DECISION MEMORANDUM

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FROM:SCOTT WOODBURY

DATE:DECEMBER 9, 1996

RE:CASE NO.  UPL-E-95-5

1995 Electric Integrated Resource Plan (RAMPP-4)

On November 27, 1995, PacifiCorp dba Utah Power & Light Company (Utah Power; Company) filed its 1995 electric Resource and Market Planning Program (RAMPP-4; IRP) with the Idaho Public Utilities Commission (Commission).  The Company’s filing complies with the Commission’s direction in Order No. 22299 issued January 27, 1989 which requires Utah Power to file a biennial resource management report (now Integrated Resource Plan (IRP)) describing the status of the Company’s electric resource planning.

As a result of the Commission’s Order No. 25882 in Utah Power Case No. UPL-E-93-7 the Company’s RAMPP-4 is important and significant in the calculation of avoided costs for qualifying facilities greater than 1 megawatt (MW) in size pursuant to the Public Utility Regulatory Policies Act of 1978 (PURPA).  As an operative planning tool, the IRP also has significance for smaller QFs whose rates are published under the Surrogate Avoided Resource (SAR) methodology.

On July 17, 1995, Idaho Power filed an Application with the Commission in Case No. IPC-E-95-9 proposing an avoided cost IRP methodology, a proposed procedure and method for utilizing the Company’s IRP for calculating avoided costs.  Because of the generic implications of the filing, PacifiCorp dba Utah Power & Light Company and The Washington Water Power Company were made parties to the proceeding and interested parties were permitted to intervene.  On September 4, 1996, the Commission issued final Order No. 26576 in Case No. IPC-E-95-9 approving a Settlement Stipulation tendered by Staff and the utilities and deciding three unresolved issues.  The issues submitted for Commission resolution related to (1) the standard contract term over which QFs are entitled to receive the avoided cost rate [Commission Decision—five years], (2) whether levelized rates should be offered to QFs [Commission Decision—yes] and (3) whether PacifiCorp should be allowed to adjust the input data used in the Company’s IRP model to reduce PacifiCorp’s reserve margin from 12% to 10%. [Commission Decision—no—the Commission noted that PacifiCorp is scheduled to file its next IRP (RAMPP-5) in early 1997 and indicated that that is the proper proceeding in which to review the adequacy of the Company’s reserve margin.]  The Commission approved IRP methodology was found to more closely reflect the manner in which utilities acquire and price generation resources than did the use of a single, hypothetical power plant.

A Notice of Filing and Modified Procedure in Case No. UPL-E-95-5 was issued by the Commission Secretary on February 9, 1996.  Utah Power was provided the opportunity to submit updated data and proposed changes to its RAMPP-4 so as to facilitate and accommodate its use for calculation of avoided cost rates.  The Company made no additional filing.  The deadline for filing written comments or protests with respect to Utah Power’s 1995 IRP was April 26, 1996.  The Commission Staff (Staff) was the only party to file written comments.  Staff reviewed the Company’s 1995 IRP and recommends that it be accepted for filing.  Staff’s comments can be summarized as follows:

Staff notes that PacifiCorp in its RAMPP-4 did not undertake to completely generate a new Demand/load Forecast from scratch.  The Company, Staff contends, essentially reviewed the previous RAMPP-3, pronounced it suitable, and with some adjustments for actual capacity requirement changes, extrapolated a couple of years onto the end.  Staff recommends that PacifiCorp take the effort to give the demand/load a more thorough review before using it for future IRPs.

Regarding the Company’s reliance on DRI and perhaps other subscription services as a source of data, and because PacifiCorp’s IRP will now be used to set avoided cost rates, Staff suggests that PacifiCorp should provide a mechanism for public access and review of the data relied on.

Regarding the Company’s proposal to satisfy part of forecast load growth in year 2002 with summer-peak open market purchases (109a MWh), Staff notes that open market purchases of firm power as a means of supplying base-load is still a new and developing concept.  A variety of factors, including the degree to which deregulation occurs, and how soon, as well as the degree to which other utilities attempt to utilize market purchases, Staff contends, will have a profound impact on the desirability of this action.

Regarding demand-side management, Staff notes that the plan identifies a policy decision by the Company to increase the portion of measure costs that are paid by the customer, and decrease the portion paid by the utility.  The Company intends to rely primarily upon energy service charges (loans repaid by shared savings), rather than grants or incentives, to pay for conservation measures.  Noting the changes occurring within the electric industry, Staff suggests that the role and format of the IRP, as well as the Conservation Plan, may need to be reexamined.

Regarding market assumptions, Staff notes that the assumptions made in RAMPP-4 are for short-term, non-firm purchases and sales only.  As firm resource acquisitions of several years in duration become more prevalent and as more planning tools are developed, Staff suggests that more planning for market acquisitions may be warranted.  Staff recommends that the Company closely monitor the market, and frequently assess the risk to which ratepayers are exposed.  Staff recommends that the Company endeavor to minimize the risk to its customers and suggests that any benefits resulting from risk exposure be shared between shareholders and ratepayers.

Regarding capacity reserves, Staff notes that in RAMPP-4, PacifiCorp has reduced its planning reserve from 15% to 12%.  Staff suggests that it will be extremely important to carefully monitor the available reserves in the future to ensure that reliability is maintained and that customers are not jeopardized needlessly by the Company being forced to acquire very high priced resources to meet deficits.  Staff recommends that PacifiCorp be required to periodically submit to the Commission information needed to track peak period capacity and energy reserve margins.

Noting that the IRP is to serve as an evaluation of all resource options, Staff reminds PacifiCorp that Company-owned resources are to be held to the same cost-effectiveness criteria as independently-owned resources.

Staff has reviewed the variables included in the Company’s IRP which are used in the calculation of avoided costs.  Staff believes that all of these variables fall within a reasonable range.

Commission Decision

Regarding PacifiCorp 1995 electric Integrated Resource Plan (RAMPP-4)

How does the Commission desire to handle the Company’s filing?

Acknowledge filing?  By letter or Minute Entry?

Re: Avoided cost implications

Re: QFs greater than 1 MW.

Re: Staff recommendations.

Demand/Load forecast — need for a more thorough review by Company in future IRPs?

Public access and review of source data?

Continued role and format of IRP and Conservation Plan with restructuring of electric industry?  Initiate a docket to explore same?

Open market purchases to supply base-load?

DSM — shift away from grants/incentives?

Capacity reserves — reliability

— periodic informational filing (capacity/energy reserve margins)?

Scott Woodbury

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