

**PRELIMINARY COMMENTS AND QUESTIONS
OF THE UTAH ASSOCIATION OF ENERGY USERS (UAE)
ON PACIFICORP'S 2010 WIND INTEGRATION COST STUDY DESIGN
PUBLISHED APRIL 23, 2010
(2011 IRP)**

May 5, 2010

Introduction.

The Utah Association of Energy Users (“UAE”) is submitting to PacifiCorp these comments, questions and requests for clarification on the 2010 Wind Integration Cost Study Design, as proposed by PacifiCorp on April 23, 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.

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 proposed 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 will be reflected in the results of the production cost runs, as will potential increased operating costs incurred with load following down due to potential sub-optimal operating configurations.

To the extent that UAE’s inference is not correct, then UAE reiterates its objection to a methodology that calculates an “amount” of incremental reserves (inclusive of reserves for load following down) which is then exported to rate proceedings and valued separately in the rate proceedings.

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 proposed methodology will incorporate the options identified above when they are the most economical dispatch option. It is also UAE's understanding that the proposed analysis will use 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.