

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

LC 42

In the Matter of	)	
	)	
PACIFICORP, dba PACIFIC POWER & LIGHT COMPANY	)	PREHEARING CONFERENCE
	)	MEMORANDUM
	)	
Application for Acknowledgement of its 2007 Integrated Resource Plan	)	

**DISPOSITION: SCHEDULE ADOPTED**

A prehearing conference was held in this matter on June 22, 2007. Representatives appeared on behalf of the following parties: PacifiCorp, dba Pacific Power & Light Company (PacifiCorp), NW Energy Coalition (NVEC), Citizens' Utility Board of Oregon (CUB), Industrial Customers of Northwest Utilities (ICNU), and the Commission Staff.

**Intervention**

Prior to the conference, CUB filed its notice of intent to intervene pursuant to ORS 774.180. NVEC, the Oregon Department of Energy (ODOE) and ICNU filed petitions to intervene pursuant to OAR 860-012-0001.

I conclude that NVEC, ODOE, and ICNU have sufficient interest in this matter and that their participation will not unreasonably broaden the issues, burden the record, or delay the proceeding. Accordingly, the petitions to intervene are granted.

**Schedule**

At the conference, Staff offered a proposed schedule that was acceptable to the other parties. I adopt the schedule, with two additions. First, I add a deadline for petitions to intervene. Second, because CUB has filed notice of intent to request an

issue fund grant, I add a date by which CUB must submit a proposed budget. The adopted schedule is as follows:

<b>EVENT</b>	<b>DATE</b>
Deadline to intervene	July 6, 2007
Filing of Proposed Budget for Intervenor Funding	July 13, 2007
Presentation at Commission Public Meeting	Morning, August 20, 2007
Workshop	Afternoon, August 20, 2007
Party Comments due	September 19, 2007,
PacifiCorp Reply Comments	October 12, 2007
Staff Final Comments, recommendations and Draft Order due	October 31, 2007
Reply to Staff's Final Comments (by all parties) due	November 21, 2007
Staff's Public Meeting Report	December 14, 2007
Commission Public Meeting	December 19, 2007

Staff and parties are requested to organize all comments using the Commission guidelines for Integrated Resource Plans in Order No. 07-002, as corrected in Order No. 07-047. A copy of those guidelines is attached for the parties' convenience.

Dated at Salem, Oregon, this 22<sup>nd</sup> day of June, 2007.

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Michael Grant  
Chief Administrative Law Judge

**Adopted IRP Guidelines****Guideline 1: Substantive Requirements**

- a. *All resources must be evaluated on a consistent and comparable basis.*
- All known resources for meeting the utility's load should be considered, including supply-side options which focus on the generation, purchase and transmission of power -- or gas purchases, transportation, and storage -- and demand-side options which focus on conservation and demand response.*
  - Utilities should compare different resource fuel types, technologies, lead times, in-service dates, durations and locations in portfolio risk modeling.*
  - Consistent assumptions and methods should be used for evaluation of all resources.*
  - The after-tax marginal weighted-average cost of capital (WACC) should be used to discount all future resource costs.*
- b. *Risk and uncertainty must be considered.*
- At a minimum, utilities should address the following sources of risk and uncertainty:*
    1. *Electric utilities: load requirements, hydroelectric generation, plant forced outages, fuel prices, electricity prices, and costs to comply with any regulation of greenhouse gas emissions.*
    2. *Natural gas utilities: demand (peak, swing and base-load), commodity supply and price, transportation availability and price, and costs to comply with any regulation of greenhouse gas emissions.*
  - Utilities should identify in their plans any additional sources of risk and uncertainty.*
- c. *The primary goal must be the selection of a portfolio of resources with the best combination of expected costs and*

*associated risks and uncertainties for the utility and its customers.<sup>1</sup>*

- The planning horizon for analyzing resource choices should be at least 20 years and account for end effects. Utilities should consider all costs with a reasonable likelihood of being included in rates over the long term, which extends beyond the planning horizon and the life of the resource.*
  - Utilities should use present value of revenue requirement (PVRR) as the key cost metric. The plan should include analysis of current and estimated future costs for all long-lived resources such as power plants, gas storage facilities, and pipelines, as well as all short-lived resources such as gas supply and short-term power purchases.*
  - To address risk, the plan should include, at a minimum:*
    - 1. Two measures of PVRR risk: one that measures the variability of costs and one that measures the severity of bad outcomes.*
    - 2. Discussion of the proposed use and impact on costs and risks of physical and financial hedging.*
  - The utility should explain in its plan how its resource choices appropriately balance cost and risk.*
- d. The plan must be consistent with the long-run public interest as expressed in Oregon and federal energy policies.*

**Guideline 2: Procedural Requirements.**

- a. The public, which includes other utilities, should be allowed significant involvement in the preparation of the IRP. Involvement includes opportunities to contribute information and ideas, as well as to receive information. Parties must have an opportunity to make relevant inquiries of the utility formulating the plan. Disputes about whether information requests are relevant or unreasonably burdensome, or whether a utility is being properly responsive, may be submitted to the Commission for resolution.*

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<sup>1</sup> We sometimes refer to this portfolio as the "best cost/risk portfolio."

- b. *While confidential information must be protected, the utility should make public, in its plan, any non-confidential information that is relevant to its resource evaluation and action plan. Confidential information may be protected through use of a protective order, through aggregation or shielding of data, or through any other mechanism approved by the Commission.*
- c. *The utility must provide a draft IRP for public review and comment prior to filing a final plan with the Commission.*

**Guideline 3: Plan Filing, Review, and Updates.**

- a. *A utility must file an IRP within two years of its previous IRP acknowledgment order. If the utility does not intend to take any significant resource action for at least two years after its next IRP is due, the utility may request an extension of its filing date from the Commission.*
- b. *The utility must present the results of its filed plan to the Commission at a public meeting prior to the deadline for written public comment.*
- c. *Commission staff and parties should complete their comments and recommendations within six months of IRP filing.*
- d. *The Commission will consider comments and recommendations on a utility's plan at a public meeting before issuing an order on acknowledgment. The Commission may provide the utility an opportunity to revise the plan before issuing an acknowledgment order.*
- e. *The Commission may provide direction to a utility regarding any additional analyses or actions that the utility should undertake in its next IRP.*
- f. *Each utility must submit an annual update on its most recently acknowledged plan. The update is due on or before the acknowledgment order anniversary date. Once a utility anticipates a significant deviation from its acknowledged IRP, it must file an update with the Commission, unless the utility is within six months of filing its next IRP. The utility must summarize the update at a Commission public meeting. The utility may request acknowledgment of changes in proposed actions identified in an update.*

- g. *Unless the utility requests acknowledgement of changes in proposed actions, the annual update is an informational filing that:*
- Describes what actions the utility has taken to implement the plan;*
  - Provides an assessment of what has changed since the acknowledgment order that affects the action plan, including changes in such factors as load, expiration of resource contracts, supply-side and demand-side resource acquisitions, resource costs, and transmission availability; and*
  - Justifies any deviations from the acknowledged action plan.*

**Guideline 4: Plan Components.**

*At a minimum, the plan must include the following elements:*

- a. *An explanation of how the utility met each of the substantive and procedural requirements;*
- b. *Analysis of high and low load growth scenarios in addition to stochastic load risk analysis with an explanation of major assumptions;*
- c. *For electric utilities, a determination of the levels of peaking capacity and energy capability expected for each year of the plan, given existing resources; identification of capacity and energy needed to bridge the gap between expected loads and resources; modeling of all existing transmission rights, as well as future transmission additions associated with the resource portfolios tested;*
- d. *For natural gas utilities, a determination of the peaking, swing and base-load gas supply and associated transportation and storage expected for each year of the plan, given existing resources; and identification of gas supplies (peak, swing and base-load), transportation and storage needed to bridge the gap between expected loads and resources;*
- e. *Identification and estimated costs of all supply-side and demand-side resource options, taking into account anticipated advances in technology;*

- f. Analysis of measures the utility intends to take to provide reliable service, including cost-risk tradeoffs;*
- g. Identification of key assumptions about the future( e.g., fuel prices and environmental compliance costs) and alternative scenarios considered;*
- h. Construction of a representative set of resource portfolios to test various operating characteristics, resource types, fuels and sources, technologies, lead times, in-service dates, durations and general locations – system-wide or delivered to a specific portion of the system;*
- i. Evaluation of the performance of the candidate portfolios over the range of identified risks and uncertainties;*
- j. Results of testing and rank ordering of the portfolios by cost and risk metric, and interpretation of those results;*
- k. Analysis of the uncertainties associated with each portfolio evaluated;*
- l. Selection of a portfolio that represents the best combination of cost and risk for the utility and its customers;*
- m. Identification and explanation of any inconsistencies of the selected portfolio with any state and federal energy policies that may affect a utility's plan and any barriers to implementation; and*
- n. An action plan with resource activities the utility intends to undertake over the next two to four years to acquire the identified resources, regardless of whether the activity was acknowledged in a previous IRP, with the key attributes of each resource specified as in portfolio testing.*

**Guideline 5: Transmission.**

*Portfolio analysis should include costs to the utility for the fuel transportation and electric transmission required for each resource being considered. In addition, utilities should consider fuel transportation and electric transmission facilities as resource options, taking into account their value for making additional purchases and sales, accessing less costly resources in remote*

*locations, acquiring alternative fuel supplies, and improving reliability.*

**Guideline 6: Conservation.**

- a. *Each utility should ensure that a conservation potential study is conducted periodically for its entire service territory.*
- b. *To the extent that a utility controls the level of funding for conservation programs in its service territory, the utility should include in its action plan all best cost/risk portfolio conservation resources for meeting projected resource needs, specifying annual savings targets.*
- c. *To the extent that an outside party administers conservation programs in a utility's service territory at a level of funding that is beyond the utility's control, the utility should:*
  - Determine the amount of conservation resources in the best cost/risk portfolio without regard to any limits on funding of conservation programs; and*
  - Identify the preferred portfolio and action plan consistent with the outside party's projection of conservation acquisition.*

**Guideline 7: Demand Response.**

*Plans should evaluate demand response resources, including voluntary rate programs, on par with other options for meeting energy, capacity, and transmission needs (for electric utilities) or gas supply and transportation needs (for natural gas utilities).*

**Guideline 8: Environmental Costs.**

*Utilities should include, in their base-case analyses, the regulatory compliance costs they expect for carbon dioxide (CO<sub>2</sub>), nitrogen oxides, sulfur oxides, and mercury emissions. Utilities should analyze the range of potential CO<sub>2</sub> regulatory costs in Order No. 93-695, from zero to \$40 (1990\$). In addition, utilities should perform sensitivity analysis on a range of reasonably possible cost adders for nitrogen oxides, sulfur oxides, and mercury, if applicable.*

**Guideline 9: Direct Access Loads.**

*An electric utility's load-resource balance should exclude customer loads that are effectively committed to service by an alternative electricity supplier.*



**Guideline 10: Multi-state Utilities.**

*Multi-state utilities should plan their generation and transmission systems, or gas supply and delivery, on an integrated-system basis that achieves a best cost/risk portfolio for all their retail customers.*

**Guideline 11: Reliability.**

*Electric utilities should analyze reliability within the risk modeling of the actual portfolios being considered. Loss of load probability, expected planning reserve margin, and expected and worst-case unserved energy should be determined by year for top-performing portfolios. Natural gas utilities should analyze, on an integrated basis, gas supply, transportation, and storage, along with demand-side resources, to reliably meet peak, swing, and base-load system requirements. Electric and natural gas utility plans should demonstrate that the utility's chosen portfolio achieves its stated reliability, cost and risk objectives.*

**Guideline 12: Distributed Generation.**

*Electric utilities should evaluate distributed generation technologies on par with other supply-side resources and should consider, and quantify where possible, the additional benefits of distributed generation.*

**Guideline 13: Resource Acquisition.**

- a. *An electric utility should, in its IRP:*
- Identify its proposed acquisition strategy for each resource in its action plan.*
  - Assess the advantages and disadvantages of owning a resource instead of purchasing power from another party.*
  - Identify any Benchmark Resources it plans to consider in competitive bidding.*
- b. *Natural gas utilities should either describe in the IRP their bidding practices for gas supply and transportation, or provide a description of those practices following IRP acknowledgment.*