

June 21, 2012

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

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

Attn: Filing Center

RE: UM 1182 Northwest and Intermountain Power Producers Coalition's Request for ALJ Certification

PacifiCorp, d.b.a. Pacific Power (Company), respectfully submits this letter with regards to the June 14, 2012 Northwest and Intermountain Power Producers Coalition (NIPPC) request (Request) that Administrative Law Judge (ALJ) Traci Kirkpatrick certify the ALJ's May 30, 2012 Ruling (ALJ Ruling) for consideration and disposition by the Public Utility Commission of Oregon (Commission). For the reasons set forth below, the Company requests that the Commission decline to consider the ALJ Ruling.

In Order No. 11-011, the Commission directed parties to determine an analytic framework and methodologies to better evaluate and compare utility ownership of resources to the purchase of power (PPA) from independent power producers (IPPs). After identifying twelve potential comparative risks and advantages (items), the parties agreed that a limited number of items should be selected to address initially; however, the parties could not agree on which items to address. Therefore, parties to this docket filed individual recommendations regarding the limited number of items to address first. The ALJ Ruling, which adopts the recommendation made by Commission Staff, selects three items for consideration: 1) cost over - and under-runs; 2) counterparty risk; and 3) heat rate degradation. The ALJ Ruling is reasonable and considers the individual recommendations filed by all parties. The Company supports Staff's recommendation and the ALJ Ruling.

In its Request, NIPPC submits that good cause exists for the entire Commission's consideration of the issues presented. The basis for NIPPC's Request appears to be its interpretation that the Commission's clear intent in re-opening UM 1182 was to only consider quantitative enhancements to the competitive bidding guidelines that *reduce* utilities' self-build bias in Oregon Request for Proposals (RFP).¹ Therefore, NIPPC suggests that the Commission remove counter party risk, which it assumes will increase a self-build bias, from the list of items to be addressed in phase 2 of this docket and replace it with wind capacity factors, which it assumes will decrease a self-build bias².

¹ NIPPC Request at 2.

² NIPPC recommends that the independent evaluator should reduce the capacity factor for proposed utility-owned wind generation projects by 15% when comparing utility-owned projects against IPP bids. Presumably, the adjustment would apply to any alternative, from an IPP bid or otherwise, that would result in utility ownership.

Counterparty risk is a subject that goes far beyond NIPPC's simplistic representation and is among the most important items considered when entering into commercial transactions. Counterparty risk requires all parties to a commercial transaction to strike a balance between cost and risk, the outcome of which can directly impact customers. It is for these reasons and more that multiple parties filed comments suggesting that counterparty risk be among the top three items considered.

The Company respectfully requests that the Commission decline to consider the ALJ Ruling because NIPPC has not established good cause for such Commission action. The directive in Order No. 11-011 was for parties to better "evaluate and compare" utility ownership and power purchased from IPPs. NIPPC simply does not follow that the Commission's stated "concern" about the existence of a self-build bias should be construed as a directive to create an analytic framework and comparative methodology that is intentionally biased in *favor* of IPP contracts. If the Commission's intent was specifically to *reduce* a self-build bias regardless of risk to customers, rather than to explore ways to evaluate resource options that balance cost and risk to customers, it would have specifically indicated as such. The Company has participated in numerous workshops with the parties, including discussions with Commission Staff, and does not believe that the analytic framework and comparative methodology developed was intended by the Commission to be designed to reduce an assumed (yet not proven) self-build bias by introducing bias in favor of certain types of bids.

NIPPC's argument also contradicts well established principles of fairness and transparency in the Commission's competitive bidding guidelines and the need within any competitive bidding process to balance the cost and risk of all alternatives, including the ability to compare the risk to customers of one IPP PPA versus another IPP PPA. Inherently, not all IPPs have the same credit risk profile or will agree to the same credit protections for the benefit of customers. The purpose of the developing an analytic framework should be to fairly evaluate comparative risks that ultimately lead to improved resource assessments and decision-making. This would be better aligned with the interests of customers and the Commission's competitive bidding guidelines. Due to this and the foregoing, the ALJ Ruling is consistent with the principles and directives set forth in Order No. 11-011 and Commission consideration is not warranted.

NIPPC's Request should also be rejected because it incorrectly assumes that, following the consideration of three initial items, no additional items will need to be considered.³ However, the ALJ Ruling clearly indicates that the three items identified in Staff's recommendation, as reflected in the ALJ Ruling, is a reasonable starting point. Additional items, including wind capacity factors or other factors associated with other types of power supply, may be addressed in subsequent phases in this docket. Because the arguments raised by NIPPC are likely to ultimately be considered by the Commission in this docket, good cause does not exist for the Commission to consider them now under the auspices of an ALJ certification.

Furthermore, NIPPC's assumptions and conclusions regarding wind capacity factors and their effect on the analytic framework and comparative methodology are premature. In some instances, NIPPC's conclusions are based on facts which the Company disputes or believes are inaccurate. The Company is interested in rebutting these facts and correcting the record. Therefore, the Company respectfully requests that if the Commission intends to consider the ALJ

³ NIPPC Request at 4.

Oregon Public Utility Commission

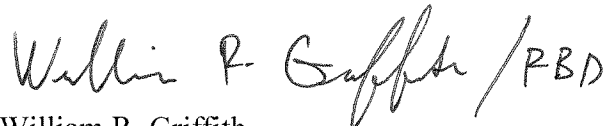
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Ruling, it allow all parties to this docket to respond to the facts presented and conclusions drawn in NIPPC's Request. Allowing this would enable the Commission to respond to the Request based on a full record from all parties rather than assertions made by only one party.

Please direct any informal inquiries to Bryce Dalley, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6389.

Sincerely,

A handwritten signature in black ink that reads "William R. Griffith / RBD". The signature is written in a cursive style.

William R. Griffith
Vice President, Regulation

Enclosures

cc: Service List in UM 1182

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document, in Docket UM 1182, on the date indicated below by email and/or US Mail, addressed to said parties at his or her last-known address(es) indicated below.

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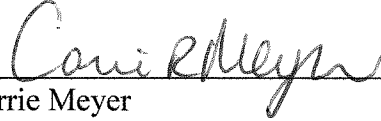
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DATED: June 21, 2012



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