

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE FILING BY)
PACIFICORP DBA UTAH POWER & LIGHT) CASE NO. PAC-E-05-2
COMPANY OF ITS 2004 ELECTRIC)
INTEGRATED RESOURCE PLAN (IRP)) ACCEPTANCE OF FILING
)

On January 21, 2005, PacifiCorp dba Utah Power & Light Company (PacifiCorp; Company) filed its 2004 Integrated Resource Plan (IRP) with the Idaho Public Utilities Commission (Commission). The Company's filing is pursuant to a biennial requirement established in Commission Order No. 22299, Case No. U-1500-165. PacifiCorp states that its IRP provides a framework for the prudent future actions required to ensure that PacifiCorp continues to provide reliable, least cost service with manageable and reasonable risk to its customers. The 2004 IRP provides guidance and rationale for significant resource procurements over the next several years. The IRP was developed in a collaborative public process with considerable involvement from customer interest groups, regulatory staff, regulators and other stakeholders.

PacifiCorp serves approximately 1.6 million retail customers in a service territory comprising about 136,000 square miles in portions of six western states: Utah, Oregon, Wyoming, Washington, Idaho and California. This service territory has diverse regional economies ranging from rural, agricultural and mining areas to urban, manufacturing and government service centers.

Since the filing of the Company's 2003 IRP in January 2003, PacifiCorp has procured two natural gas resources via the issuance of supply-side solicitations, issued a request for proposal (RFP) for renewable resources, and selected three new cost-effective programs from a demand-side management (DSM) RFP. Looking forward, PacifiCorp expects its obligations to provide electricity to its customers will continue to grow, while at the same time its existing resources will diminish. The 2004 IRP proposes a number of diverse actions over the first 10 years of the 20-year study horizon aimed to close the gap. Not taking action to close this gap, the Company contends, would expose PacifiCorp and its customers to unacceptable levels of cost, reliability and market risk.

Regarding new resource needs, the Company's Preferred Portfolio proposes the addition of 177 MW of Class 1 DSM and 2,629 MW of thermal generation capacity. In addition to the resources identified in the Preferred Portfolio, PacifiCorp will continue to procure up to 1200 MW of shaped capacity through front office transactions on a rolling forward basis, expects 100 MW of capacity through qualified facilities (QF) contracts, and will continue to procure the 1400 MW of economic renewable resources that were first identified in the 2003 IRP. Furthermore, PacifiCorp will procure 250 MWa of base Class 2 DSM and pursue an additional 200 MWa of cost-effective DSM for a potential total for 450 MWa over the ten-year horizon.

Results and key findings in the Company's IRP include:

- The 2,629 MW of thermal generation capacity consists of four thermal units in the east (two fueled with coal and two with natural gas) and one natural gas unit in the west.
- The most robust resource strategy relies on total resources creating a diverse portfolio of resources including renewables and demand-side management combined with natural gas and coal-fired generating resources.
- Two major issues hang over the most significant resource choices that PacifiCorp must make: (i) the future cost of natural gas and (ii) the future cost of or constraints on air emissions and carbon dioxide emissions in particular. PacifiCorp believes it has adequately addressed these risks in the analysis, based on its current understanding of these issues.
- Demand-side management continues to be an important and cost-effective resource for PacifiCorp. DSM additions resulted in new generating resources being delayed. The first two east side resources are delayed one year each, and a west side resource is delayed two years – pushing it beyond the 10-year portfolio planning window.
- The present value revenue requirement (PVRR) for the group of lowest-cost, risk-adjusted portfolios differed by only \$48 million or 0.4%. This narrow cost range indicates a degree of flexibility in specifying and procuring needed resources during the Action Plan time horizon.
- In response to stakeholder comments, a detailed study was conducted to determine the optimal planning margin for the PacifiCorp system. The results in this study found the optimal planning margin for the PacifiCorp system to be 15%.
- Also in response to stakeholder comments, an evaluation of the wind resources providing energy to PacifiCorp's system was conducted to

determine what the appropriate contribution to planning margin should be for these resources. The evaluation resulted in a 20% contribution to planning margin by wind resources.

PacifiCorp forecasts an average annual peak load growth rate of 3.8% in the east and 1.5% in the west, with a total peak growth of 3% per year over the forecast horizon. Given uncertainties of economic growth and other factors, the net system growth in PacifiCorp's load could vary. Over time, PacifiCorp expects its existing resources to diminish significantly concurrent with an expected increase in supply obligations. Load and system peak growth, hydro relicensing and contract expirations will increase the gap between demand and supply. Prompt and focused attention is needed to close this gap. Beginning in fiscal year 2009 the system becomes capacity deficient and the deficit steadily grows to approximately 2800 MW by fiscal year 2015.

The Company's IRP focuses on the candidate options that are considered realistic, feasible alternatives for balancing resource supply with electricity demand. Key resources that may be economical and could feasibly be procured by PacifiCorp to meet customer needs include:

- Demand-side management programs
- Distributed generation
- Standby generation
- Combined heat and power (CHP)
- Supply-side resources
- Renewables (wind-geothermal)
- Coal (pulverized and integrated gasification combined cycle)
- Natural gas (SCCT, CCCT with DF, IC aero SCCT)
- Compressed air energy storage
- Hydro pumped storage
- Market purchases
- Transmission

PacifiCorp intends to implement many elements of its Action Plan utilizing a formal and transparent procurement program. The IRP has determined a need for resources with considerable specificity, and identified the desired portfolio and timing of need. The IRP has not identified specific resources to procure, or even determined a preference between asset ownership versus power purchase contracts. These decisions will be made subsequently on a case-by-case basis with an evaluation of competing resource options. These options will be fully

developed using a robust procurement process, including, when appropriate, competitive bidding with an effective request for proposal (RFP) process.

Prior to the issuance of any supply-side RFP, PacifiCorp will determine whether the RFP should be "all-source" or if the RFP will have limitations as to amount, proposed structure(s), fuel type or other such considerations. Benchmarks will also be determined prior to an RFP being issued and may consist of the then-current view of market prices, a self-build option, a contractual arrangement, or such other benchmark alternatives. Externalities will be determined based on the form and format of each procurement process and it is anticipated that the assumptions utilized will be consistent with what is in the IRP unless such assumptions are not applicable or newly updated information becomes available to inform the process.

The combination of new resources identified in the Company's Preferred Portfolio and the existing and planned resources results in a more diversified resource portfolio for PacifiCorp. The capacity of PacifiCorp's existing, planned and IRP resources as a percent of peak obligation (peak load plus firm sales) for fiscal year 2015 is as follows: coal 50%, gas 27%, purchases 10%, hydro 6%, DSM 4%, and renewables 3%.

On June 30, 2005, the Commission issued a Notice of Filing in Case No. PAC-E-05-2 and established a comment deadline of July 29, 2005. Comments were filed by Commission Staff and Mr. Jerry Williams of Nampa, Idaho. Mr. Williams believes that wind or solar resources are the only viable course until hydrogen can be converted into power. He supports the need for natural gas and coal for emergencies. The Commission Staff believes that the process followed by PacifiCorp satisfies the Commission's IRP requirements. Staff recommends that PacifiCorp's 2004 IRP filing, including the Action Plan, be acknowledged by the Commission. Staff also recommends that PacifiCorp be directed to provide regular progress reports to keep the Commission and Staff informed as to the Company's activities and progress on any request for proposals that are issued or any generation projects the Company is pursuing.

Staff strongly believes that each new biennial IRP cycle presents both an opportunity and an obligation to refresh assumptions, to incorporate new information, consider different alternatives, and change course if necessary. In its comments on the Company's 2003 IRP, Staff expressed concern about whether the aggressive pace and quantity of wind acquisition envisioned by PacifiCorp could be realized. In February 2004 PacifiCorp issued an RFP seeking to acquire up to 1,100 MW of renewable generation. It is unclear to Staff as to whether the

Company will be able to acquire the quantity it is seeking. Staff recommends that a more explicit contingency plan be developed explaining what actions the Company will take if planned resources cannot be acquired in the timeframe or at the price envisioned.

In addition to the renewable resources the Company is currently seeking to acquire, the 2003 IRP identified the need to procure two gas-fired supply side resources. The Currant Creek and the Lakeside projects were selected through RFP processes. Both projects are under construction. The Currant Creek facility is nearly complete while the Lakeside project is expected to be operational in the summer of 2007. Staff notes that PacifiCorp has failed to keep the Commission and Staff apprised of key resource activities, including progress on the procurement program. The Company anticipated providing procurement program status reports approximately every six months. Staff notes that no such reports have ever been provided.

Although PacifiCorp gives some consideration to transmission constraints and the cost of adding or upgrading transmission when evaluating generation alternatives, Staff is hopeful that a more comprehensive examination of transmission could be included in future IRPs. Staff encourages the Company to continue to strive to improve its ability to address the relative costs and risks of transmission investments, and align its transmission planning and generation resource planning efforts. While not a resource, transmission, Staff notes, can provide access to a greater variety of market purchases and to lower cost generation alternatives.

Staff notes that PacifiCorp based its IRP analysis on a planning margin of 15%. The planning margin is expected to cover WECC operating requirements (6-7%), regulating margin (1-2%), deviations in expected load, and unplanned outages. While the Company's current planning margin is significantly less than 15%, Staff believes that a 15% planning reserve margin is reasonable.

Staff agrees with the Company's decision to include CO₂ regulatory costs in its base case assumptions despite the fact that no CO₂ legislation has yet been passed. Staff further believes that the level of CO₂ costs assumed by PacifiCorp for the base case is reasonable.

Probably the single most controversial element of the 2004 IRP, Staff states, is the Company's plan to procure 575 MW of coal generation in 2011. The plan consists of an additional generating unit at an existing plant (i.e., "brownfield"), most likely at the Hunter plant in Utah. The IRP Preferred Portfolio also includes a second brownfield coal plant in Wyoming in 2014. Coal generation, Staff contends, has the advantage that PacifiCorp currently owns or

controls the existing thermal sites with room for expansion and can make use of existing transmission corridors. The Company, Staff states, also has experience with building, owning and operating thermal facilities. Coal currently has a cost advantage over other types of base load generation and exhibits less fuel cost risks than gas. Staff believes that PacifiCorp has fairly weighed the positive and negative aspects of coal and that coal generation is an important and appropriate piece of the Company's Preferred Portfolio. Staff also recognizes that the cleaner coal technologies (e.g., integrated gasification combined cycle) are rapidly emerging technologies. Staff recommends that PacifiCorp continue to evaluate and investigate IGCC in its next IRP.

Gas-fired generation, Staff notes, is also included in PacifiCorp's analysis. The Preferred Portfolio includes two gas-fired plants on the east side of the Company's system – one in 2009 and another in 2013. One gas-fired unit would be added on the west side of the system in 2012. Gas-fired generation, Staff contends, is less capital intensive, quicker to construct and relatively easy to site; but it is subject also to fuel cost volatility. Staff believes that PacifiCorp fairly weighed trade-offs associated with gas-fired generation in its IRP analysis.

Staff notes with approval that PacifiCorp plans to expand its offering of conservation programs in Idaho to be comparable to those in other states. The Company intends to procure 200 aMW of Class 2 DSM (non-dispatchable conservation) over the next ten years, in addition to the 250 aMW of conservation programs the Company is already pursuing as a result of the 2003 IRP. The Preferred Portfolio also includes 88 MW of load control in 2008 and an additional 89 MW in 2013. Dispatchable load control (Class 1 DSM) programs would most likely be associated with summer time air conditioning. The Company also plans, Staff notes, to continue its highly successful irrigation load control program in Idaho.

Staff believes the Action Plan for the Preferred Portfolio (reference Attachment) is appropriate given conclusions reached in the Company's 2004 IRP.

Commission Findings

The Commission has reviewed the filings of record in Case No. PAC-E-05-2, including the Company's 2004 Integrated Resource Plan and related comments. We find that the Company's IRP contains the required information and is in the appropriate format as directed by the Commission in Order No. 22299. The IRP, we continue to note, is a utility planning document that incorporates assumptions and projections as of a point in time. It is an ongoing

planning process that we acknowledge, not the conclusions or results. We recognize and commend the Company for the plan that it has presented and for the public process that it used to produce the plan.

We note as Staff did that the Company previously committed to provide the Commission with semi-annual procurement program status reports and has failed to do so. As we indicated in our acceptance of the Company's 2003 Electric IRP filing, in addition to being apprised through periodic status reports of supply resources the Company is actually building or contracting for and demand side programs the Company is implementing, the Commission expects to receive periodic updates as to the Company's specific plans for issuing requests for proposals (RFPs).

CONCLUSIONS OF LAW

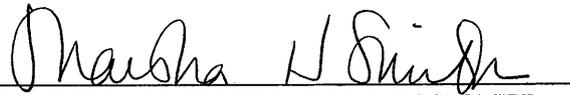
The Idaho Public Utilities Commission has jurisdiction over PacifiCorp dba Utah Power & Light Company, an electric utility, pursuant to Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ACCEPTANCE OF FILING

Based on our review, we find it reasonable to accept and acknowledge the Company's filed 2004 Electric Integrated Resource Plan. Our acceptance of the 2004 IRP should not be interpreted as an endorsement of any particular element of the plan, nor does it constitute approval of any resource acquisition contained in the plan.

DATED at Boise, Idaho this 26th day of August 2005.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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PacifiCorp Action Plan for Preferred Portfolio

Action Item	Addition Type	Resource Type	Timing	Size (rounded to the nearest 50MW)	Location	IRP Resource Evaluated	Action
1	Supply-Side	Renewables	FY 2006 - 2015	1,400	System	Wind	Continue to aggressively pursue cost-effective renewable resources through current and future RFP(s).
2	DSM	Class 2	FY 2006 - 2015	450 aMW	System	100 MW Decrements at various load shapes	Use decrement values to assess cost-effective bids in DSM RFP(s). Acquire the base DSM (PacifiCorp and ETO combined) of 250 MWa and up to an additional 200 MWa if cost-effective programs can be found through the RFP process.
3	Distributed Generation	CHP	FY 2010 (summer of CY 2009) and FY 2012 (CY 2011)	n/a	System	Two 45 MW units using NREL cost estimates	Include CHP as eligible resources in supply-side RFPs.
4	Distributed Generation	Standby Generators	FY 2010 (summer of CY 2009) and FY 2012 (CY 2011)	n/a	Utah	75 MW in Utah	Include a provision for standby generators in supply-side RFPs. Investigate, with air quality officials, the viability of this resource option.
5	DSM	Class 1	FY 2009 (summer of CY 2008)	50	Utah	Irrigation Load Control	Procure cost-effective summer load control program in Utah by the summer of 2008.
6	DSM	Class 1	FY 2009 (summer of CY 2008)	50	OR/WA/CA	Irrigation Load Control	Procure cost-effective summer load control program in Oregon, Washington, and/or California by the summer of 2008.
7	Supply-Side	Flexible, gas resource	FY 2010 (summer of CY 2009)	550	Utah	CCCT	Procure a flexible resource in or delivered to Utah by the summer of CY 2009.
8	Supply-Side	Coal resource	FY 2012 (summer of CY 2011)	600	Utah	Pulverized Coal Plant	Procure a high capacity factor resource in or delivered to Utah by the summer of CY 2011.
9	Transmission	Regional Transmission	FY 2013 and beyond	n/a	System	Transmission from Wyoming to Utah	Continue to work with other regional entities to develop Grid West. Continue to actively participate in regional transmission initiatives (e.g., RMATS, NTAC).
10	IRP Process	Modeling	2006 IRP	n/a	n/a	n/a	Incorporate Capacity Expansion Model into portfolio and scenario analysis.