BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application	)	
of Pac ifiCorp for Approval	)	Docket No. 03-035-14
of an IRP Based Avoided Cost	)	
Methodology for QF Projects	)	
Larger than 1 Megawatt	)	
	)	

Surrebuttal Testimony of Rodger Weaver

May 12, 2004

Q. Please state your name and business address.

A. My name is Rodger Weaver. My business address is 825 NE Multnomah, Suite 800, Portland, Oregon 97232.

Q. Are you the same Rodger Weaver that filed direct and rebuttal testimony earlier in this case?

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose your surrebuttal testimony in this case?

A. I will be responding to issues set forth in Mr. Swenson's, Mr. Collins' and Mr. Gutting's rebuttal testimony.

Mr. Roger Swenson

Q. Could you tell me what the table on page three of Mr. Swenson's rebuttal testimony is supposed to indicate?

A. I am not sure what the table is supposed to indicate primarily because the table is so flawed that it fails to provide any useful information. For example, although the Currant Creek project is a SCCT project that will not begin operation until the summer of 2005, Mr. Swenson's table has the Currant Creek plant starting in the year 2004.

Q. Does the 45.5% capacity factor shown in that table provide useful information about the operation of the Currant Creek unit?

A. No. For one thing, it is unreasonable to mix the capacity factor of a SCCT with the capacity factors of a CCCT. Likewise, it is unreasonable to assume that the capacity factor for a CCCT during its early years of operation represents a reasonable measure of the capacity factor of the plant during the plant's life. While Mr. Swenson points out that this information comes from the Currant Creek in NBA1 model dispatch, he doesn't

indicate that in the model the capacity factors extend out through the life of the plant and that the average capacity factor after the early years is about 92%. This is a more appropriate comparison to a 20-year QF project than only viewing the average of the first three years of the Currant Creek project.

Q. On page 5 of Mr. Swenson's rebuttal testimony he indicates that the Company has reduced capacity payments to 25% based on the Company's claim that QF capacity is needed for only three months per year. Is this correct?

A. No. While the Company's direct filing assumed that, during the resource sufficiency period, the Company would need to acquire capacity in the wholesale market for three months in order to cover the capacity deficit during the summer, that assumption has, as Mr. Swenson knows, been changed. The Company has already agreed, consistent with its position in Docket 03-035-10 (the Schedule 37 Docket), that capacity payments for both large and small QFs should be based upon five months of capacity deficit during the resource sufficiency period. However, the fact remains that in the remaining seven months of each year during the resource sufficiency period the Company is capacity surplus and would not need additional capacity.

Q. Is it the Company's intention to preclude the construction of QF projects?

A. No. The prices proposed in this docket are intended to be the Company's full avoided costs. The prices are not intended to encourage or discourage the construction of QF projects.

Q. Do you agree with Mr. Swenson's interpretation of his table on page six of his rebuttal testimony?

A. No. This table addresses a QF resource that provides energy during a specific 15% or 50% of the hours in years 2004 – 2008, part of which is the sufficiency period for the

Company (through June 2007), and only representative of the SCCT and market purchase as the proxy. It does not reflect the longer term deficiency period when a CCCT at the 85% capacity factor is used as the proxy. The specific hours are the super peak hours (15% CF) and the heavy load hours (50%), respectively. Delivery of energy in these specific hours allows the Company to avoid higher costs than a resource that provides energy during a random selection of any 15% or 50% of the hours in a year or during all hours. If a low capacity QF like that shown in the 15% column on Mr. Swenson's page 6 makes a contractual commitment to and then delivers energy only during super peak hours for the energy sufficiency period, it should receive the capacity payment during these years in the months when the 15% or 50% of the hours are met (under the Company's avoided cost filing that would be 5 months in each year) plus the Company's QF energy rates shown in Mr. Swenson's table column 4 for the energy it delivers. Mr.Swenson's conclusion on page 7 lines 6-8 is incorrect. A developer considering a low capacity factor project committing to super peak delivery would have the opportunity to recover its cost based on the super peak cost it allows the Company to avoid. Of course, in the years after June 2007 it would not receive the cost it would allow the Company to avoid if it were to continue to only deliver on a 15% or 50% capacity factor as compared to the CCCT's 85% capacity factor basis.

Q. On page 8, Mr. Swenson states that the West Valley plant is the next deferrable resource because it has a termination option. Do you agree with this?

A. No. As I discussed in my rebuttal testimony, the West Valley unit is not the next deferrable unit. During the period 2004 through June 2007 the Company's least cost deferrable resource is a wholesale purchase. Starting in July 2007 the Company's deferrable resource is a CCCT.

Q. On page 9 of Mr. Swenson's rebuttal testimony he indicates that the methodology should be simple and easy to understand. Do you agree that the NDP method is simple?

A. No. As discussed in my rebuttal testimony, the NDP method is extremely complex and would be very difficult for the Company to bill. The NDP method would require the Company to do an hourly analysis of actual and scheduled delivery plus an hourly analysis to determine whether the Company is a net buyer or seller in the market. These calculations are complex and would almost certainly result in disputes between the parties.

Q. On page 13 of Mr. Swenson's rebuttal testimony does he propose to make an already complex billing methodology even more complex?

A. Yes. In his discussion of the payment of unscheduled energy he states "… if the increased generation from the QF causes transmission constraints. Then instead of receiving market prices the QF should be paid only the variable operating cost of the coal plant that reduced output because of the transmission constraints." This is yet another after the fact calculation that would be subject to dispute and would further complicate the calculation of his already complex methodology.

Dr. Richard Collins

Q. Dr. Collins has a similar concern about critical inputs and projected fuel prices. Please comment on his concerns.

A. On page 5 of his testimony, Dr. Collins talks about the weaknesses of the differential revenue requirement approach. He indicates that it requires projections of critical inputs and also talks about projected fuel prices that had been notoriously inaccurate. I would point out that QF developers evaluate their multimillion dollar investment opportunities

based upon projections of critical inputs including long term projections of fuel costs.

Q. Looking at Dr. Collins' rebuttal testimony on page 6 and on page 10, please comment on his concern about the inability for parties to independently verify and reproduce results.

A. The Company does not believe at this time that independent verification of differential revenue requirement results should be a concern. On numerous occasions the Company has provided intervenors with a GRID computer model for purposes of verification and analysis of model assumptions and results. In addition, the Company has also provided numerous workshops to train intervenors and other interested parties in the operation of the GRID model. The Commission has relied on the GRID model for some time. If a QF has a concern about the differential revenue requirement, the Company will provide them with computer loaded with the GRID model and reasonably teach them how to use it. If over time an alternative model is adopted for avoided cost application, the issue Dr. Collins raises here would have to be addressed regarding that model.

Q. On page 7 of his rebuttal testimony Dr. Collins discusses concerns about updating model information. Do you consider this to be problem?

A. No. As I mentioned, the GRID model has been part of the regulatory process for some time and updating is an issue that has been and will continue to be subject to the scrutiny of the regulators and other interested parties.

Q. On page 10 of Dr. Collins' rebuttal testimony he recommends that QFs should be paid capacity costs for months that the Company is actually short. Do agree with this?

A. Yes. The Company has already agreed that during the resource sufficiency period QFs should be paid capacity costs based upon five months. The five months of capacity costs

are paid in 12 monthly capacity payments.

Q. Would you comment on Mr. Collins suggestion that capacity costs should be based upon 12 months of simple cycle combustion turbine costs?

A. As Dr. Collins points out, PURPA requires payment based on the costs the utility could avoid by purchasing from the QF. If the Company is short for five months, then the Company should only pay five months of capacity costs. As mentioned in my rebuttal testimony, the Company's least cost resource for capacity is a market purchase targeted on peak load months. There are the capacity costs a QF would allow the Company to avoid during the sufficiency period.

Q. On page 14 of his rebuttal testimony does Dr. Collins appear to misunderstand the difference between capital cost and a capacity payment?

A. Yes. This is the same confusion I address with regard to Mr. Swenson on page 6 of my rebuttal testimony. Dr, Collins, like Mr. Swenson, confuses generation capital cost, regardless of its proper capacity vs. energy classification, with capacity cost.

Q. Do you agree with Dr. Collins' assessments regarding the US Mag/Desert Power calculation method, which begins on page 22, line 19 through page 25, line 18, of his rebuttal testimony?

A. While I do agree with Dr. Collins' assertion, that "QF rates should be set at full avoided costs and should include a capacity payment and energy payment that leaves the ratepayer indifferent", I do not agree with his assertion that "Mr. Swenson's testimony provides an improvement on the Company's method." As I discussed in my rebuttal testimony, beginning on page 2, line 22, and earlier in my surrebuttal testimony, the US Mag/Desert Power doesn't accurately determine the Company's avoided costs.

Q. Dr. Collins begins a summary of his testimony on page 25, line 21. Do you wish to

comment on this section?

A. I have responded to these points above. I would add that the sentence beginning on page 26 line 7 appears to address an idea not developed elsewhere in Dr. Collins' testimony and I am unable to respond to it.

Q. Would you respond to the variable O&M conversion error mentioned by Dr. Collins?

A. Yes. This issue was first raised on page 17 of Mr. Hayet's direct testimony and was mentioned in Dr. Collins' rebuttal testimony. The Company would correct this error by removing variable O&M calculation from Table 8 (the total resource fixed cost calculation) and adding them in Table 4 (the total avoided energy cost calculation). During the short run period, this adjustment would result in a lower capacity payment since the variable O&M costs would be excluded from the capacity payment but would not be included in the energy payment, which, during the short run, are based on the differential revenue requirement and proxy resource. During the long run, the adjustment would reduce the capacity payment and increase the energy payment. For a 85% capacity factor QF the reduced capacity payment would be exactly equal to the increased energy payment.

Mr. Scott Gutting

Q. Would you comment on Mr. Gutting's suggestion to require natural gas indexed avoided costs?

A. No. The Company makes its ultimate economic dispatch decisions daily and, as such, the appropriate gas index to use is the Gas Daily daily index for Kern River, Opal plant. In addition, in order help mitigate the effect of gas market price volatility upon customer rates, the Company will undertake hedging activities. The use of a daily index is more

appropriate in order to more closely match actual payments to the QF with market conditions at the time of dispatch. This will have the effect of more closely aligning the QF energy payments with what the Company would have experienced with the avoided resource and, therefore, cause the ratepayer indifference standard to be better met.

Q. On the natural gas price index issue, do you agree with Dr. Collins recommendation of a $0.65 basis adjustment if a Henry Hub-based index is used?

A. No. I address this issue in my rebuttal testimony.

Q. Does this complete your Surrebuttal testimony?

A. Yes.