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December 17, 2010

***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 1460 – Pacific Power’s Closing Comments

PacifiCorp d/b/a Pacific Power encloses for filing its closing comments in this proceeding, pursuant to the schedule adopted in the Prehearing Conference Memorandum issued August 16, 2010.

Please contact Joelle Steward, Regulatory Manager, at (503) 813-5542 for questions on this matter.

Sincerely,

Andrea L. Kelly
Vice President, Regulation

Enclosure

Cc: Service List – UM 1460

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket No. UM-1460 on the following named person(s) below by e-mail and U.S. Mail addressed to said person(s) at his or her last-known address(es) indicated below:

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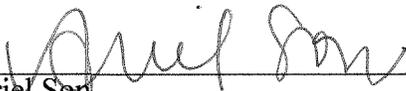
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Dated: December 17, 2010


Ariel Son
Coordinator, Regulatory Operations

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1460

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Staff Recommendations to use Oregon
Electricity Regulators Assistance Project
funds from the American Recovery and
Reinvestment Act of 2009 and develop
Commission Smart Grid Objectives for
2010-2014

PacifiCorp's Closing Comments

1 In accordance with the Prehearing Conference Memorandum issued August 16, 2010,
2 PacifiCorp, d.b.a. Pacific Power (PacifiCorp or Company), submits these closing comments
3 in response to the comments submitted by other parties on the Straw Proposal for Smart Grid
4 Planning (Straw Proposal) on November 16, 2010.

5 **I. Introduction**

6 Investor-owned utilities find themselves at the crossroads of an evolution involving
7 advanced technologies, collectively referred to as a smart grid, and the traditional operational
8 practices. The technologies associated with smart grid are being accelerated by recent federal
9 legislation – including the Energy Policy Act of 2005 (EPAAct), the Energy Independence and
10 Security Act of 2007 (EISA) and the American Recovery and Reinvestment Act of 2009
11 (ARRA).

12 Both the EPAAct and the EISA have required that each state review the requirements of
13 the legislation and make a determination of whether or not to adopt the standards included
14 within. While each of the states within PacifiCorp's service territory have elected not to
15 adopt most of the standards, they have voiced an understandable interest in knowing what

1 PacifiCorp's current and future plans are for implementing the smart grid technologies.

2 The public interest in smart grid has also hit a crescendo due to the marketing efforts by
3 the companies positioned to take advantage of the investments funded by the recently passed
4 ARRA legislation (the "stimulus" package). Inquiries into the Company's ability to provide a
5 smart grid or to participate with a local city or municipality on a smart grid pilot project
6 continue to increase. The interest in smart grids within PacifiCorp's service territory will
7 continue to grow as neighboring states and utilities expand their advanced technologies and
8 more information becomes available in the public sector.

9 In light of these facts, the Company agrees with the premise and goals of this
10 investigation that the utilities conduct smart grid planning in a transparent way. However,
11 the Company is concerned that the detailed guidelines proposed by Staff in its initial
12 comments are premature, overly complex, and do not recognize the current "state of play" for
13 each of the electric utilities in regards to smart grid. Commendably, the comments show that
14 a considerable amount of time has been spent researching issues with smart grid deployment
15 and implementation. What is missing, however, is an understanding of the current status of
16 implementation by each of the electric utilities. Knowing the current "state of play" with
17 each of the utilities, along with more focused stakeholder input on specific elements, will
18 better inform the Commission and stakeholders on the adoption of requirements or guidelines
19 for smart grid planning.

20 Accordingly, PacifiCorp recommends a more measured approach to adopting detailed
21 guidelines. PacifiCorp echoes the concern raised by the Citizens' Utility Board (CUB) in its
22 opening comments that Staff's proposal has embedded within it a series of premature policy
23 decisions. The Company also echoes the concern raised by Portland General Electric (PGE)

1 and Idaho Power that the smart grid report not become a significant burden and resource
2 drain on the utility.

3 The smart grid guidelines proposed by Staff in its opening comments rivals the integrated
4 resource planning guidelines (IRP) in terms of detail and scope. Additionally, many of the
5 elements, which are characterized as a “must” identify or comply element, are well beyond
6 the current state of implementation for smart grid by PacifiCorp at this time. In comparison,
7 the IRP guidelines were developed and refined after considerably more experience with
8 utility planning and reporting and more detailed discussion with stakeholders. PacifiCorp
9 proposes a similar, more methodical approach be adopted for smart grid planning and
10 reporting.

11 For the guidelines that may be adopted out of this proceeding, the Company recommends
12 a more straightforward approach with the adoption of goals, a requirement for utility
13 reporting, including identification of specific components to be addressed and an action plan,
14 and a process for stakeholder review and Commission acknowledgement. Additionally, the
15 Company agrees with PGE that certain issues require more focused workshops before broad-
16 reaching and policy-related guidelines can be adopted that will implicate utility planning and
17 deployment of smart grid technology. Lastly, the Company envisions that many smart grid
18 plan reporting requirements will evolve over time for the individual utilities that are scaled to
19 that utility’s state of technology deployment and action plans, rather than a one-size-fits-all
20 approach.

21 PacifiCorp appreciates Staff’s and the other parties’ efforts in developing the Straw
22 Proposal and providing thoughtful feedback. As an initial matter, careful consideration
23 should be given to the purpose and intent of this docket. In the Staff Report initiating this

1 docket, Staff recommended the development of a five-year smart grid action plan.¹ In
2 developing the action plan for 2010-2014, Staff recommended establishing objectives and
3 mileposts “to set regulatory expectations and guide utility decision-making on smart grid...”²
4 The discussions and Straw Proposal seem to have moved away from this initial framework.
5 PacifiCorp understood that the smart grid action plan, at least initially, would be designed to
6 gather information about potential smart grid activities being undertaken by utilities and
7 about potential future smart grid activities. The Straw Proposal has now evolved into a very
8 detailed, in-depth analysis with expectations that utilities plan for implementing smart grid
9 measures, culminating in a Commission review proceeding for acknowledgement of the plan.
10 PacifiCorp respectfully suggests that the Commission consider the original purpose of the
11 docket when developing its decision. The Commission should also consider the nebulous
12 nature of the definition of “smart grid” and the nascent markets for smart grid technologies
13 and programs. This will be beneficial in developing smart grid objectives and targeting
14 information needed to develop a smart grid action plan. The Company’s comments follow
15 the outline of the proposed guidelines that were in Attachment A to Staff Opening
16 Comments.

17 **II. Goals and Guidelines for all Smart Grid Plans**

18 **A. Goal and Sub-Goals**

19 As the Company noted in the initial comments, the Company generally agrees with
20 the goals identified in the Straw Proposal and believes that they set an appropriate level of
21 guidance and expectations for the utility reports. However, based on Staff’s initial
22 comments, the Company has some concerns with how Staff is interpreting these goals.

¹ UM 1460 Staff Report for Public Meeting, December 9, 2009, at 3.

² UM 1460 Staff Report for Public Meeting, December 9, 2009, at 3.

1 First, as noted in the Straw Proposal, the primary goal is: “[T]o develop a framework
2 to guide utility development of its Smart Grid Plan (SGP). A part of this goal includes SGP
3 submission requirements, Commission review, and the use of SGP in subsequent
4 Commission proceedings.”³ In Staff’s discussion of this primary goal, Staff states that “the
5 utility will also include any and all SG related activities being pursued by all unregulated
6 affiliates.”⁴ The Company disagrees that activities of unregulated affiliates should be
7 discussed in the smart grid report, unless there are specific activities relevant to actions
8 included in the plan. As part of the Berkshire Hathaway family, PacifiCorp has literally
9 *thousands* of affiliates. It is neither practical nor reasonable for the Company to report on
10 smart grid-related activities by affiliates. Any affiliate transactions by PacifiCorp will be
11 treated consistent with the relevant laws, rules and orders governing such transactions.

12 Second, goal 4 in the Straw Proposal stated:

13 Present, at a high level, the utility’s best current thinking regarding business cases for
14 implementing SG technologies and programs in terms of traditional utility obligations
15 such as reliability, quality of service, compliance with statutory mandates (such as
16 Renewable Portfolio Standard) and cost effectiveness.⁵

17 In its opening comments, Staff states that it is now “backing away from the ‘high
18 level’ language” and that “the utility will submit detailed analysis that fully layout the
19 business basis for actions in the SGP.”⁶ PacifiCorp disagrees with the expectation that all
20 actions in the plan include a detailed analysis. The type and timing of the action determines
21 the appropriate level of detail that can be included. To the extent the Company can provide a
22 more detailed analysis, which may require confidential protections, it will. However, the

³ Straw Proposal for Smart Grid Planning, Development of Smart Grid Objectives and Action Items, Section I.A.

⁴ Staff Opening Comments at 3.

⁵ Id.

⁶ Staff Opening Comments at 5.

1 smart grid plan is not intended to provide approval of investments or programs but is a
2 strategic roadmap, therefore the expectations should remain consistent with the purpose.

3 Lastly, as the Company noted in its opening comments, it is not clear that it is
4 necessary to “inform future commissions in subsequent proceedings” as a goal. Future
5 commissions would have the ability to review previous work on smart grid issues, regardless
6 of whether the intent of a proceeding is to inform future commissions.

7 **B. Guidelines for Common Issues to All SGPs**

8 Before responding to each of the proposed guidelines, PacifiCorp has an overall
9 concern. The smart grid plan should only contain information that the utility has or is
10 currently studying and not place a burden to complete further research and analysis for
11 systems and functions not considered or that, from a high-level review, are not economically
12 viable at the current time. In Staff’s proposed guidelines, it uses the term “must” in most of
13 its plan components. This implies that this research will be required for each utility as part of
14 its smart grid planning and report. The Company recommends that the language for any
15 guidelines adopted in this proceeding be modified to reflect a more permissive nature for
16 report contents where they may not yet be relevant to a utility.

17 **1. Access, Controls and Use of Customer Information**

18 While the Company supports the adoption of a guideline to ensure that customer data
19 privacy standards as well as Company operational data are considered and met through the
20 deployment of any smart grid technology, the Company is concerned that the guidelines, as
21 written, are overly prescriptive and presume a level of implementation that is not yet relevant
22 to PacifiCorp. CUB raised concerns about the proposed guideline and states that it believes
23 that “there will likely be regular conversations in the future about various programs and their

1 implications for privacy.”⁷ PGE stated that the Commission should consider policies and
2 procedures around the types, use and with whom customer data might be shared and
3 recommends a separate docket to address these issues.⁸ PacifiCorp agrees with these
4 comments and believes this issue warrants more discussion before detailed guidelines are
5 adopted. Notwithstanding the need for future discussions, the Company agrees that the smart
6 grid plan should include a discussion of what privacy standards the utility has adopted, if
7 any, and any plans to managing access, control and use of customer information, if relevant
8 to current or planned utility actions.

9 **2. Opt in, Opt out or Mandatory Program Participation**

10 As the Company stated in its opening comments, it is premature to develop a
11 guideline on how customer participation in smart grid-related programs should be managed.⁹
12 However, a discussion of customer participation options is warranted when a utility proposes
13 a pilot program and therefore should be addressed in the smart grid plan in the appropriate
14 section. The Company recommends however, that Staff’s proposed guidelines could be
15 revised and simplified to state the following: *If a utility identifies a customer participation*
16 *program in its action plan, the Company should discuss whether or not it intends to propose*
17 *to use opt in, opt out or mandatory customer participation for the program and what the pros*
18 *and cons are for each option.*

19 **3. Treatment of Obsolescence Risk**

20 The Company agrees that the identification and potential treatment of obsolescence
21 risk is warranted in the smart grid plan in the context of proposed actions.

⁷ CUB Opening Comments at 5.

⁸ PGE Opening Comments at 6.

⁹ PacifiCorp Opening Comments at 2.

1 **4. Utility Energy Management in Customer’s Home or Business**

2 While Staff’s revised guideline on this topic is an improvement in that it removes all
3 language regarding rate-making treatment, this proposed guideline is premature and requires
4 more discussion by the utilities and stakeholders. Staff also includes policy
5 recommendations, such as requiring utilities to adopt privacy safeguards consistent with the
6 Department of Homeland Security’s Fair Information Practice Principles.¹⁰ Implementation
7 of such a policy has not been vetted and is outside the scope of this docket.

8 Both PGE and CUB raise interesting issues and concerns about what should be
9 addressed in this guideline. Specifically, PacifiCorp agrees with CUB’s concerns over the
10 applicability of the direct access code of conduct rules and the presumption that all demand
11 response programs will be competitively offered by a market and that all devices and
12 software will require interoperability. The Company recommends that the Commission
13 gather more information before setting these guidelines.

14 **5. SGP Content**

15 **a. SGP Estimated Benefits and Costs**

16 While the Company agrees that a necessary component of the plan is estimates of
17 benefits and costs for actions in the plan, and in some cases, for potential actions that the
18 utility chose not to pursue, the Company recommends a less prescriptive approach than that
19 recommended by Staff. More experience with actual plans and stakeholder input received
20 for those plans should guide a more prescriptive approach to benefit cost analyses, if one is
21 needed in the future. At the very least, the specific items identified in Staff’s proposed
22 guidelines should be modified with “when applicable” or “when possible”. Lastly, the

¹⁰ Staff Opening Comments at 9-10.

1 Company reiterates that due to the developing nature of the smart grid industry, the costs and
2 benefits may be commercially sensitive and require confidential treatment.

3 **b. Systems Reliability**

4 The Company is concerned about the overly prescriptive nature of Staff’s proposed
5 guidelines on this topic, which at the very least, should be modified with “when applicable”
6 or “when possible”.

7 **c. Education and Information – Customer Energy Use Management**

8 Again, the Company is concerned about the overly prescriptive nature of Staff’s
9 proposed guidelines on this topic, which at the very least, should be modified with “when
10 applicable” or “when possible”. As written, the proposed guideline presumes the type of
11 customer education that is necessary for a program. Different programs may warrant
12 different education efforts and until there is more experience with such programs, specific
13 guidelines should not be adopted.

14 **d. Communications and IT Infrastructure**

15 As with previous sections of the SGP, the Company is concerned with the mandatory
16 language of the proposed guidelines. Any mandatory language should be modified to be
17 more permissive in nature, which may be accomplished by using “when applicable” or
18 “when possible,” to provide examples. As noted in the Company’s Opening Comments, the
19 information provided in this section will be important for smart grid planning purposes.
20 Information about communications and IT Infrastructure may be confidential and parameters
21 will need to be established for handling and treatment of such information.

22 **e. Cyber and Physical Security**

23 These sections of the guidelines require more discussion by the stakeholders prior to
24 being finalized for reporting and smart grid planning purposes. As proposed, the guidelines

1 require a significant amount of technical detail, much of which is also highly confidential
2 and/or sensitive.

3 **f. Distribution of SGP Benefits and Costs**

4 The Company has no new comments on this section. To the extent that the Company
5 can identify possible distribution of benefits and costs to customer groups it may do so in the
6 smart grid plan. However, the Company will look to the comments and input from the
7 groups representing various customer classes to help the Commission understand the
8 impacts. Additionally, the sentence stating that the utility “stay alert to, and advise the
9 Commission of, potential or actual threats to any of its businesses that currently contribute
10 revenue for cost recovery” should be deleted from this section because it is vague and overly
11 broad.

12 **g. SG-Enabled Pricing Options**

13 At the workshop, Staff clarified that this section is intended for the utility to explain
14 the status of the deploying advanced metering infrastructure (AMI) and the capability of
15 pricing options in conjunction with that infrastructure. Staff’s revised guidelines do not
16 reflect this clarification. The revised guidelines move into a policy area by requiring the
17 utilities to justify why it has not deployed AMI or dynamic pricing, seemingly creating a
18 rebuttable presumption that the utility should adopt AMI and dynamic pricing within five
19 years. For instance, in the discussion, Staff states: “Having some form of [dynamic pricing]
20 operational within its service area within the Action Plan timeframe appears as a reasonable
21 step to take in keeping with the [demand response] implementation.”¹¹ The Company is
22 prepared to explain the status of AMI deployment in its service area in a smart grid plan.
23 However, the Company is concerned about the implications of the proposed guideline

¹¹ Staff Opening Comments at 35.

1 language. Specific guidelines would be better informed once the status of technology
2 deployment by each of the utilities is understood.

3 **Risk and Mitigation**

4 Again, the Company is concerned about the overly prescriptive nature of Staff's
5 proposed guidelines on this topic, which at the very least, should be modified with "when
6 applicable" or "when possible".

7 **6. SGP Submission Schedule and SGP Timeframes**

8 PacifiCorp continues to recommend that the smart grid plan reflect a 10-year planning
9 horizon with a three-year action plan. Ten years is consistent with the Company's business
10 plans. Periods beyond ten years would have extremely limited value. The Company also
11 proposes a minimum three-year action plan instead of five years because action plans beyond
12 three years have limited value. As smart grid plans develop, utilities may identify actions
13 beyond the next three years as appropriate.

14 Furthermore, the Company continues to support a reporting requirement framework
15 that requires a final report due no later than June 2018, at which point Staff would submit a
16 report to the Commission on the smart grid planning effort. PacifiCorp supports having this
17 check-in point for the on-going need of the smart grid report. This will provide an
18 opportunity for the Commission and interested stakeholders to assess not only the need but
19 the content and process if any further reporting is required. With PacifiCorp's proposal for
20 biennial updates, the Company's final plan would be filed in approximately July 2017. The
21 Staff recommendation could take place following the final plan.

1 **7. Filing Requirements**

2 PacifiCorp is agreeable to CUB’s recommendation for staggered reporting timelines
3 by the three utilities.¹²

4 **8. Annual Updates**

5 The Company recommends biennial updates. The Company does not expect either
6 the technology or the future plans to change significantly faster than this. The updates should
7 be comprehensive and reassess each required element. If during the course of the planning
8 horizon, a decision related to smart grid does occur (e.g., pilot programs) the utility would
9 notify the Commission as a part of the normal course of business or in accordance with the
10 requirements of a specific program.

11 **9. SGP and Annual Update Review**

12 PacifiCorp supports the 180-day acknowledgement process for the report if it allows
13 biennial updates. If the Commission adopts the Straw Proposal with an annual update, the
14 Company recommends that the review be limited to 90 days. A more lengthy review inhibits
15 the utility’s ability to move forward with any actions or deployment and reduces the utility’s
16 timeframe to prepare the next report. PacifiCorp also agrees with Idaho Power’s
17 recommendation to limit the legal consequences of the smart grid reports submitted by the
18 utilities by making them informational filings.¹³

19 **III. Response to Other Comments**

20 **A. NW Energy Coalition (NVEC)**

21 NVEC recommends that the utility’s smart grid plan include an avoided cost for
22 items such as reserves, ramping, regulation and storage that end-users might provide to the

¹² CUB Opening Comments at 7.

¹³ Idaho Power Opening Comments at 2.

1 system.¹⁴ NWECC also recommends that the utility should be required to propose tariffs and
2 interconnection standards to enable customers to sell these services to the utility.¹⁵ The
3 Company disagrees with these proposed requirements as being outside the scope of current
4 smart grid planning reports. As NWECC notes, the applications to provide such services are
5 not yet commercialized and it is entirely premature to place reporting and tariff requirements
6 on the utility for technology and markets that are speculative. The emphasis on smart grid
7 development should be focused on increasing the efficiency of energy delivery and
8 consumption, not about creating a new wholesale energy market for development by third
9 parties. At the end of the day, we should be developing a system that benefits our customers,
10 not speculating on what others may wish for in a future market.

11 **B. Smart Grid Oregon (SGO)**

12 SGO recommends that changes in regulatory policy are needed to accomplish goals for
13 smart grid development in Oregon. This may be the case, however, without gathering
14 information and setting appropriate goals for smart grid development, it is premature to
15 determine what regulatory policies, if any, need to be established or changed. Any such
16 changes should be explored separate from this proceeding.

17 SGO also recommends that the Commission develop a definition of “smart grid”.¹⁶
18 PacifiCorp disagrees with this recommendation. Smart grid is too new and elements that may
19 be considered smart grid are still evolving. Concretely defining “smart grid” at this time may
20 limit flexibility in developing smart grid plans and policies. The evolution of smart grid will
21 be dependent on each utility’s needs to efficiently deliver energy to its customers, which will
22 be dictated by each utility’s existing infrastructure and energy resources.

¹⁴ NWECC Opening Comments at 1.

¹⁵ Id.

¹⁶ SGO Opening Comments at 4.

1 SGO also recommends that a boundary should be determined between utility fixed
2 infrastructure and customer energy use systems. PacifiCorp disagrees with this
3 recommendation.¹⁷ This is a policy determination that is not ripe for decision and falls
4 outside the scope of this docket.

5 SGO further recommends that non-financial benefits be included in the smart grid plan
6 and acknowledges that Commission jurisdiction may not extend to those items.¹⁸ The smart
7 grid plan should only include those items within the Commission's purview. Any out-of-
8 scope benefit identified in the smart grid plan may jeopardize the ratemaking treatment of the
9 investment.

10 SGO identifies several issues that it believes should be included in the smart grid plan,
11 such as regulatory and legal barriers to smart grid investments, utility compensation for
12 investments in smart grid, establishment of competitive markets, effects on a utility's IRP,
13 and recommendations for investment in the regional transmission system to support smart
14 grid.¹⁹ These issues should be considered as outside the scope of the current smart grid plan
15 and should be considered only at the appropriate time as the SGP continue to evolve. The
16 first emphasis for the smart grid plan should stay focused on current plans and technologies
17 being investigated by the utilities. As these technologies continue to evolve and the SGP
18 embraces them, the impact on other plans for the business (IRPs, RTOs, etc.) should then be
19 addressed. It is premature in the planning process to include all theoretical effects of smart
20 grid in the smart grid plan.

¹⁷ SGO Opening Comments at 5.

¹⁸ SGO Opening Comments at 6.

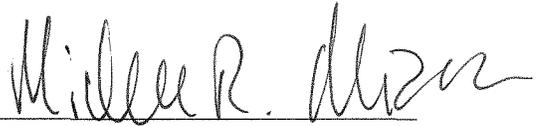
¹⁹ SGO Opening Comments at 9-10.

1 **IV. Conclusion**

2 PacifiCorp appreciates to offer these closing comments in the investigation of smart grid
3 planning and looks forward to further discussions on these issues with the Commission and
4 stakeholders.

DATED: December 17, 2010

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michelle R. Mishoe".

Michelle R. Mishoe, # 07242

Legal Counsel

Pacific Power