Witness CCS - 1

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In The Matter Of The Application : Docket No. 03-035-14~~29~~
Of PacifiCorp For an Order ~~Certificate of~~ : Direct Testimony Of
A~~Convenience and Necessity~~ pproving Avoided Cost Rates : ~~Cheryl Murray~~Kelly Francone for the
: ~~Authorizing Construction of the : For The~~ Committee of
: ConsumerServices
~~Currant Creek Project~~
~~: Consumer Services~~

~~4 February~~12 April 2004

~~Redacted~~

Introduction

Q. Please state your name, business address and current position.

A. My name is ~~Cheryl Murray~~Kelly Francone. My business address is 160 East 300 South, Salt Lake City, Utah. I am a utility analyst for the Committee of Consumer Services (Committee).

Q. Have you previously presented testimony ~~? testified~~ before this Commission?

A. Yes~~, I have~~. I have testified regarding the Home Electric Lifeline Plan (HELP) for low-income customers (Docket No. 99-035-10), PacifiCorp's (Company) Hunter Unit 1 outage (Docket No. 01-035-23), Magnesium Corporation's avoided costs (Docket No. 02-035-02) and have filed testimony before the Public Service Commission (Commission) on the Life Support addition to the HELP program and Questar Gas Company's weatherization and customer charge issues.~~'s (Company) request for a certificate of convenience and necessity for the Gadsby Peaker PPlant Addition (Docket No. 02-035-34) and in PacifiCorp's request for a tariff rider for Demand Side Management (Docket No. 02-035-T12).~~

Q. What is~~f~~ the purpose of your testimony?

A. The primary purpose of my testimony is to present the Committee's position regarding specific issues in PacifiCorp's ~~request for a certificate of convenience and necessity to build the Currant Creek project (Currant Creek).~~ petition for an order approving avoided cost rates for over 1 MW. These include the renewable energy credit (Green Tag) entitlement of Qualifying Facilities (QFs) introduced by PacifiCorp Witness Mark Tallman. I~~I~~ also address issues relating ~~to PacifiCorp's projected resource-load imbalance, which is the key driver underlying the Company's proposal to certificate and build Currant Creek.~~ to new accounting rules implemented by the Financial Accounting Standards Board (FASB), that are introduced in the direct testimonies of PacifiCorp witnesses David Mendez and Bruce Williams. Finally, ~~and to~~ I introduce the testimony of Mr. ~~Randall~~ J

~~Falkenberg,~~Phil Hayet, a consultant retained by the Committee to examine the ~~reasonableness of PacifiCorp's economic analysis of Currant Creek and resource alternatives, and the RFP and bid evaluation process.~~avoided cost methodology proposed by PacifiCorp for Schedule 38. ~~. I will rely on Mr. Falkenberg to present his technical analyses and findings.~~

Q. **Please explain the Green Tag Issue.~~How hHas the Company demonstrated that it will have a Does the Committee agree that PacifiCorp capacity deficiencyneeds additional capacity?~~**

A. As stated by Mr. Tallman on page 6 of his direct testimony, Green Tags, also known as renewable energy credits, are a marketable environmental aspect of the renewable energy industry. ~~In effect, the~~ Green Tags were developed to aid in the development of renewable energy resources and exemplify a~~are a~~ valuable currency that can be traded or purchased~~, with the ultimate intention to support renewable energy.~~. Green Tags can be sold to utilities in states that have a Renewable Portfolio Standard (RPS), under which utilities are required to either produce power with a mix of generation resources that include renewable energy, or to purchase Green Tags as a substitute for such resources.

~~Yes. The Company's 2003 IRP ReportIn the IRP process, the Company presented a load forecast and a summary of existing resources that it plans to use to satisfy its load requirement, shows that projected loads will exceed installed capacity in the and it shows that the load will exceeded by installed resources in the near future~~term~~Yes, the Committee agrees that additional capacity is needed to meet the Company's system load.~~

Q. **~~What position has did the Committee taken with regarding to the issue of PacifiCorp's resource deficiencyneed, particularly in the IRP process?~~Who determines the appropriate ownership of the Green Tags?**

A. Because Green Tags exist outside the confines of the Public Utility Regulatory Policies Act (PURPA), their entitlement is not defined under PURPA rules. This emerging issue is currently being addressed by State Commissions, ~~in the United States,~~ particularly those with ~~Renewable Portfolio Standards (RPS).~~ RPS.

There are three general points of view about ownership. QFs argue that they should retain the Green Tags because environmental risks for the generator and environmental benefits to the public are not accounted for in the avoided cost paid for electricity. Some utilities contend that PURPA's intent was for utilities to purchase all of the components of the QF power~~ that was produced by the QF~~, including any environmental attributes. Others suggest that because ~~ratepayers~~utility customers are paying the cost of the PURPA contracts, they should receive the benefits of the Green Tags. ~~The Committee has supported the acquisition of cost-effective long-term resources. In its 31 March 2003 comments regarding the Company's Integrated Resource Plan (IRP) the Committee stated~~aid~~, "Most significantly, it appears to represent a renewed commitment on the part of PacifiCorp management to again acquire long-term resources to serve its regulated customers"[1]~~

Q. ~~Keeping in mind that the Company proposes to have the Combustion Turbine "stage" of the Currant Creek Project operational by June 2005, h~~~~How much additional capacity did the Company's 2003 IRP indicate was needed to meet its load requirements in the 2005-2006 time frame?~~ Does PacifiCorp have a specific recommendation?

A. Yes. On page 6 of his testimony, Mark Tallman recommends that PacifiCorp customers should receive the benefits of the ~~renewable tags~~Green Tags. ~~As the table below illustrates, PacifiCorp will barely meet its peak load in the first year analyzed in the IRP. I~~in fiscal year 2006~~5~~

~~(which includes the summer months of calendar year 2005),~~ ~~the first year considered in the current docket,~~ ~~the Company projects it will~~ ~~have a capacity surplus of only~~ ~~be short~~ ~~long by 44~~52MW. ~~44MW represents the capacity cushion in the summer of 2005 that the Company expects it will have to satisfy its PacifiCorp System load requirement.~~ ~~With the addition of a 15% reserve margin, however, the Company's capacity deficiency markedly increases in 2006 to~~ ~~becomes capacity deficient by~~ ~~that deficit becomes 1,394MW~~283MW. ~~Thus, 1,283 MW is the additional capacity that the Company would requires if it were to maintain a 15% reserve margin.~~ ~~PacifiCorp actually selected a 15% Reserve Margin as its target reserve margin for reliability purposes.~~ ~~These numbers demonstrate that the Company has a need for new capacity to meet its firm load obligations.~~

Q. Has there been a ruling made at the national level on the ownership of Green Tags?

PacifiCorp Capacity Adequacy Assessment

Year	Existing Installed Capacity (MW)	Peak Load (MW)	Peak Load + 15% reserve margin (MW)	Difference between Existing Capacity and peak load (MW)	Difference between Existing Capacity and peak load +15% reserve margin (MW)
2004	8,833	8,774	10,090	59	-1,257
2005	8,894	8,946	10,288	-52	-1,394
2006	8,893	8,849	10,176	44	-1,283
2007	8,800	9,025	10,379	-225	-1,579
2008	8,788	9,331	10,731	-543	-1,943
2009	8,335	9,157	10,531	-822	-2,196
2010	8,335	9,253	10,641	-918	-2,306
2011	8,299	9,472	10,893	-1,173	-2,594
2012	8,119	10,184	11,712	-2,065	-3,593
2013	7,820	10,321	11,869	-2,501	-4,049
2014	7,820	10,379	11,936	-2,559	-4,116

Note: Source of data was from the IRP report page 33

~~[1] Page 2, 31 March 2003, Recommendation of the Committee of Consumer Services~~ to the Utah PSC~~, Regarding Acknowledgment of PacifiCorp's Integrated Resource Plan 2003; Docket No. 03-2035-01.~~

~~**What was the basis for the 15% reserve margin target?**~~

~~PacifiCorp selected 15% during the IRP planning assumption development process based on a number of factors. In the Executive Summary of the Company's IRP report, the Company explained its rationale~~motivations ~~for selecting 15% as follows:~~

> ~~Use of this assumption does not presume 15% is the ideal level for reliability purposes. More or less planning margin could be warranted. Rather, the assumption is consistent with the ranges discussed under the FERC Standard Market Design (SMD) proposal, and reinforced by the public input process.~~
> ~~(PacifiCorp's March 2003, IRP Report, page 3)~~

A. Yes. On 1 October 2003 the Federal Energy Regulatory Commission (FERC) granted a petition for declaratory order (CCS Exhibit 1.1) ~~that~~ affirming~~,~~ that "absent express provision in a contract to the contrary," Commission rule or State law, the Green Tag ownership remains with the QF. The FERC noted that the issue is outside of PURPA and because renewable energy credits were created by states, their designation is a state issue. Thus, state commissions and state legislatures have the authority to determine Green Tag ownership.

Q. Has the ownership issue been addressed by other states?~~**Did the Committee have any reason to object to the 15% reserve margin target?**~~

A. Yes. Nevada has regulations in place that require the Green Tags to remain with the QF. Idaho Power has recently filed a petition with the Idaho Public Utilities Commission that also recommends QF retention. The issue is also being examined in Maine, where the electricity market has been restructured. The Maine Public Service Commission staff recently recommended that the Green Tags transfer to the utility purchasing QF power based on the consideration QF prices paid by ratepayers sometimes unintentionally result in above-market prices. In other words, the transfer of the renewable benefits would help to offset any ~~evolving~~potential “stranded costs” paid by ratepayers.~~The Committee found 15% to be consistent with what other utilities in the country have selected as a reserve margin target and therefore did not object to its use. However, on page 23 ofin its IRP comments submitted to the Commission that were submitted in March 2003 at page 23, the Committee stated the following:~~

~~The criteria for market reliance and the planning reserve margin were arbitrarily chosen;~~

~~In other words, while 15% appeared to be reasonable, it had not been selected based on any reliability analysis that had been conducted with respect to the PacifiCorp System. Other parties expressed similar concerns, and recommended that the Company re-evaluate the use of 15% as the most appropriate target for the PacifiCorp system in its next IRP.~~

Q. What ~~What~~ is the Committee’s conclusion concerning the Green Tag issue? ~~PacifiCorp’s need for capacity?~~

A. While the Green Tag matter is an emerging issue, the Committee believes that it is ultimately ratepayers who underwrite the avoided costs paid to QFs. Thus, we recommend that the customers should receive the associated benefits off the Green Tags. ~~ownership be transferred to Utah ratepayers to ensure they benefit from the renewable attributes.~~

Q. Does the Committee have a recommendation on the value that should be ascribed to the Green Tags?

A. Without further analysis of this emerging issue, the Committee does not have a specific recommendation at this time. As can be seen from PacifiCorp’s testimony, the Blue Sky program and prices paid in the market (CCS Exhibit 1.2), there is a wide divergence in the value. On page 7 of his direct testimony, Mr. Griswold recommends a value of $5 per MWh for the first five years based on what is used in the IRP. However, in PacifiCorp’s response to CCS DR 2.9, which asked for an adjustment for Green Tags in a hypothetical example of a wind QF, the Company demonstrates a renewable energy value of $1.69/MWh. In the Blue Sky program, customers pay $1.95 per 100KWh to support renewable energy. PacifiCorp spends the resulting $19.50/MWh in the market to buy Green Tags. In addition, CCS Exhibit 1.2 indicates that renewable energy credits are selling in the eastern power markets between $45 and $55/MWh. B~~There is a vast range between $1.69 and $55/MWh.~~ ecause a wide range of prices are currently being paid for Green Tags, ~~Thus,~~ the Committee believes the value determination requires further study. ~~Based on the load, resource and reserve margin informationdata presented in the Company's initial 2003 IRP Rreport, the PacifiCorp system appears to hasve a significant capacity deficiency by summer 2005. However, it still remains to be seen whether a 15% system reserve margin is the appropriate target for planning purposes, and that issue is to being examined determined more thoroughly in PacifiCorp's 2004 current IRP process.~~

Q. Please identify the new accounting rules implemented by FASB that may impact avoided costs. ~~In October 2003, t~~The Company has provided an update to its 2003the IRP Report. Was that update considered in the Committee's determination of need?

A. As noted by PacifiCorp witness David Mendez, two accounting standards have recently been implemented, Emerging Issues Task Force (EITF) 01-08 and Financial Interpretation No. 46R (FIN 46R). ~~In October 2003, the Company submitted an update to its IRP Report that contained a significantly revised load forecast and deficiency calculation. This updated load forecast and deficiency calculation was also relied on by Mr. Cassity in his Currant Creek testimony that described PacifiCorp's need for resources. The Committee has given this The update was given less consideration than the acknowledged 2003 IRP Report. . While the IRP went through a rigorous public input process and was acknowledged by the Commission in May 2003, the Company's updated load forecast and deficiency calculation has not been fully vetted in a public for~~

~~In addition, the Committee submitted some data requests (CCS DR Set No. 8) to enable its expertswhich would have allowed the Committee to examine the deficiency calculation in more detail;, howeveryet, the Company has yet to fully respond to information requested in Data Requests 8.1 and 8.3. The Company alleges that providing such information is overly burdensometime consuming to do so. The Committee does not agree with the Company's estimate of time to prepare the data, and would still like PacifiCorp to provide the information. The Company has recently exhibited a willingness to work with us on this issue. Hopefully, we will be able to gain greater clarity on the updated deficiency calculation prior to hearings in this docket. For these reasons, the Committee is not in a position to be able to rely on PacifiCorp's updated load forecast and resource deficiency calculations to assessprove that the validity of the Company's projected resource-load imbalanceCompany has a capacity deficiency.~~

Q. What is the purpose of these accounting standards?~~What concerns does the Committee have regarding the updated load forecast and deficiency calculation?~~

A. Implemented 1 July 2003, EITF 01-08 affects how companies must review power purchase contracts under lease accounting rules. For several decades, FASB has required full disclosure of leasing transactions. This recent decision affects what types of contracts, such as certain types of Power Purchase Agreements (PPA), may be viewed as leases, and therefore require disclosure on the Company's balance sheet. According to FASB standards, ~~A~~a QF contract qualifies for capital lease treatment if it depends on a specific plant and the purchaser takes a majority of the output.

The modification to FIN 46R became effective 31 March 2004. It provides guidance for identifying the party with a controlling financial interest resulting from contract arrangements. This clarification would apply if the Company is considered the primary beneficiary of an entity. FIN 46 defines the term “variable interest entity” (VIE) and is based on the premise that if a business has a controlling financial interest in a VIE, then the assets, liabilities, and other results from business activities should be included in the financial statements of, in this case, PacifiCorp.

~~It has been very difficult to understand the magnitude of the resource deficiency that PacifiCorp currently projectssays exists based on its updated methodology and assumptionsnew deficiency calculation. First, the new methodology focuses exclusively on the East side of the System. Instead of a deficiency of 1,283 MW for the entire PacifiCorp system only. (as PacifiCorp’s acknowledged IRP showed), the new methodology shows Instead of a deficiency of 1,283 MW for the entire PacifiCorp system, as PacifiCorp’s acknowledged IRP showed, the new methodology demonstrates that there is a need for 1,094 MW on the East side of the System alone. AbsentWithout having obtained the additional information that the Committee is seekingrequested, in Data Requests 8.1 and 8.3, the Committee is unable to reconcile the huge difference between the 1,283 MW system deficiency identified in the March 2003 IRP Report, and the 1,094 MW East Side deficiency indicatedestablished in the Company’s IRP update.~~

~~In addition, the updated methodology assumes that there is 550MW of resource outages that add to the capacity deficiency (See Mr. Cassity’s Eexhibit JC-4). By comparison, Company witness Janet Morrison, presented testimony in the Gadsby CCN case in which she calculated a capacity deficiency on the East Side of the System that was based on the assumption of only 277 MW of resource outages. This is an example in which the Company’s new assumptions are~~ not ~~inconsistent with the last CCN that the Company~~ had ~~filed.~~

Q. **Does PacifiCorp believe these standards will affect its QF contacts and the resulting avoided costs?~~Are there steps PacifiCorp could~~**

~~**take to satisfy its summer 2005 needs without the 280MW from Currant Creek?**~~

~~A.~~A. Yes. Starting on line 1, Mr. Williams notes on page 2 of his testimony, that these standards will have impacts on both the Company's financial commitments and credit quality. He also states that the recognition of the additional debt will impose additional costs on both PacifiCorp and its customers. ~~The Company's IRP Update asserts that that a 1049 MW deficiency exists for summer 2005. In response to the Committee's Ddata Rrequest 7.7, the Company indicated that it can access 701 MW of firm transmission access rights, leaving a deficit of 348MW. If Currant Creek generatesis producing 280 MW for summer 2005, the remaining deficiency is 68MW. However, whether Currant Creek is the most economicalonly resource that could satisfy the deficiency in 2005 has been very difficult to determineiscern from the Company.~~

~~**Are there steps PacifiCorp could take to satisfy its summer 2005 needs without the 280MW from Currant Creek?**~~

~~The Company's response to Committee Ddata Rrequest 7.8 identifiedsaid the following potential optionsactions could be undertaken to satisfy the deficiency:~~

~~Increase procurement from the demand side management request for proposal for firm supply;~~

- ~~Modify or expand the load curtailment program;~~
- ~~Bi-lateral negotiations with wholesale customers to terminate or restate existing agreements;~~
- ~~Bi-lateral negotiations with wholesale qualified entities that have generation or transmission available north of the Wasatch Front South boundary;~~
- ~~Negotiate with Qualifying Facilities (QF) that could have capacity in place by summer of 2005; and~~
- ~~Assess which renewable projects could make deliveries above the Wasatch Front South boundary.~~

~~T~~

~~There are currently petitions from Desert Power and US Magnesium before the Commission for determination of avoided costs for power produced from their QFs. The petitioners indicate that these facilities together could produce 150 MW by summer 2005. This is a 50 MW increase over what the two facilities currently provide. Furthermore, additional capacity may be available for purchase over the bulk power transmission system, although the Committee has not been able to fully analyze the extent to which transmission rights as well as transmission capacity exist that can be relied on to allow delivery of power North of the Wasatch Front South boundary.~~

~~Other parties may also be able to come forward to supply additional capacity to the company to help satisfy its capacity deficiency.~~

~~**Is there adequate transmission capability to meet summer 2005 peaking needs?**~~

~~A. The limited time available to analyze the Currant Creek Project did not permit us to validate the need for specific resources in Utah in 2005. The required separation between the Company's generation and transmission divisions makes it difficult to access transmission expertise and information. The Committee relied on the Company's assertions that there is not sufficient firm transmission available to import adequate supply into the Wasatch Front and that relying on non-firm transmission would likely leave customers vulnerable to energy shortages.~~**Q.**

~~What is your conclusion~~ What does PacifiCorp recommend to remedy the impact?~~regarding PacifiCorp's evidence supporting its need for capacity?~~

A. On page 4 of his testimony, PacifiCorp witness Bruce Griswold recommends that the debt-related cost be addressed as a defined term in the PPA that would be applied as a monthly line-item adjustment to the QF monthly payment. Mr. Williams also recommends on page 5 of his testimony that PacifiCorp apply a 30% risk factor as the debt equivalent for the QF obligation. ~~The Committee believes that the 2003 IRP Report~~

~~acknowledged bythat the Commission acknowledged providesd sufficient evidence that there will be a capacity deficiency in 2005 on a sSystem wide basis. The additional studiesevidence that the Company has provided concerning its new load forecast and East Side deficiency calculation haves not yet been fully vetted, and the Committee cannot say whether that information is useful in supporting PacifiCorp's need contention. Furthermore, the Committee has not been able to determine whether the Currant Creek resource is the only resource that could be relied on to supply PacifiCorp's need in 2005, nor is the Committee able to say whether it is the best resource out or all of the alternatives that were evaluated as part of the RFP process.~~

Q. W~~Did the Committee find problems with the RFP – Bid Evaluation process and the Company's modeling of resource alternatives?~~hat impact would those actions have on the QF avoided cost?

A. ~~Based on his analyses, Mr. Falkenberg concluded that there were substantial problems with both the RFP-Bid Evaluation process and the modeling effort conducted by the Company to determine the least cost (low cost, low risk) resource among the bids and Currant Creek (Next Best Alternative or NBA). For example, the RFP specified a peaking resource~~ In its response to DPU's DR 1.47, PacifiCorp states that a line item adjustment will be made to the total amount the QF will be paid. If the Commission adopts PacifiCorp's recommendations, ~~therefore,~~ the avoided cost capacity payment to the QF would decrease. ~~(begin confidential) but the evaluation was made against an intermediate-baseload NBA, the RFP requested a contract up to 20 years but the cost analysis was compared against the 35-year life of an intermediate-baseload NBA (end confidential). Mr. Falkenberg's testimony describes these problems at length and details his concerns.~~

Q. What conclusion did the Committee reach o~~based on Mr. Falkenberg's analyses?~~n the impact of these financial standards?

A. ~~A.~~ Based on the analysis of consultant Donna DeRonne, ~~who is~~ a Certified Public Accountant who~~,~~ actively participated in PacifiCorp's last four Utah rate cases, the Committee does not believe PacifiCorp has demonstrated that the FASB modifications will necessarily have a material impact on its costs for QFs. Ms. DeRonne has indicated that FIN 46R may be inapplicable if PacifiCorp is not at risk for losses or does not take any residual profits from the QF. As noted previously, it may only have an impact if the Company is considered the primary beneficiary of an entity, or in this case, has a controlling interest in the QF.

Ms. DeRonne also notes that because FASB has required full disclosure on the material impacts of PPAs for several decades, it is not clear how the increased transparency would affect perceptions of investors or credit ratings. Rating agencies like Standard & Poor's have already been considering the impact on cash flows and will continue to do so. It is also possible that the investment community may take a favorable view of the increased transparency, which could have a positive effect on the Company's financial standing. ~~Because of the concerns with PacifiCorp's modeling of Currant Creek and alternative resources, and problems in the RFP-bid evaluation process, the Committee has not been able to determine whether the Currant Creek project is the most economical resource for meeting PacifiCorp's future load requirements. The Committee, therefore, cannot recommend to the Commission that the Currant Creek project, as proposed, is the best (low cost, low risk) resource alternative for Utah ratepayers.~~

Q. ~~**Does the Committee have any preliminary recommendations to improve the RFP and Bid evaluation process going forward?**~~**Has this issue been addressed in any other PacifiCorp jurisdictions?**

A. Yes. ~~It should be apparent that this case has identified serious problems in the existing RFP and bid evaluation process. Absent a 3rd Round of bidding, it is impossible to recreate the outcome of a fair and reasonable~~

~~bid process. Given the significant problems and missteps in this process, the Committee believes the only reasonable solution is to significantly modify the RFP and bid evaluation process and modeling of resource alternatives~~ The staff of the Oregon Public Utility Commission provided recommendations (CCS Exhibit 1.3) on 23 January 2004 to its~~the~~ Commission. The Oregon staff findings reflect those of Ms. DeRonne's in that they did not believe PacifiCorp had demonstrated that the FASB changes will necessarily have a material impact on the Company. The staff also noted that the investment community has required full disclosure for decades, and thus, will most likely not impact PacifiCorp's financial health. ~~.~~

~~The Committee recommends that the Commission immediately open a new docket to correct flaws in the current procedure. Improvements in the drafting of the RFP should include:~~

- ~~The RFP should specify the book life over which the evaluator will analyze bids. This would presumably be the life of the type of plant sought. Bidders would have the option to submit bids over or under that term.~~
- ~~Bidders would be provided a copy of the Company's model(s) used in evaluating the alternatives, prior to submitting their bids. Bidders would be allowed the opportunity to self-score their first round bid. The model(s) should not be confidential and a set of test data, perhaps developed from publicly available sources, should be provided.~~
- ~~The RFP should clarify what is required of the bidders concerning variable O&M and startup costs. These issues caused a tremendous amount of confusion in this case. Bidders should be provided a minimum and maximum number of unit startups that are expected per year. This information would be used by bidders that submit unit contingent sales offers. This~~

~~gives the bidders the ability to develop a realistic startup cost and a realistic variable O&M cost that can be used to evaluate their bids.~~

~~The RFP should be transparent in all specifications for bids. If the RFP process is labeled for peaking capacity, then it should specify a capacity factor range for which the unit will operate on an annual basis. Or the bidder should be given a load profile for which the bid would reasonably be expected to serve. The type of NBA unit should be identified.~~

~~The final (second round) bid evaluation should be conducted with a production cost model that would fully evaluate the operation of the bid alternatives and the NBA within the context of PacifiCorp's system and monetize reliability impacts. Round 1 evaluations can be done without such a model, but only after it has been tested to demonstrate reasonable equivalence with a reasonable production cost model.~~

~~The RFP should define exactly what the negotiation process will entail. It must clarify what should be provided in writing to the Company as part of a formal bid, and what could be decided as offer terms based on subsequent negotiations between bidders and the Company.~~

1 ~~The RFP should clearly identify non-price requirements that bidders must meet to be considered a valid bid. An advantage should be conferred upon bidders that have permits in place, and on bids that contain firm cost figures as opposed to mere estimates.~~

Q. What actions did the Oregon Commission take?~~Does the Committee have any recommendations with regard to the certification process?~~

A. In its 18 February 2004 Order (CCS Exhibit 1.4), t~~T~~he Oregon Commission agreed that it was not persuaded that the new FASB standards would have a negative impact on PacifiCorp. The Commission adopted the staff recommendation that PacifiCorp may consider the effect of the FASB standards only after the Company performs a cost-effectiveness analysis for each PPA. The Commission noted that if the subsequent economic analysis properly identified increased cost or risk to PacifiCorp, then the Company could provide such an analysis for subsequent staff review and ultimately a Commission decision.

Q. What does the Committee recommend?

A. The Committee believes that PacifiCorp should have to demonstrate that any contract may have a negative impact on its financial standing by assessing each QF's potential burden to the Company. We therefore recommend that the Utah Commission follow in the steps of the Oregon Commission. Specifically, the Commission should direct PacifiCorp to assess the financial risk on a case-by-case basis and present a detailed analysis to the Commission to determine whether the avoided costs paid to the QF should be ~~impact~~reduced. ~~should require the Company to file any future request for a certificate of convenience and necessity at least four or five months prior to the proposed construction start date. Based on the Gadsby Peaking addition and this current docket, it is clear that parties need more time to adequately evaluate the Company's requests for certificates of convenience and necessity.~~

Q. Does this conclude your testimony?

A. Yes.

~~Cheryl this might be a good place to move to introduce Randy's testimony.~~