp's 2007 IRP discussed its concerns that PacifiCorp did not take into consideration the changing economic conditions and commodity prices within its filed IRP. Almost prophetically, Staff raised the question of whether the Commission should acknowledge an action plan that emphasized long-term acquisition "if loads plummet and there is significant excess capacity in the market."[1] This is the situation in which we find ourselves today. Our current economic recession is a situation that no one anticipated; forecast models cannot predict these types of severe outlier events. The State of Oregon Economic and Revenue Summary,[2] May 2009, reports that Oregon hit an unemployment rate of 12.1 percent in March 2009, and the country is in the deepest recession it has seen post World War II. Most notable is the impact on the industrial and commercial sectors, which are realizing job losses at rates of 19 percent in the wood product industries, 28 percent in the transportation equipment sector, 13.7 percent in the computer and electronics industry, and 14.6 percent in metals and machinery.

PacifiCorp has responded to these changes in real-time by suspending its 2008 Request for Proposal (UM 1360), citing concerns associated with the current economic climate, reduction in customer loads, and reduction in commodity prices. In its current IRP filing the Company's load forecast shows an average annual growth rate in annual energy of 2.1 percent. When looking at PacifiCorp's actual loads through July 2009 the Company has experienced a 5.2 percent decline in net system loads.[3] Given the severity of these changes, the predicted

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[1] See LC 42, Staff's initial comments and recommendations at 1.
[2] http://www.oregon.gov/DAS/OEA/docs/economic/Press0509.pdf
[3] The calculated 5.2 percent decline in actual loads uses the Company's actual net power cost report through July 2009, as compared to its actual net power cost report through July 2008 which is provided on a monthly basis by the Company to staff.

slow turn-around in the industrial and commercial industries, and the impact this has had on load forecasts, staff recommends that the IRP take into consideration these factors prior to Commission acknowledgement.

PacifiCorp acknowledges that its IRP does not recognize more recent events with regard to load and commodity prices and has stated that it will take into consideration the timing and type of gas resource and other resource changes as part of its 2008 IRP update. However, the Company asks the Commission to acknowledge acquisition of a Combined Cycle Combustion Turbine (CCCT) in 2014, a Single Cycle Combustion Turbine (SCCT) in 2016, and transmission expansion in 2010 and 2012. Staff believes that the Company has not provided the analysis to support the acquisition of its CCCT, SCCT, or transmission segments in its 2008 IRP, given the significant changes in customer load.

In summary, staff recommends that the Company conduct further analysis of its top 10 portfolios, with emphasis on the acquisition of the CCCT in its near term action items. What this analysis should determine is whether there is still the need for the CCCT in the time frame that the Company has indicated, given the current economic climate and more recent load forecasts.

2) PacifiCorp asks the Commission to acknowledge two near term action items, transmission action items 10-12, without providing quantitative analysis to support not only the immediate need for these resources, but also that they are the best resource investment as compared to a CCCT, SCCT, or other proxy resource. PacifiCorp assumed for its entire portfolio analyses the inclusion of the transmission segments as a base case assumption. The Company did not evaluate its action item transmission resources on a comparable basis with respect to other proxy resources in this IRP. The Company's IRP assumption is in contradiction to Guideline 5, which states that the utility should treat transmission as a resource option, taking into consideration its attributes as compared to other proxy resources.

3) In its IRP filing on May 31, 2009 the Company included, and made available for the first time, its wind integration cost analysis. Staff encourages the Company to continue in its review of wind integration and the incremental cost on its system. In the current analysis, parties and staff have raised concerns associated with the calculation of balancing costs associated with wind variability and not taking into consideration load variance. The Company has stated that it anticipates studying the interaction of load and wind variability in the future. For this reason, staff recommends that the Commission not acknowledge the use of PacifiCorp's wind integration analysis, and instead require the Company to conduct workshops prior to its 2008 IRP update, so that parties have the opportunity to fully vet the modeling assumptions and are comfortable with its use in IRP modeling.

4) Guideline 6 requires utilities to ensure that a conservation potential study is conducted periodically for its entire service territory.   Guideline 6 also requires PacifiCorp to determine the amount of conservation resources in the best cost/risk portfolio and include in its Action Plan all best cost/risk portfolio conservation resources for meeting projected resource needs, specifying annual savings targets.

In order to secure Commission acknowledgement, PacifiCorp needs to demonstrate that its forecasted load (shown net of DSM-related load reductions) has captured the maximum achievable energy savings from DSM related activities.   Staff does not believe that PacifiCorp has yet demonstrated the maximum achievable energy savings from DSM related activities.

First, for Class 2 DSM savings, the current IRP is based on a conservation potential study completed in May 2006, and is “conservatively” augmented by estimates of potential savings (2017 through 2027). This augmented plan was delivered to Pacific Power by the ETO in May 2008; however, an updated conservation potential study was completed in February 2009. This study has not yet been transformed into a savings deployment plan and is not incorporated into the current IRP.   Staff believes that, in order to be compliant with Guideline 6, PacifiCorp needs to incorporate an updated savings deployment plan based on the February 2009 conservation potential study in its 2008 IRP.

Lastly, the 2008 IRP does not identify any savings from distribution efficiency (conservation voltage reduction).   This resource was referenced in the May 2006 conservation potential study and is called out more clearly in the most recent February 2009 conservation potential study.

5) Guideline 7 requires the Company to evaluate in its IRP demand response resources as an option for meeting energy, capacity and transmission needs.
In both of the two previous IRPs, Staff and the Commission have expressed concerns about PacifiCorp’s lack of application of DSM resources in Oregon.
The 2009 IRP again proposes inadequate movement on demand response measures (DSM Classes 1 and 3) for Oregon. Staff believes that, in order to be compliant with Guideline 7, PacifiCorp needs to show an acquisition of DSM resources in Oregon that is on par with resource acquisition in the rest of the PacifiCorp territory or make the argument as to why these measures are not cost effective in Oregon.

For the 2007 IRP, PacifiCorp was required by Commission Order to include supply curves for curtailable rates, demand buyback and critical peak pricing (Class 3 DSM) in its capacity expansion modeling. Per Commission Order 08-232, the efforts that PacifiCorp made in its 2007 IRP did not sufficiently demonstrate compliance with this requirement. Again, for its 2008 IRP, staff finds no evidence that PacifiCorp’s modeling approach, which screens out many of these resources before inclusion in portfolios, has been corrected.

This concludes staff's Draft comments.

Dated at Salem, Oregon, this 8th day of October, 2009

Kelcey Brown
Senior Economist
Electric Rates & Planning

CERTIFICATE OF SERVICE

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I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 8th day of October, 2009.

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