

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1056

In the Matter of)
) THE INDUSTRIAL CUSTOMERS
) OF NORTHWEST UTILITIES'
the Investigation into)
) REPLY COMMENTS
Integrated Resource Planning Requirements.)
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)
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_____)

I. INTRODUCTION

Pursuant to Administrative Law Judge (“ALJ”) Logan’s July 11, 2005 Consolidated Ruling, the Industrial Customers of Northwest Utilities (“ICNU”) submits these Reply Comments regarding the Oregon Public Utility Commission’s (“OPUC” or the “Commission”) integrated resource planning requirements. ICNU’s Opening Comments addressed most of the issues raised by the parties to this proceeding, and these Reply Comments only address new arguments. Specifically, ICNU’s Reply Comments address only the recommendations by PacifiCorp and Portland General Electric Company (“PGE”) that would: 1) change the focus of integrated resource planning away from obtaining the least cost resources; 2) limit the Commission’s discretion in future prudence reviews; and 3) ensure that Oregon utilities obtain automatic approval of their integrated resource plans (“IRPs”). ICNU also notes that there appears to be a remarkable degree of unanimity on many issues in this proceeding, including the general

sentiment that the Commission should not make radical changes to the integrated resource planning process, which most parties view as generally working properly.

II. COMMENTS

1. **An Acknowledged IRP Should Not Limit the Commission's Ability to Conduct a Through Prudency Review**

ICNU is encouraged that no party appears to be recommending that the least cost planning process be transformed into a formal pre-approval or prudency review of resource decisions. Both PacifiCorp and PGE assert that the integrated resource planning process works, and that they oppose any significant changes. PacifiCorp Comments at 1, 21-22; PGE Comments at 1-2. Despite asserting that they are not supporting a pre-approval process, both PacifiCorp and PGE propose major changes that could fundamentally alter both the integrated resource planning process and future prudency reviews.

PacifiCorp proposes that the “record” in a utility’s IRP proceeding should constitute all the information that is “known and knowable” at the time of the integrated resource planning process. PacifiCorp Comments at 21-22. PGE supports PacifiCorp’s proposal. PGE Comments at 1-2. PacifiCorp asserts that parties in a subsequent prudency review should be prevented from submitting information that could have been included in the utility’s IRP. PacifiCorp Comments at 21-22. PacifiCorp supports its proposal by claiming that parties could choose to withhold information in the integrated resource planning process in order to present the information in a prudency proceeding. Id. at 22. PacifiCorp fails to cite any instances of parties presenting information in a

prudence review that they should have presented in an IRP; this change addresses a non-existent problem.

The Commission should reject PacifiCorp's proposal to tie the "record" in an IRP proceeding to a later prudency review of resource decisions, because it would unduly limit the Commission's ability to conduct a prudency review. According to the Commission, "Prudence is determined by the reasonableness of the actions 'based on the information that was available (or could reasonable have been available) at the time.'" Re PacifiCorp, OPUC Docket Nos. UM 995, UE 121 and UC 578, Order No. 02-469 at 4 (July 18, 2002), citing Re PGE, OPUC Docket No. UE 102, Order No. 99-033 at 36-37 (Jan. 27, 1999) (footnotes omitted).

It would be inappropriate to limit prudency reviews to the "record" in an IRP proceeding for a number of reasons. First, resource decisions normally occur after an IRP has been concluded. Thus, limiting a prudency review to the IRP "record" would inappropriately exclude all information that became available between the time of Commission acknowledgement and the time the resource decision was made.

Second, a utility bears the burden of proof to demonstrate that a resource decision is prudent. Requiring other parties to develop a binding record in an LCP proceeding would shift the burden of proof.

Third, integrated resource planning is an informal process that is ill suited to developing a record regarding what information was "known and knowable," for purposes of a prudency review. The utilities often control the information that is

available in the integrated resource planning process, and it may be impossible to know what information the utilities elect to withhold, could have provided, or should have been aware of. Similarly, Staff and intervenors do not have the resources to fully investigate whether the information presented by utilities in their IRPs constitutes the entire universe of “known and knowable information.”

Finally, unlike a prudency review, the integrated resource planning process is not a litigated proceeding that develops a rate case quality record. An IRP proceeding does not include an evidentiary proceeding, and there is no real “record” that can be utilized to limit the Commission’s review in subsequent rate proceedings. The integrated resource planning process should remain focused on developing the best utility plan to acquire low cost resources and not on developing a record, which limits the information that may be considered in future prudency reviews.

In “acknowledging” an IRP, the Commission finds that, based on the information provided, the utility’s IRP seems reasonable, but the Commission does not approve or sanction that the information underlying the IRP is correct. See Re the Investigation into Least-Cost Planning for Resource Acquisitions by Energy Utilities in Oregon, OPUC Docket No. UM 180, Order No. 89-507 at 6, 11 (Apr. 20, 1989). The information provided by a utility in an IRP proceeding should continue to be considered in a future prudency review, but should not be conclusive as to what information was known and knowable at the time of the IRP proceeding or when the resource decision was made. As a result, the Commission should not change the meaning of Commission

acknowledgement of an IRP or otherwise limit the information that parties can present in a future prudency review.

2. The Commission Should Re-affirm that Ratemaking and Prudency Decisions Will Not Occur in the Integrated Resource Planning Process

PGE proposes revisions to the Commission’s integrated resource planning requirements that inappropriately address ratemaking and prudence issues. PGE proposes to eliminate the conclusion that “[r]atemaking decisions will not be made in the Least Cost Planning” process. PGE Comments at 7. PGE also proposes to eliminate the language that states that only used and useful resources will be included in rates. Id. at 8. PGE proposes other changes attempting to reword the Commission’s standard for including costs in rates. Id.

PGE claims its proposed language does not change the content of the Commission’s guidelines and justifies its revisions on the unrelated grounds that utilities may contract for rather than build resources. The Commission’s new IRP guidelines can reflect that a utility may contract for new resources, without making PGE’s language changes. The Commission should reject these unsupported revisions because they are unnecessary, could allow utilities to request that ratemaking decisions be made in the least cost planning process, and would cause confusion regarding the Commission’s long-established prudency standard.

3. Utilities Should Continue to Plan on Acquiring the Least Cost Resources

Although the Commission has changed the name of “least cost planning” to “integrated resource planning,” Oregon utilities should continue to plan on acquiring

needed resources that are the least cost to ratepayers. Both PGE and PacifiCorp propose to eliminate language in the Commission’s requirements that refer to the term “least cost.” PGE Comments at 4; PacifiCorp Comments at 5. For example, both utilities replace the term “least cost” with “the best combination of the expected costs and associated risks and uncertainties” Id. This language fails to include the concept that a primary goal in the integrated resource planning process is to acquire low cost resources to serve Oregon ratepayers. While it may be appropriate to consider risks when determining costs, the Commission should reject PacifiCorp’s and PGE’s proposed language changes and continue to require Oregon utilities to plan on acquiring the least cost resources.

4. The Commission Should Retain the Discretion to Not Acknowledge the Utilities’ IRPs

PGE proposes that the Commission adopt an integrated resource planning requirement that the planning “process should ultimately lead to [Commission] acknowledgement.” PGE Comments at 7. Adopting PGE’s proposed requirement would imply that the Commission should acknowledge any IRP presented by the utilities, regardless of the reasonableness of its information, assumptions, and conclusions. The Commission should reject PGE’s proposed language and continue to acknowledge only those IRPs that seem reasonable at the time they are presented to the Commission. This would allow the Commission to retain the discretion to not acknowledge all or any portion of a proposed IRP for any reason.

III. CONCLUSION

The Commission should not fundamentally alter the integrated resource planning process and should continue to use the process to encourage Oregon utilities to develop the best strategy for reliably meeting their resource needs at the lowest cost. ICNU recommends that the Commission reject PacifiCorp's and PGE's proposed revisions regarding: 1) the impact of the IRP on future prudence and rate making proceedings; 2) eliminating the requirement that utilities plan on obtaining the least cost resources; and 3) preventing the Commission from not acknowledging all or a portion of the utilities' IRP. PacifiCorp and PGE have not demonstrated that these changes are necessary to address any actual problems or flaws, and they could unfairly limit the ability of Staff and ratepayers to challenge utility resource decisions in future proceedings.

Dated this 30th day of September, 2005.

Respectfully submitted,

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Via Electronic and US Mail

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Re: In the Matter of the Investigation into Integrated Resource Planning Requirements
Docket No. UM 1056

Dear Filing Center:

Enclosed please find the original and two copies of the Reply Comments of the Industrial Customers of Northwest Utilities in the above-referenced docket.

Please return one file-stamped copy of the document in the self-addressed, stamped envelope provided. Thank you for your assistance.

Sincerely,

/s/ Christian Griffen

Christian W. Griffen

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Reply Comments of the Industrial Customers of Northwest Utilities upon the parties on the service list by causing the same to be sent via electronic mail and to be mailed, postage-prepaid, through the U.S. Mail. Parties who have waived paper service have only been provided with an electronic copy.

Dated at Portland, Oregon, this 30th day of September, 2005.

/s/ Christian Griffen
Christian W. Griffen

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