

PacifiCorp - Stakeholder Feedback Form

2019 Integrated Resource Plan

PacifiCorp (the Company) requests that stakeholders provide feedback to the Company upon the conclusion of each public input meeting and/or stakeholder conference calls, as scheduled. PacifiCorp values the input of its active and engaged stakeholder group, and stakeholder feedback is critical to the IRP public input process. PacifiCorp requests that stakeholders provide comments using this form, which will allow the Company to more easily review and summarize comments by topic and to readily identify specific recommendations, if any, being provided. Information collected will be used to better inform issues included in the 2019 IRP, including, but not limited to the process, assumptions, and analysis. In order to maintain open communication and provide the broader Stakeholder community with useful information, the Company will generally post all appropriate feedback on the IRP website unless you request otherwise, below.

Date of Submittal 2/22/2019

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Public Meeting Date comments address: [Click here to enter date.](#) Check here if not related to specific meeting

List additional organization attendees at cited meeting: [Click here to enter text.](#)

***IRP Topic(s) and/or Agenda Items:** List the specific topics that are being addressed in your comments.

Inflation Assumption for PAC

Check here if any of the following information being submitted is copyrighted or confidential.

Check here if you do **not** want your Stakeholder feedback and accompanying materials posted to the IRP website.

***Respondent Comment:** Please provide your feedback for each IRP topic listed above.

PAC's 2017 IRP model simulations and cost data use the company's inflation curve from September 2016 that has three annual values. These values are straight averages of forecasts of the CPI and the GDP deflator. The average inflation rate for 2017-2036 used in the IRP is currently set at 2.22%.

To what extent does this rate reflect inflation rates observed and likely to prevail in the economy given the Federal Reserve Bank's inflation targeting policy? Price stability is the primary long run goal of monetary policy. Following the success of inflation target regimes adopted in the early 1990s in several European countries, economists at the Federal Reserve, most notably, Ben Bernanke started advocating for the adoption of an inflation target. The Federal Open Market Committee, which is responsible for monetary policies, formally moved to inflation targeting on January 25, 2012.

Inflation targeting comes with a host of benefits including increased transparency and accountability and better performance in maintaining price stability compared to earlier policies, among others. It is expected that given the Fed's long run goals of maintaining price and output stability, the Fed would adhere to inflation targeting in future. The inflation target is set by the Fed at a 2% level. The target is likely to stay at that level. First, a higher inflation target would increase the costs associated with inflation. These costs are incurred in terms of misallocation of resources as a result of price distortions. Secondly, inflation rates become more unstable and more difficult to contain if they reach the levels of 4% or higher as was seen in the late 1970s and early 1980s when policy authorities failed to contain a 4-5% inflation rate that then accelerated to double-digit levels.

* Required fields

Inflation rates calculated as straight averages of the GDP deflator and CPI inflation from 2012-2017, obtained from the World bank dataset, show that the annual inflation rate never exceeded 2% during this period, following the adoption of a 2% inflation target. In the light of the Fed's inflation rate targeting policy, why does PAC assume a 2.22% inflation rate in their IRP?

PacifiCorp Response:

PacifiCorp's Integrated Resource Plan (IRP) model simulations and cost data reflect PacifiCorp's corporate inflation rate schedule unless otherwise noted. The 2019 IRP assumes a 2.28% inflation rate whereas the 2017 IRP Update assumed 2.27% inflation rate and the 2017 IRP assumed 2.22% inflation rate. The annual escalation rate reflects the average of annual inflation rate projections over the IRP 20-year study period, using the most recent annual inflation curve (i.e. the 2019 IRP is based on the 2018 inflation curve, and the 2017 IRP was based on the December 2017 inflation curve). PacifiCorp's inflation curve is a straight average of forecasts for gross domestic product and consumer price index. PacifiCorp believes this is a reasonable approach for establishing its inflation rate assumption over the 20-year IRP study period.

Data Support: If applicable, provide any documents, hyper-links, etc. in support of comments. (i.e. gas forecast is too high - this forecast from EIA is more appropriate). If electronic attachments are provided with your comments, please list those attachment names here.

[Click here to enter text.](#)

Recommendations: Provide any additional recommendations if not included above - specificity is greatly appreciated. CUB would like a PAC to consider changing the inflation assumption in the 2019 IRP.

Please submit your completed Stakeholder Feedback Form via email to IRP@PacifiCorp.com

Thank you for participating.