

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE 2008)
ROCKY MOUNTAIN POWER) Docket No. 20000-346-EA-09
INTEGRATED RESOURCE PLAN) Record No. 12162

**Comments of Denise Kay Parrish in her Official Capacity as Deputy Administrator
of the Wyoming Office of Consumer Advocate**

In late May 2009, PacifiCorp (also referred to in this matter as Rocky Mountain Power) filed its biannual Integrated Resource Plan (IRP). This document consists of two volumes. The first volume contains an executive summary followed by an extremely detailed explanation of the derivation of the proposed action plan, concluding with the detailed proposed resource scenario and action plan. The second contains a series of appendices including the results of the wide variety of case studies and scenario sensitivities considered as part of the analysis and extremely detailed charts and graphs that allow for visualization of the various cases and scenarios. In response to the filing of this IRP, the Commission has offered the opportunity to file comments to those who are interested in doing so. Through these comments, the Wyoming Office of Consumer Advocate is taking the opportunity to share some thoughts with the Commission relative to PacifiCorp's IRP.

PacifiCorp's IRP tends to be the gold standard of the electric resource planning provided by electric utilities serving Wyoming. Its report provides a level of detail that is unseen with any of the other Wyoming utilities. It tests numerous assumptions through its sensitivity analyses that allows for a wide range of outcomes to be offered as possible solutions. Furthermore, it builds into its model a myriad of resource and demand response options that could be utilized in its planning to meet the service needs of its customers. It seeks public input throughout the study and analyses process, allowing regulators and others the opportunity to suggest input changes and variations on scenarios, and to simply strengthen the analysis through the questions asked and the discussion that then ensues.

Representative(s) of the OCA, and Ms. Parrish in particular, took advantage of the opportunity to be involved in resource planning discussions with PacifiCorp as these latest (and several of the prior) planning documents were developed. The public input meetings provided not only an opportunity to share thoughts and concerns relative to the planning analysis, but just as importantly, provided an opportunity to learn about the planning process, inputs, modeling matters, and other important details about the process as they were developed and/or occurring. This was a valuable experience that allowed us insights into not only PacifiCorp's concerns and information but also about the concerns and directives of other regulators of this multi-jurisdictional utility.

The bottom line of all this is that the OCA has few complaints or concerns about the IRP development process. Certainly, from our standpoint, it would have been informative and interesting had the process actually unfolded as had been originally planned such that additional review and comment opportunities would have been allowed during the development of the scenarios and the sensitivities analyses. But, it is not clear that such additional comments would have resulted in any different action plan than what is offered in the document as it was actually developed. Even without the additional comment opportunities to fine tune the inputs and the scenarios, those interested in the planning process had plenty of chances to interact with PacifiCorp during the last two years as this integrated resource plan was developed.

One *which came first: the chicken or the egg* question does arise though relative to the importance of the IRP analysis to PacifiCorp's management. Page 22 of Volume 1 of the IRP states:

As a consequence of the IRP modeling delay, the business plan was approved by the MEHC board of directors in December 2008 – prior to the completion of IRP modeling and selection of the 2008 IRP preferred portfolio.

Based on the fact that the resources to be pursued as part of PacifiCorp's business plan were selected and approved before the final data analysis was completed makes one question the level of input that the resource data analysis plays in determining the

resources to be pursued for further development. It also raises the question of whether the IRP is tailored in some manner to derive the resources that were already contained within the business plan, or whether the IRP is meant simply as a tool for regulators rather than as an actual tool that guides management in its ultimate decision-making. The answer to this question remains unclear, particularly in light of management's rejection of some of the cost results of the prior IRP where new coal plants were removed by management from the preferred resource mix, even though the IRP analysis showed that it would be least-cost, least-risk to include some new coal generation resources.

As to the resources that PacifiCorp intends to develop over the next few years, it is not surprising that new coal units are not among them. The new resources that are found in the preferred scenario include gas plants, additional purchases, geothermal, wind, combined heat and power, distributed generation, demand-side management, and some upgrades to existing coal turbines. Even though the cost of new coal units remains competitive with the cost of many of the other resources under a \$45 per ton CO₂ tax scenario, as shown on Tables 6.6 and 6.7 of Volume I of the report, the current price and cost recovery risks appear to be deemed by PacifiCorp to be greater than for many of the other selected resources.

The OCA anticipates that excluding coal from the list of generation resources to be pursued will continue until the PacifiCorp generation resources are no longer common resources shared among the multiple jurisdictions served with a common cost recovery system or until the carbon tax resolution is finalized or both. The common cost allocation system has as one of its basic tenants that the system planning will remain an integrated process for the entire PacifiCorp system (including both Pacific Power customers and Rocky Mountain Power customers). As long as this common system goal is in-force, it will be difficult for PacifiCorp – assuming it even wanted to – to plan for and construct a new coal unit given the various jurisdictions' opinions about the use of coal plants as an appropriate and cost-effective generating resource. Planning on an integrated system basis will likely frequently (if not always) result in a least-cost, least-risk scenario that is

different than the scenario that would have been selected had PacifiCorp's Wyoming operations been planned on a stand-alone basis.

So, the real question at hand is *what now? What should the Commission do with this integrated planning document that has been so diligently developed?* Clearly, the Commission should review the details to make sure that it has a reasonable comfort level with the costing analysis and resource selection contained within the IRP. If the answer is yes then what? Is approval in order? Is acknowledgement in order? Does it and/or should it become some sort of presumption standard for prudence review of what is actually constructed to serve customers and for which rate recovery will be sought in the future?

Past practices in Wyoming have treated the IRP as a living document whose conclusions are subject to change with short notice as the conditions within which PacifiCorp must plan for new resources change. (See the discussion in Chapter 3 of the IRP: The Planning Environment.) This contrasts with the treatment of IRPs in some jurisdictions where an IRP is treated as if it were a central plan to be implemented and adhered to at all cost and in all circumstances. The OCA prefers the living document approach over the stagnant document approach if given a choice of the two extremes. A formal stamp of approval is not to be given to the IRP nor is there an enforcement mechanism or compliance monitoring role for the regulator relative to the selection and obtainment of resources. Instead, the decisions on resource selection are left to utility management with formal regulatory involvement coming at the time of filing certificate applications (if there is one in any particularly jurisdiction) or requests for rate recovery.

Yet, the OCA is not satisfied that the choice must be between the two extremes of central-planning versus hand-off until cost-recovery is sought. We continue to look for some middle ground, some means of providing input and opinions on the general tenure of the planning direction without stymieing resource acquisitions as the market and

operating conditions change. We don't yet have the answer to this dilemma¹ but would welcome the opportunity to continue to discuss the options that would be possible with others who are also interested in this topic. Pending further discussions and a possible solution that is less extreme than those we see on the table today, the OCA suggests that the Commission neither approve nor reject PacifiCorp's IRP. We suggest that the Commission offer to PacifiCorp any thoughts, concerns, suggestions for improvements, disappointments and the like that it has in response to the IRP that has been filed. However, these suggestions and comments should not, in any manner or means, shift the burden that PacifiCorp must carry in rate proceedings relative to the prudence of acquiring the resources that it has and the costs associated with those resources.

However, if the Commission should choose to approve the PacifiCorp resource action plan in a formal manner where compliance is required and the resources in that plan are to constitute with absolute certainty the resources that will be utilized to serve Wyoming customers for periods extending into the future, then the OCA requests a formal hearing with opportunities for discovery, cross-examination, and responsive testimony before such approval is made. Such a decision should not be made relying only on the PacifiCorp IRP but should consider responsive evidence of other interested parties.

The OCA appreciates the opportunity to share its thoughts with the Commission relative to the PacifiCorp IRP that has been submitted. We continue to believe that even under the Commission's recently adopted rules that the review of an IRP is to be treated in an informal manner and not through formal evidence which has influenced the style and nature of the OCA's comments. However, we continue to look for additional opportunities to share our concerns and other comments about the planning process with the Commission as well as PacifiCorp. We welcome additional opportunities for

¹ We do, however, continue to advocate that the interpretation of the laws and filings required pursuant thereto be reexamined to see whether there should be additional filings made and approvals required for resources whose costs will be shared by Wyoming ratepayers whether or not the resource is physically located within the boundaries of Wyoming.

dialogue about how to best assure that the regulatory voice and customers' interests are heard relative to resource selection and acquisition prior to when the acquisition or construction has been completed and the only question that remains unresolved is cost recovery.

Respectfully submitted on the 10th of August, 2009.

A handwritten signature in black ink on a light blue grid background. The signature reads "Denise Kay Parrish" in a cursive script.

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CERTIFICATE OF SERVICE

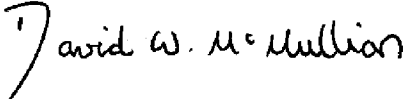
I hereby certify that on August 10, 2009, I served the foregoing COMMENTS OF DENISE K. PARRISH in Docket No. 20000-346-EA-09 upon each individual or entity below by the following method:

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