

# McDowell Rackner & Gibson PC



BEN POLAND  
Direct (503) 595-3923  
ben@mcd-law.com

December 17, 2010

## VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

**Re: Docket No. UM 1460**

Enclosed for filing in the above-referenced docket are an original and one copy of Idaho Power Company's Closing Comments.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in black ink, appearing to read "BEN POLAND".

Ben Poland  
Legal Assistant

cc: Service List

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **UM 1460**

4 In the Matter of

5 PUBLIC UTILITY COMMISSION OF  
6 OREGON,

7 Staff Recommendation to Open a Docket  
8 and Use Oregon Electricity Regulators  
9 Assistance Project Funds from the  
American Recovery and Reinvestment Act  
of 2009 and Develop Commission Smart  
Grid Objectives for 2010-2014.

**Closing Comments of Idaho Power  
Company**

10 Idaho Power Company ("Idaho Power" or "Company") submits the following Closing  
11 Comments in response to the Opening Comments filed by parties on November 16, 2010.

12 **I. INTRODUCTION**

13 After reviewing the parties' Opening Comments, Idaho Power's fundamental position  
14 remains unchanged. The Company is comfortable with the concept of filing Smart Grid  
15 Plans ("SGP") to allow the Public Utility Commission of Oregon ("Commission") and the  
16 public a window into the Company's planning process. The Company is already engaged in  
17 planning for Smart Grid deployment, and the Company agrees that it is important that the  
18 Commission be informed as to the status of the Company's planning. On the other hand,  
19 the Company also believes that, because Smart Grid technologies are still in their infancy,  
20 the Company's plans for Smart Grid deployment must be regarded as preliminary.

21 For these reasons, the Company continues to support the views contained in its  
22 Opening Comments. These closing comments will respond to two general issues that have  
23 arisen in this docket and then focus on specific responses to issues raised by other parties.

24 ///

25 ///

26 ///

1 **II. DISCUSSION**

2 **A. Scope of this Docket is Narrow.**

3 According to the goals outlined in the October 22, 2010, Straw Proposal, the purpose  
4 of this docket is to determine appropriate guidelines to govern the preparation, submission,  
5 and review of utility SGPs. The goal of the SGPs is to: (a) identify and discuss investments  
6 and technologies the utilities are actually investigating; (b) provide a timeline for  
7 implementation of the Smart Grid protocols and technology the utility intends to adopt; (c)  
8 discuss Smart Grid-related issues such as customer privacy, security, and obsolescence; (d)  
9 present the utility's business case for implementing Smart Grid technologies and programs;  
10 and (e) inform future Commissions. Based on these goals, the fundamental purpose of this  
11 docket is to develop guidelines that will be used by the utilities in preparing and filing  
12 periodic Smart Grid reports, which will describe the various technologies the Company is  
13 investigating, along with cost/benefit analysis related to the potential implementation of each  
14 technology.

15 On the other hand, the purpose of this docket is not to explore generally the benefits  
16 of Smart Grid technologies or discuss the merits of particular technologies or to discuss the  
17 potential ratemaking impact of deploying various technologies. Nor is the purpose of this  
18 docket to require utilities to adopt specific Smart Grid technologies or to establish specific  
19 privacy standards or mandate software interoperability for Smart Grid investments. These  
20 substantive issues are better left for future ratemaking proceedings and/or the filing of  
21 utility's SGPs. The record in this docket is insufficient to support the imposition of such far  
22 reaching and substantive requirements.

23 ///

24 ///

25 ///

26 ///

1 **B. SGP Are Not Integrated Resource Plans (“IRP”).**

2 Several parties suggest that the SGP should be viewed and relied upon in much the  
3 same way as utility Integrated Resource Plans (“IRP”).<sup>1</sup> Idaho Power stresses that there are  
4 important distinctions between these two processes and therefore SGPs should not be  
5 subject to the same expectations as IRPs.

6 In Oregon, utilities have been filing IRPs since 1989 and resource acquisition  
7 planning has been a fundamental part of prudent utility management for much longer than  
8 that. Idaho Power has extensive experience in this arena and is capable of preparing an  
9 IRP that includes a level of detail and analysis commensurate with this experience. That is  
10 not the case with Smart Grid planning. As noted in the Company’s Opening Comments,  
11 Smart Grid planning is in the early stages and much of the Smart Grid technologies are in  
12 their infancy. It will be difficult for the Company’s SGPs to include the same level of detail  
13 and sophistication as IRPs because it is difficult to predict which technologies will mature  
14 and become deployable and it is even more difficult to predict which technologies will  
15 emerge that do not even exist today. In an IRP the Company can with much more  
16 confidence predict loads and conditions that will exist in 20 years. Because the substance  
17 of IRPs are more certain and more developed than those for SGPs, Idaho Power cautions  
18 against developing guidelines that anticipate that an SGP will be capable of including a  
19 comparable level and type of analysis as an IRP.

20 **C. Response to Staff’s Opening Comments**

21 **1. The SGP Level of Analysis Will Differ For Items Not in the Action Plan.**

22 When discussing the goals for the SGP, Staff’s Opening Comments state that “the  
23 utility will submit *detailed analyses* that fully layout the business basis for actions in the  
24

---

25  
26 <sup>1</sup> See e.g., Staff Opening Comments at 40 (“Acknowledgement of the SGP has the same meaning and effect as it does for the Integrated Resource Plan.”).

1 SGP.”<sup>2</sup> In adopting this language, Staff “back[ed] away” from its proposed “high level”  
2 analysis included in the Straw Proposal. As noted in the Company’s Opening Comments,  
3 for items included in the 5-year Action Plan the Company expects to be able to set forth a  
4 full business case analysis. It is unlikely, however, that this level of analysis will be possible  
5 for items outside this initial 5-year window. Although Staff acknowledges in its Opening  
6 Comments that the SGP should pay “special attention [] to those actions in the Action  
7 Plan,”<sup>3</sup> it is unclear whether Staff anticipates that the “detailed analysis” will apply to all items  
8 in the SGP, even those outside the 5-year Action Plan. Thus, the Company again  
9 emphasizes that the detail for items outside the 5-year Action Plan may be necessarily “high  
10 level.”

11 **2. Staff’s Prescriptive Customer Privacy Standards are Problematic.**

12 Staff proposed “that the Commission require that utilities employ privacy safeguards  
13 consistent with the Department of Homeland Security’s Fair Information Practices  
14 Principles.”<sup>4</sup> This requirement is problematic for several reasons.

15 *First*, as described above, the purpose of this docket is not to adopt specific  
16 customer privacy safeguard requirements—it is to adopt guidelines for the preparation,  
17 filing, and review of SGPs. Therefore, requiring utilities to implement specific privacy  
18 safeguards, which are not even discussed in detail in Staff’s comments, is outside the scope  
19 of this docket. This is especially true when Staff’s comments also indicate that Staff intends  
20 to propose the opening of a docket specifically to address the adoption of customer privacy  
21 safeguards. When that docket is opened, that is the appropriate forum to discuss the  
22 adoption of specific customer privacy safeguard standards, not here.

23 \_\_\_\_\_

24 <sup>2</sup> Staff Opening Comments at 5 (emphasis added).

25 <sup>3</sup> Staff Opening Comments at 13-14.

26 <sup>4</sup> Staff’s Opening Comments at 9-10; Staff Proposed Guideline 1.A.

1           *Second*, these standards may conflict with the privacy safeguards already used by  
2 the Company. While Idaho Power has not officially adopted any externally published  
3 framework, our internal methodology has mechanisms to remain up to date with industry  
4 and/or government best practices, as appropriate for Idaho Power. The Company's privacy  
5 safeguard measures comply with all applicable federal, state, and local laws.

6           In its Opening Comments Staff also solicited input from stakeholders regarding the  
7 privacy issues that should be included in the proposed privacy policy docket. The Company  
8 believes that the privacy issues raised by Staff in this docket are the appropriate issues that  
9 should be addressed should the Commission choose to open another investigation.

10           **3.       SGPs Should Not Address Rate Recovery for Utility Energy**  
11                   **Management in Customer's Homes or Businesses.**

12           With respect to energy management in a customer's home or business, Staff's  
13 Opening Comments state that: "the utility may request cost-recovery for some action in its  
14 SGP. However, if it wants cost-recovery, it must request it for the actions it wishes to  
15 potentially rate base."<sup>5</sup> The Company reiterates that cost-recovery and rate issues are not  
16 issues that should be addressed in this docket or in SGPs and utilities should not be  
17 precluded from future cost-recovery for programs included in the SGP simply because the  
18 SGP did not indicate that cost-recovery would be sought. Cost-recovery for any action  
19 taken with respect to Smart Grid implementation should be subject to the same Commission  
20 standards traditionally applied to utility investments.

21 ///

22 ///

23 ///

24 ///

25 \_\_\_\_\_

26 <sup>5</sup> Staff Opening Comments at 11.

1           **4. Staff's Proposed Guidelines for Utility Energy Management in**  
2           **Customers' Home or Business are Beyond the Scope of this Docket.**

3           Staff's Proposed Guidelines for Utility Smart Grid Plans ("Guidelines") include two  
4 guidelines relating to "Utility Energy Management in Customer's Home or Business."<sup>6</sup> The  
5 first guideline requires utilities to comply with the Commission's Direct Access requirements.  
6 This requirement is problematic because Idaho Power is not otherwise subject to the Direct  
7 Access provisions. As a consequence, Staff's first guideline creates a whole host of new  
8 obligations for Idaho Power unrelated to SGP—which is clearly well beyond the scope of  
9 this docket.

10          Staff's second guideline requires the utility to ensure that "any devices or software  
11 allow for interoperability with third-party hardware and software." Again, the purpose of this  
12 docket, as set forth in the goals, is not to adopt software or hardware operating standards  
13 for implementation of energy management in a customer's home. Therefore, this new  
14 requirement is beyond the scope of this docket. Moreover, the Company has not explored  
15 this issue in detail and the record on this issue is extremely limited. It is highly unlikely,  
16 however, that the Company could meet this requirement for its currently existing systems, let  
17 alone those that may become deployable in the future. It is highly unlikely that *every* device  
18 or software will be interoperable with *every* other device or software. Thus, requiring  
19 interoperability may severely limit the Company's ability to continue or expand certain  
20 demand response programs.

21           **5. SGP Discussion of Communication Architecture Must Be Subject to**  
22           **Appropriate Protections.**

23          Staff's comments suggest that the utility SGPs include a discussion of the utility's  
24 communication architecture "in a comparable level of detail as it discusses distribution and  
25 \_\_\_\_\_"

26 <sup>6</sup> Staff Opening Comments at Attachment, p. 1.

1 generation assets in the IRP process or in a rate filing.”<sup>7</sup> While the Company acknowledges  
2 that the communication architecture is an essential component of Smart Grid development  
3 and therefore should be included in the SGP, the Company is concerned about Staff’s  
4 treatment of this issue.

5         *First*, the level of detail Staff seeks appears excessive for these types of plans. The  
6 level of detail required in a rate filing, or even an IRP, is significantly greater than the level of  
7 detail the Company believes should be included in SGPs. Moreover, to the extent that  
8 Staff’s proposal seeks this level of detail for the Company’s communication infrastructure  
9 planning, the speculative nature of SGPs make it difficult to provide the same level of  
10 analysis in an SGP that would be provided in an IRP or rate case. Smart Grid is simply too  
11 young and the Company lacks the experience with respect to Smart Grid planning that it has  
12 with respect to the IRP and ratemaking processes.

13         Most of this information will be unknown until specific appliances and applications  
14 are defined. The standards are also evolving. The Company will only be able to provide  
15 general information for technical maturity and risk, openness and standardization, and  
16 scalability. Specifics around bandwidth, latency, range, quality of service, capacity,  
17 reliability, etc. will be determined by individual Smart Grid projects and can only be reported  
18 as detailed project design is completed. As the Smart Grid arena matures and as we  
19 address specific applications, we will be able to further refine this data. Therefore, the  
20 expectation that the SGP will include a comparable level of analysis is problematic and may  
21 not be possible.

22         *Second*, any detailed disclosure regarding communication infrastructure can be  
23 made only subject to appropriate protective orders. Idaho Power has an internally  
24 developed and maintained security methodology that takes into consideration all applicable

25 \_\_\_\_\_

26 <sup>7</sup> Staff Opening Comments at 25.

1 federal, state and regional standards, laws, and regulations. The specific information  
2 architectures and technologies are not public knowledge and are highly sensitive (both  
3 commercially and from a security perspective). Thus, disclosure of this information must be  
4 protected.

5 **6. Staff's Proposed 20-year Planning Horizon is Unreasonable.**

6 Staff's Opening Comments reiterate their support for the Straw Proposal's 20-year  
7 timeframe for economic analysis.<sup>8</sup> As discussed in its Opening Comments, Idaho Power  
8 proposes that the SGP include a 5-year Action Plan plus an additional 5-year planning  
9 horizon. It is highly unlikely Idaho Power will have a meaningful plan extending beyond 10  
10 years because the Company is waiting for the technology to mature and risks to be  
11 mitigated.

12 **7. SGP Dockets Should Be Resolved Within 180 Days.**

13 With respect to the schedule for SGP review, Staff calls for the Commission to hold a  
14 public hearing within six months of a prehearing conference, which must be convened within  
15 30 days of the SGP filing. This means that each SGP docket can reasonably be expected  
16 to last at least seven months plus the time necessary for the Commission to reach a  
17 decision. Idaho Power continues to support the timeline set forth in the Straw Proposal,  
18 which calls for the Commission issuing an order within 180 days of filing the plan. This  
19 process would allow sufficient time for the public and intervenors to participate meaningfully  
20 in the process without the filing of these plans triggering a drawn-out process that examines  
21 and analyzes Smart Grid technologies generally rather than the actual plans developed by  
22 the utilities.

23 ///

24 ///

25 \_\_\_\_\_

26 <sup>8</sup> Staff Opening Comments at 37.

1           **8.       Staff's Guideline Related to System Reliability Should be Revised.**

2           Staff's guideline related to system reliability requires utilities to "provide information in  
3 sufficient detail [to] permit[] the Commission to reach a conclusion that it is likely system  
4 utilization and reliability will be maintained and preferably improved."<sup>9</sup> To the extent that this  
5 guideline prescribes specific utility action that must be undertaken to further the development  
6 of the Smart Grid, the Company believes that it is outside the scope of this docket and  
7 inappropriate for inclusion in the SGP. Idaho Power continues to believe that the SGP  
8 process should provide transparency into the utility planning process but should not dictate  
9 to the utilities what that process or its outcomes should be.

10          This guideline is also troubling because it appears to require the SGP to include not  
11 only a discussion of what the utility has actually investigated and analyzed but also an  
12 analysis of actions beyond those examined by the utility. The goal for SGPs is to identify  
13 and discuss Smart Grid technologies that utilities are actually investigating. Therefore, if a  
14 utility has not actually investigated a particular technology, that technology should not be  
15 included in the SGP.

16          It is also unclear whether Staff intended this analysis to be subject to the same  
17 cost/benefit analysis otherwise applicable to Smart Grid planning. Staff proposed a  
18 separate guideline for system reliability that is set apart from the guideline addressing  
19 cost/benefit analysis and the system reliability guideline appears to include its own standard  
20 (*i.e.*, "utility must provide information in sufficient detail [to] permit[] the Commission to reach  
21 a conclusion that it is likely system utilization and reliability will be maintained and preferably  
22 improved"). While the Company acknowledges the importance of system reliability, it  
23 believes that actions taken with respect to system reliability should undergo the same  
24 analysis as any other.

25 \_\_\_\_\_

26 <sup>9</sup> Staff Opening Comments at Attachment at p. 1.

1 **D. Response to NW Energy Coalition (“NWECC”) Comments.**

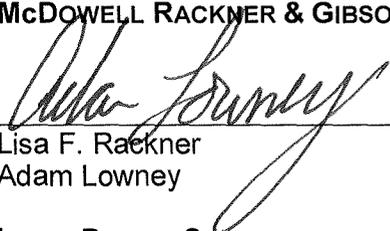
2 NWECC’s comments focus on the Smart Grid’s ability to allow third-parties to provide  
3 services to the utility (e.g., reserves, ramping, and other ancillary services). NWECC argues  
4 that for this market to develop, participants must know the value (avoided cost) of the  
5 services and therefore the SGP should also include an avoided cost analysis along with  
6 proposed tariffs and interconnection standards. Although the Company does not necessarily  
7 disagree with NWECC regarding the *potential* development of this market, it is much too early  
8 in both the development of the Smart Grid and in the SGP process to include meaningful  
9 analysis in SGPs. Moreover, to do so would add a significant cost to develop the SGP and  
10 arguably this type of analysis is better suited for IRPs.

11 **III. CONCLUSION**

12 Idaho Power generally agrees with Staff’s proposed requirements for the submission  
13 of an SGP and believes generally that it can provide the requested information and analysis,  
14 subject to certain timeframe modifications. The Company stresses, however, that the level  
15 of detail provided in these plans will not necessarily be the same level of detail anticipated  
16 by Staff because the level of uncertainty related to Smart Grid planning is much greater  
17 than, for instance, the level of uncertainty related to resource planning.

18 DATED: December 17, 2010.

**McDOWELL RACKNER & GIBSON PC**

19   
20 \_\_\_\_\_  
21 Lisa F. Rackner  
Adam Lowney

**IDAHO POWER COMPANY**

22 Lisa Nordstrom  
23 Lead Counsel  
24 PO Box 70  
Boise, ID 83707

25 Attorneys for Idaho Power Company

26

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in Docket UM  
3 1460 on the following named person(s) on the date indicated below by email and/or first-class mail  
4 addressed to said person(s) at his or her last-known address(es) indicated below.

5 Michael T. Weirich  
6 Department of Justice  
7 Assistant Attorney General  
8 1162 Court Street NE  
9 Salem, OR 97301-4096  
10 michael.weirich@doj.state.or.us

Maury Galbraith  
Public Utility Commission  
P.O. Box 2148  
Salem, OR 97308  
maury.galbraith@state.or.us

8 Janet Prewitt  
9 Department of Justice  
10 Assistant Attorney General  
11 Janet.prewitt@doj.state.or.us

Doug Marx  
PacifiCorp  
Douglas.marx@pacificorp.com

11 PacifiCorp Oregon Dockets  
12 oregondockets@pacificorp.com

Michelle Mishoe  
Pacific Power & Light  
jmichelle.mishoe@pacificorp.com

13 Bob Jenks  
14 Citizens' Utility Board of Oregon  
15 bob@oregoncub.org

Gordon Feighner  
Citizens' Utility Board of Oregon  
gordan@oregoncub.org

15 Raymond Myers  
16 Citizens' Utility Board of Oregon  
17 ray@oregoncub.org

Catriona McCracken  
Citizens' Utility Board of Oregon  
Catriona@oregoncub.org

17 Kevin Elliott Parks  
18 Citizens' Utility Board of Oregon  
19 Kevin@oregoncub.org

John Sturm  
Citizens' Utility Board of Oregon  
john@oregoncub.org

19 Oregon Department of Energy  
20 Vijay Satyal  
21 vijay.a.satyal@state.or.us

Oregon Department of Energy  
Andrea F. Simmons  
Andrea.f.simmons@state.or.us

21 Jess Kincaid  
22 Community Action Partnership of OR  
23 jess@caporegon.org

Steven Weiss  
Northwest Energy Coalition  
steve@nwenergy.org

23 J. Richard George  
24 Portland General Electric  
25 richard.george@pgn.com

Doug Kuns  
Rates and Regulatory Affairs  
Portland General Electric  
pge.opuc.filings@pgn.com

25 Robert Frisbee  
26 Smart Grid Oregon  
rfrisbee@si-two.com

Roy Hemmingway  
Smart Grid Oregon  
royhemmingway@aol.com

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

Phil Keisling  
Smart Grid Oregon  
pkeisling@gmail.com

Barry T. Woods  
Smart Grid Oregon  
woods@sustainableattorney.com

DATED: December 17, 2010



---

Ben Poland  
Legal Assistant