BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR THE APPROVAL OF AN IRP BASED AVOIDED COST METHODOLOGY FOR QF PROJECTS LARGER THAN 1 MW	Docket No. 03-035-14

PREFILED SURREBUTTAL TESTIMONY OF ROGER J. SWENSON

Pioneer Ridge, LLC hereby submits the prefiled Surrebuttal Testimony of Roger J. Swenson in this Docket.

Dated this 19th day of September 2005.

_____

Roger J. Swenson
Consultant for Pioneer Ridge, LLC

PREFILED SURREBUTTAL TESTIMONY

Of

ROGER J. SWENSON

On behalf of Pioneer Ridge LLC

In the Matter of the Application of PacifiCorp for Approval of an IRP Based Avoided Cost Methodology for QF Projects Larger than 1 Megawatt

Docket No. 03-035-14

September 19, 2005

Q. Please state your name and business address.

A. Roger J. Swenson, 1592 East 3350 South, Salt Lake City, Utah 84106.

Q. By whom are you employed and in what capacity?

A. I am an independent utility and energy consultant and Vice President of Regulatory Affairs for Pioneer Ridge LLC.

Q. Have you filed testimony in this docket on previous occations?

A. Yes. I filed direct testimony and rebuttal testimony in this docket.

Q. What does the DPU say about the idea of using the last contract entered by Pacificorp to determine the QF wind price as a methodology?

A. DPU witness Coon states that the Division is not convinced that market contracts are the best proxy for a resource such as wind. Her stated concern is that wind projects have many site-specific characteristics to deal with. I would suggest that if we can build a DRR model to take into account all aspects of the utility energy production cost, then we can build a model to capture the value of characteristics at one wind site and apply that price such that it captures the value at a new QF site.

Q. What is the manner that the price can be transferred from the last wind contract entered into a pricing that can be used for a QF wind project?

A. The market reference contract pricing should first be converted into an off peak and on peak price if it is just based on a flat price. To convert the flat price into an on peak and off peak price we can use the expected MWH of production in the on peak and off peak period of the market based contract site. With some algebra

we can create the on peak and off peak price that will provide the total expected cost for the MWHs that would be produced by the project. Using the on peak and off peak pricing from the market contract as determine we can then use those prices directly in the QF contract. If the QF contract has more generation in the on peak hours than the market contract the effective value will be increased for the QF contract. If the QF has more generation in the off peak hours than the market contract it will receive less value than the market contract. An example of such a pricing transformation is provided as Pioneer Exhibit SR2.

Q. Should we consider other site-specific issues?

A. Yes. The project location in terms of transmission costs and any associated losses need to be taken into account. If there are transmission costs in either project then the contract price needs to be adjusted accordingly (either positively or negatively).

Q. What about green tags with the market reference methodology?

A. If the market reference contract transfers the green tags as part of the price then the QF price also includes the value within the consideration. The QF developer should have the right to hold the green tags and if the developer so chooses, then the IRP value of the green tags should be subtracted from the market benchmark price and the developer retains the green tags. If the market benchmark contract does not, then the market reference price does not include any consideration for the green tags and the green tags should not be transferred and should be retained by the developer.

Q. Ms. Coon states that the DPU is still assessing this method to price wind QF

contracts but they are working on a grid run. How does she state she will test the grid wind model?

A. She says that they will asses the differences between this grid run and the market contract that I suggest we use as the benchmark to price wind QF contracts. I agree that comparing the DRR model result output to the actual market contract is the best way to make sure that the model is working appropriately. It just makes more sense to eliminate the model and just use the market contract as the pricing basis.

Q. What does the CCS witness say about a wind QF methodology?

A. The committee witness Mr. Hayet states on page 24 of his testimony that " Customers should be indifferent to paying, for example, $40/MWh to a bidder that supplies wind energy or to a QF that supplies a similar wind energy product.". If a QF project gets paid the same prices as the last market based wind project, ratepayers will be indifferent so long as appropriate location adjustments are made.

Q. What does the Committee now suggest as the basis for pricing a wind QF contract?

A. The committee believes that now that it would be fair to use the lessor of the IRP price or the price that the first winning bidder in the most recent bid solicitation.

Q. Does the IRP price contain many assumptions?

A. Yes. The assumptions include all aspects that have been discussed by many of the parties in this case in reference to wind. But there is no conclusive basis as to why to use this IRP number and whether it has been updated to account for all

present costs.

Q. Mr. Hayet mentions a contract that was recently approved that has a $31.71/MWh price do you have an issue with using that low a price with the methodology you propose using the last price of the contract Pacificorp entered.

A. No. If Pacificorp can find contracts at that price, then that is what the market reference price should be. Of course, adjusted for location and operating characteristics then that is the cost that should be used to determine actual avoidable wind costs.

Q. **How does the market based approach for wind pricing protect ratepayers?**

A. The likely winners of any RFP and final negotiations with Pacificorp will be the lowest cost wind resource Pacificorp can find at that time. Using this market based approach will by its very nature solve the issues with subjective integration cost determination and the questions concerning capacity cost contribution as they are incorporated in the price, not manufactured by assumption.

Q. Mr. Griswold states that he does not agree with the market benchmark approach. What is his basis for his statement?

A. His rational seems to be that the last contract entered into from the last RFP does not represent what the price would have been absent unique circumstances. He does not explain how unique circumstances could have upset the price. If the price was too high Pacificorp would not have entered into the contract. The important consideration is that if conditions change such as new lower costs for wind turbines, then as soon as Pacificorp enters into a new non QF contract that has

pricing based on new factors it will set the price at that level. It is a self-correcting process.

Q. What else does Mr. Griswold state concerning the market based approach?

A He states that it is inappropriate to have an avoided cost methodology that segregates pricing by fuel type (such as wind). I would say that Mr. Griswold should have a discussion with the developers of the Pacificorp IRP. It is the basis for the segregated resource type with specific goals to achieve. Therefore there is a basis for using a segregated QF pricing methodology, since Pacificorp in its action plan should be adding roughly 200 MWs of wind resources per year.

Q. Mr. Griswold says that RECs should be provided as part of the QF transaction do you disagree?

A. I believe that Pacificorp can acquire the RECs from a QF project as long as there is appropriate consideration provided.

Q. Do you understand Mr. Griswold's discussion concerning the circumstance if Pacificorp does not get to have the RECs?

A. Not really. It sounds like Pacificorp is stating that if they don't get this that they will not consider this resource as renewable, even though it is. This seems like a semantic position that does not have any reasonable basis. RECs are not what the IRP process directed to add as a resource. The IRP sensitivity runs suggested that the resource that provided fuel price risk and environmental risk mitigation was the resource that the models suggested is needed. I also believe that if it is about the potential that Utah will have a renewable portfolio standard I would expect

that it will not be about semantics but will be about clearly meeting an important goal.

Q. Do you understand the comments concerning the mechanism for cost recovery and the treatment of wind QFs without the RECs as just a regular QF?

A. I have no idea what Mr. Griswold is driving at here. Again there seems to be more import given to meeting a semantic definition than embracing the value based on what a wind contract actually provides, reduced fuel price risk, reduced environmental risks and reduced dependence on fossil fuels.

Q. Does this conclude your testimony?

A. Yes it does