

**PRELIMINARY COMMENTS OF THE UTAH ASSOCIATION OF
ENERGY USERS (UAE) ON PACIFICORP'S 2010 WIND
INTEGRATION STUDY - AUGUST 12, 2010 DRAFT
(2011 IRP)**

August 26, 2010

Introduction.

The Utah Association of Energy Users (“UAE”) is submitting to PacifiCorp these comments regarding the 2010 Wind Integration Study Draft released by PacifiCorp on August 12, 2010, in the context of the Company’s 2011 IRP.

UAE notes that the schedule proposed by the Company provides very limited time for analysis or comments on the draft study design. Thus, these comments and questions should be considered preliminary in nature. UAE reserves the right to submit further comments or questions to the Company and/or to the Commission on the study design, study results and any related issues, if and when UAE determines such comments or questions to be relevant or appropriate.

Inter-Hour Analysis

In its comments submitted on March 12, 2010, UAE requested that the Company consider and address the following issues and concerns:

- The accommodation of increased wind output above forecasted levels can occur through a decrease in balancing purchases as well as an increase in balancing sales.
- The accommodation of decreased wind output below forecasted levels can occur through a decrease in balancing sales as well as an increase in balancing purchases.

It is UAE’s understanding that the study methodology incorporates the options identified above when they are the most economical dispatch option. It is also UAE’s understanding that the analysis uses market prices for balancing purchases and sales without incorporating transaction cost differentials between buy/sell prices.

UAE supports the adoption of these changes relative to the previous methodology.

Intra-Hour Analysis

In its comments submitted on March 12, 2010, UAE raised questions concerning how incremental operating reserves (associated with regulation and load following) will be valued for ratemaking purposes and specifically questioned how reserves required for load following “down” incur an opportunity cost, as these reserves are not withheld from economic activity.

It is UAE’s understanding that the analysis of wind integration operating reserve costs addresses this concern by using a production cost model in which the cost of incremental reserves is calculated based on the differences in production cost simulation runs. UAE infers that the absence of opportunity cost for reserves used for load-following down is reflected in the results of the production cost runs, as are potential increased operating costs incurred with load following down due to potential sub-optimal operating configurations. However, UAE is concerned that the cost of load following “down” in the study may be more expensive than arranging not to accept incremental wind in some situations. It is UAE’s understanding that this latter scenario was not modeled.

UAE is also concerned about how the results of the study will be used for ratemaking purposes. The outputs do not appear to be directly applicable to the GRID model used in a rate case and UAE does not agree that the absolute value of incremental reserves (inclusive of reserves for load following down) can properly be exported to a rate proceeding and valued separately in that proceeding, because reserves required for load following “down” do not incur an opportunity cost comparable to the opportunity cost of reserves required for load following “up”.