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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

PREFILED SURREBUTTAL TESTIMONY OF SCOTT GUTTING

The UAE Intervention Group hereby submits the Prefiled Surrebuttal Testimony of Scott Gutting.

DATED this 19th day of September, 2005.

/s/ Gary A. Dodge,
Attorney for UAE Intervention Group

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 19th day of September, 2005, to the following:

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR AN ORDER APPROVING AVOIDED COST RATES	)	Docket No. 03-035-14 SURREBUTTAL TESTIMONY OF SCOTT A. GUTTING

Sept, 19, 2005

I. INTRODUCTION

Q. Please state your name, business address and occupation.

A. Scott A. Gutting, 215 South State Street, Suite 200, Salt Lake City, Utah 84111. I am President of Energy Strategies, an energy consulting firm.

Q. Are you the same person who has filed direct Testimony in this case?

A. Yes.

Q. Who are you representing in this proceeding?

A. I am presenting testimony on behalf of the Utah Association of Energy Users Intervention Group ("UAE").

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to comment on rebuttal testimony filed by several parties in this case.

COMMENTS REGARDING UAE TOLLING PAYMENT OPTION

Q. The Division of Public Utilities has raised a concern about the tolling agreement concept proposed by UAE. Would you please comment?

A. Yes. Ms. Coon of the Division has commented as follows: "The Division believes that an energy price that is based on a tolling option that uses a short notice gas index could overstate avoided costs. The reason that the Division believes this is because PacifiCorp purchases a large majority of its gas 24 to 36 months in advance of its intended delivery and usage, at least some of which is procured by means of a competitive bid. These actions mean that the majority of PacifiCorp's gas purchases are not subject to the volatility of the short-term markets."

Ms. Coon's testimony goes on to say that;

> "The Division does believe, however, that a reasonable method of hedging exists. One possible solution would be to index prices based upon PacifiCorp's actual gas costs as shown in its contracts and other documentation. I am sure that other parties also have ideas that could present a workable solution to keeping a tolling arrangement while preserving ratepayer indifference. The Division is open to discussing alternatives."

Q. Does UAE have a recommendation on this issue?

A. Yes, we appreciate the Division's openness to addressing this issue. As we have consistently stated, UAE shares the Division's concern about not overstating avoided costs. We offer the following comments and suggestions to addresses this concern**:**

~~**[VERSION ONE:** When the Company intends to enter into a forward hedge for all of its gas price exposure at a particular market pricing point (e.g., Kern Opal), or sufficient of its gas price exposure to require the inclusion of QF exposure, the Company will notify each QF that has selected the Tolling option of the terms and conditions of the forward hedge it intends to secure. Based on the terms and conditions of the hedge and the heat rate specified in the agreement, the energy price that the Company will pay to the QF would be fixed for the term of that hedge. The QF will have the option to actually enter into its own forward hedge to manage its gas price volatility risk. With this proposal, there would be a risk management tool that would allow mitigation of the risk of gas price volatility to ratepayers.]~~

~~**[VERSION TWO:**~~ The purpose of a hedge is to buy a form of insurance to protect against undesired price volatility. A hedge should not be purchased for

the purpose of reducing gas prices, but rather reducing gas price volatility. Hedging is simply a means to transfer risk and will likely result in gas prices that are slightly higher than index prices over the long-term. Over time, the hedge should reflect the index or market price plus an "insurance premium" for absorbing the risk of price volatility.

Fixing QF prices is one way of implementing a ~~gas~~ hedge. By fixing energy prices up to 20 years in advance, you are assured that actual prices will differ from the fixed prices over time. The fixed price may be higher or lower than actual gas prices. The fixed price option is simply one means of hedging against gas price volatility.

With a tolling agreement a~~A~~nother means of hedging against gas price volatility is through financial markets. Either physical or financial hedges can be acquired that, in effect, do the same thing for a specified period of time as a fixed price QF option.

With respect to the potential for gas price volatility risk associated with a QF tolling agreement, PacifiCorp should factor this risk ~~always take gas risk stemming from QF tolling arrangements~~ into its consideration when it develops ~~in developing~~ its overall gas hedging strategies. If the utility hedges any ~~only a~~ portion of its total gas exposure at any given pricing point (e.g., Henry Hub or Opal), it may or may not have a desire ~~need~~ to also hedge all or a portion of the QF portion of its exposure at that time~~pricing point~~. If the utility determines that it should hedge some or all of its ~~QF~~ gas exposure (including a QF tolling

agreement) at a particular pricing point, it can implement ~~effect~~the hedge with either a financial hedge or a physical hedge

~~With a financial hedge, the utility would contract to pay the positive difference or to receive the negative difference between a specified fixed gas price at a specific pricing point and the actual daily index price at that market hub for a specified quantity of gas and over a specified period of time.~~

~~With a physical hedge, the utility would contract to buy a specified quantity of gas at an available fixed price at a selected pricing point for a specified period of time and would sell the same amount of gas at the daily index price at the same pricing point, thus effectively converting the QF gas payment into a fixed price.~~

In all circumstances the QF will remain responsible for arranging, delivering and paying for the fuel used at its QF facility. The QF will continue to be paid based on the contractual heat rate and the daily indexed gas price, but the net impact on ratepayers ~~the utility~~ will reflect the overall hedged position of the utility. ~~of fixed price.~~

COMMENTS REGARDING UAE INDEX PRICING OPTIONS

Q. Some parties have argued that UAE's proposal to use Index pricing for non-dispatch hours or non-firm energy does not reflect PacifiCorp's avoided costs in "graveyard" hours as illustrated in the Grid model. Do you have any comments on this discussion?

A. Yes, in addition to UAE witness Townsend comments I have the following additional comments.

It puzzles me that the March 2005 Palo Verde long-term electric price forecasts prepared by the Company for low load hours are so different than the value of low load ~~energy~~ avoided energy cost produced by the Grid Model. I have prepared Exhibit UAE-1SR.1 (SAG-1SR) to illustrate this point. This exhibit shows that the Company's l~~L~~ow l~~L~~oad h~~H~~ours FORECAST has a levelized value of $53.04 per MWH. The forecasts used by the Company are fundamental to many issues facing the Commission, including what resources are selected in the future to meet load. ~~needs~~ In the same Grid model, however, the LLH avoided cost output (UAE derived pre Grid modifications) or FORECAST ~~"forecast"~~ of avoided costs is $17.83 per MWH -- just 33% of the market forecast. Note that a DPU Data Request to PacifiCorp indicated the levelized low load hour avoided cost forecast was $23.36 MWH, which is 56% lower than the Company's. Said differently, GRID produces LLH prices that are nearly 300% lower than its own projected market prices.

If the Company's avoided cost during graveyard hours for the next 20 years is a levelized $17/MWH~~WH~~ (or even $ 23.36 /MWH) and if the Company is turning down coals plants during those hours then it does not make sense that the Company would be projecting a need to build anything in the future that would deliver power during low load hours, yet both the resource plan and Grid runs indicate adding significant MW's of high load factor coal resources in the next 20 years.

Q. Are there other issues that concern you in this exhibit?

A. Yes. In addition to comparing the forecasts used in the front end of the Grid model, I added a column that illustrates that the GRID model forecasts that the 2009 Gas Plant will run at a 29.258% capacity factor over the initial 10 years. This result supports UAE's comments in the IRP docket that the Company's proposal to build CCCT plants, especially at a 308% capacity factor as the GRID model suggests, should be carefully evaluated by the Commission.

Q. What do you ultimately make of this Exhibit?

A. The Company relies on forecasts to develop its resource plans and to run the GRID model. This is a necessary part of the process and I have no problem with it. As we all know, however, long-term forecasts will are nearly certain to be wrong. When long term forecasts are used in a complicated model with myriad assumptions, it is very important to "take a step back" and look at the inputs and results in a different light to see if they really make sense. The low-load hour LLH pricing projections from the 20-year GRID model simply do not make sense. They result in avoided costs that are understated and if adopted will otherwise result in fewer CHP projects being developed and other projects that are unneeded by ratepayers being developed in their place.

Q. UAE has advocated continued use of the Palo Verde Index price as a pricing option for CHP projects to choose. The Division has also commented that the "data on the Palo Verde index price indicates that the spread between PVV firm and non-firm index prices is "substantially" lower than 93%. Will you comment?

A. Yes. I attach Exhibit UAE-1SR.2 (SAG-2SR), which provides a comparison of on and off-peak pricing for the past 24 months -- a time period of relative stability following ~~after~~ the energy crisis. This exhibit illustrates that during all hours, non-firm prices are 95% of firm prices, that during ~~H~~high l~~L~~oad hours they are 92% and during l~~L~~ow l~~L~~oad hours they are 9~~97~~+% of firm prices. These~~is~~ data illustrate that the 93% of Palo Verde index price proposed by UAE is reasonable and, in fact, understated. ~~Even if one wanted to reflect concerns about possible market liquidity or transmission limitations in some Low Load hours, pricing based upon 85 - 90% of the market index in those hours is reasonable~~ **~~Do any UAE members have experience with how this pricing option works?~~**

~~**A.** Yes, the Tesoro refinery project has been selling power to PacifiCorp under this pricing option. This contract was expressly discussed in Mr. Griswold's rebuttal testimony on page 2 line 24.~~

~~**Q. In practice how has the Tesoro project operated under this agreement?**~~

~~A. Exhibit UAE 1SR-3 (SAG-3SR) illustrates the actual operation of the Tesoro Cogeneration facility under the 93% of Palo Verde pricing option from the 2004 settlement and as advocated by UAE in this case. In reference to the existing QF pricing approach, which intervenors advocate be continued in this docket, Mr. Griswold comments on page 2 lines 27-28 of his rebuttal testimony that "the QF can maximize it own revenue stream to the detriment of PacifiCorp and its ratepayers." Mr. Griswold provided no support for this assertion and I do not believe it is true. Moreover, as can be seen from the exhibit, the Tesoro CHP plant does not "put" power to the utility in all~~

~~hours. In fact, Tesoro dispatches its output back on its own facilities in during many Low Load Hours as Palo Verde Index prices decline. Based on Tesoro's actual operations, Mr. Griswold's unsupported argument is wrong.~~

Q. There have been claims that the markets are "illiquid" during low load hours. Can you provide any additional insight into this discussion?

A Yes. We have examined ~~some~~ data from Platt's on the relationship between HLH and LLH transactions. Exhibit UAE-1SR.3~~4~~ (SAG-3~~4~~SR) shows the volume of Platt's Index transactions in both MW's and # of transactions at ~~the~~ index points identified in Grid (COB, PV, Four Corners, Mid-C, and SP-15~~____~~). The exhibit illustrates that, in both cases (MW's and actual transactions), the ratio of off peak to peak activity reported in the Index data is roughly ~~above~~ 70%. ~~The average number of low load hours transactions over this time period was _____ per month. The average number of off-peak MW's traded during this same time period was _____.~~

Q. What conclusion do you draw from this data?

A. That data indicates that there are many transactions during low load hours at the index points surveyed. It supports UAE's proposal to continue using the index pricing options for QFs.

Q. What about the claim that PacifiCorp cannot access these markets because of transmission limitations?

A. It is simply not reasonable to suggest that non-firm transmission is not available in all, or even many, of the low load hours. At a minimum, power sales to the lowest pricing point should be available in nearly all hours, as power moves to the

higher-priced markets, opening up opportunities for sales transactions. In practice, I would expect ~~am certain~~ that PacifiCorp exploits these opportunities on a regular basis and, to the extent that they do, avoided cost prices should reflect this.

Q. Do you have any additional comments regarding how the Commission can encourage CHP projects if it elects not to adopt UAE's Index pricing proposal during Low Load Hours?

A. Yes. UAE has long advocated from a policy perspective that the State should encourage the efficient use of energy resources. This is one of the primary reasons that UAE has actively participated in this and other QF dockets. The Commission can clearly play a role in supporting this objective. UAE has been criticized for its PV index pricing proposal in this case by some parties. While we believe it is an important and reasonable option that should be available to QFs, if the Commission nevertheless rejects this index pricing option, then we propose an alternative proposal that may help ~~will still~~ promote efficient CHP development in Utah.

Q. What is your alternative proposal?

A. If the Commission rejects the use of market indices for setting LLH prices, as a matter of the public interest of the State of Utah, it should state publicly that ~~give~~CHP projects should have priority access to ~~actual~~ market hubs and Index pricing so that efficient CHP projects ~~power~~ can have the opportunity to be sold ~~to entities~~ at actual market prices~~values~~. This kind of "loading order" concept would encourage greater utilization of more efficient energy projects by giving them a

"leg up" in terms of transmission access over less efficient projects. California is pursuing a similar loading order concept. Following is an excerpt from an August 12, 2005, California Draft Energy Action Plan (EAP II) of the California PUC and California Energy Commission which is intended to address policies to encourage energy efficiency:

> "EAP II continues the strong support for the loading order – endorsed by Governor Schwarzenegger – that describes the priority sequence for actions to address increasing energy needs. The loading order identifies energy efficiency and demand response as the State's preferred means of meeting growing energy needs. After cost-effective efficiency and demand response, we rely on renewable sources of power and distributed generation, such as combined heat and power applications. To the extent efficiency, demand response, renewable resources, and distributed generation are unable to satisfy increasing energy and capacity needs, we support clean and efficient fossil-fired generation. Concurrently, the bulk electricity transmission grid and distribution facility infrastructure must be improved to support growing demand centers and the interconnection of new generation, both on the utility and customer side of the meter."

Q. Do you have any comments on the Rebuttal Testimony filed with respect to Debt Imputation Issues?

A. Yes~~,~~. I~~i~~n response to UAE Data Requests 4.6.1 and 4.6.2~~,~~ the Company provided rating agency ~~Wall Street analyst~~ reports from 2001 to date. I have reviewed these reports and other documents to understand the ~~get a feel for the~~ issues raised and the many factors considered by rating agencies ~~Wall Street analysts~~ with respect to rating ~~-~~PacifiCorp and utilities~~the Company.~~. The following list identifies some of the factors. The first section is a list of factors that S&P and Moody's cited in their credit reports specifically regarding PacifiCorp debt. These factors were pulled from the rating reports that were included in response to UAE Data Request 4.6.1 and 4.6.2. The second section is

from a report published by S&P titled, *Rating Methodology: Evaluating the Issuer* and is more general in nature. The third section is taken from Moody's presentation at the Western Conference of Public Service Commissioners in June 2005. The list below identifies 88 factors considered by rating agencies. Power purchase obligations, the subject of over 85 pages of testimony in this case, is but one of those factors. ~~The amount of PPA purchases is one issue identified in this review, but it is only one of literally hundreds of issues that Wall Street analysts review when evaluating utilities. For example, these reports include the following:~~

Rating Agency Factor List

~~The following contains factors and criteria used by the credit rating agencies in establishing a credit rating for Electric Utilities. The first section is a list of factors that S&P and Moody's cited in their credit reports specifically regarding PacifiCorp debt. These factors were pulled from the rating reports that were included in response to UAE Data Request 4.6. The second section is from a report published by S&P titled, *Rating Methodology: Evaluating the Issuer* and is more general in nature. The third section is taken from Moody's presentation at the Western Conference of Public Service Commissioners in June 2005. It too is more general in nature. There is some overlap between sections.~~

Section 1: Source: UAE Data Request 4.6.1 and 4.6.2

- Business profile (determined by S&P)
- ~~Diversified~~ Diversity of service territory
- Balance ind generation portfolio
- Recent favorable regulatory treatment
- Plant performance
- Electricity sales
- Hydroelectric availability in the Pacific Northwest
- Existence of a power cost adjustment mechanism
- Resource procurement processes
- Prospects for and history of ~~for~~ cost recovery
- Management of future capital expenditure program

- Liquidity measurements
- Existing debt maturities
- Credit facility capacity
- Pricing in the western U.S. power markets
- Power purchase obligations
- Retail rate increases approved by regulators
- Unplanned outages of utility's power plants
- Weather affects on electric sales
- Economic growth in States served by the utility
- Timely recovery of expenditures
- Utilization of future or other test periods
- Overall supply portfolio
- Recovery of costs associated with the 2001-2002 energy crisis
- How electric rates ~~that~~ compare to alternative regional suppliers
- Existence or absence of retail competition in service territories
- Reliance on wholesale purchases
- Financing structure of any possible acquisitions
- The utility's stand-alone credit metrics
- H~~Illustrated h~~istory of strong operations and regulatory management by the utility
- Record of reducing costs
- Improving infrastructure operations performance
- Stability of PacifiCorp's coal supply
- Price of coal supply
- Expiration of licenses for hydroelectric plants
- Approach to asset acquisition
- Weather affects on operations
- Capital investment needs in retail distribution~~s~~ systems and new generation
- Price volatility in service areas
- Predictability of cash flows
- Affiliation and relationship with parent
- Extent of ~~sive~~ transmission network

Section 2: Source *Rating Methodology: Evaluating the Issuer published by S&P.* This report broke the factors down into 4 general categories.

Regulation:

- The nature of the rate making structure. e.g. performance-based vs. cost-of-service
- Authorized return on equity
- C~~Timely and c~~onsistent rate treatment
- ~~Status of restructuring, e.g. residual obligation to provide power, which entails the purchase of electricity for resale~~

- Status of ~~FERC's evolving rules for~~ regional transmission ~~of~~ organizations, and independent system operators, ~~and for-profit Transco's~~
-
- Incentives to maintain existing delivery assets and invest in new assets
- Requirements to be ~~Nature of distributor support that retains the status of~~ provider of last resort
- S~~Status at S~~tate ~~restructuring, e.g.~~ posture toward recovery of stranded costs
- ~~Nature of regulatory scheme, e.g., price establishment through power exchange or economic dispatch vs. bilateral contracts~~
-

Markets:

- Economic and demographic characteristics, including size and growth rates, customer mix, industrial concentrations, and cyclical volatility
- Location
- ~~Generating capacity vs. demand~~
- Economic growth prospects

Operations:

- Cost, reliability, and quality of service (usually measured against various benchmarks)
- Capacity utilization
- ~~Projected capital improvements~~
- Nature of diversified business operations, if any
- Nature of generation, i.e., peaking, intermediate, or baseload
- Production cost inputs, including fuel costs, fuel diversity, and labor
- Level of physical and financial hedging sophistication
- Nature of supply contracts
- Efficiency measures, such as plant capacity and availability factors and heat rates
- Technology of plants
- Asset concentration within portfolio of generating units
- Construction risk
- Possibility of environmental legislation
- Diversity of fuel sources and types
- Marketing prowess
- Access to transmission

Competitiveness

- Alternative fuel sources, such as gas and self-generation
- Location of new generation
- Potential ~~for b~~ customer bypass
- ~~Rate structure~~

- Relative costs of production, both total and variable
- Threat from new, low cost entrants
- Alternatives to electricity, such as natural gas, technological innovations, and remote site applications, including fuels and micro turbines
- Plants' importance to transmission and voltage support

Section 3: Moody's Presentation Western Public Service Commissioners Annual Conference – June, 2005

- Extent ~~of~~ of utility's ~~company's~~ exposure to unregulated businesses
- Riskiness of unregulated businesses
  - ~~supportiveness of regulatory framework~~
  - ~~Cost recovery provisions~~
- Transition periods and rate caps
- ~~Status of deregulation/retail access~~
- ~~Incentive or Performance based rates~~
- Ring-fencing provisions
- Adequacy of liquidity arrangements
- Quality of corporate governance
- Quality of management-experience, appetite for risk, ability to fulfill company's stated strategy
- Event risk- the probability of a change to company's financial position, business risk, or regulatory and political operating environment
- Off-balance sheet risks

- FFO/ Adjusted Debt
- FFO/ Interest Expense
- Retained Cash Flow/ Adjusted Debt
- Adjusted Debt/ Total Capitalization

Q. Do you have additional comments with respect to this issue?

A. Yes. PacifiCorp witness Avera takes note of a rating agency report at page 65 lines 111-113 of his testimony that says "Therefore, whether a utility builds its own generation plants, or enters into a long-term power purchase agreement with a fixed cost component, that utility is taking on financial risk." As I mentioned above, there have been over 85 pages of testimony in this case filed to discuss this single issue yet there has been little mention and no calculations of the risks and

inherent costs to ratepayers of the utility building all or part of its own generation. Without that part of the picture the Commission is only getting half the story.

Q. Do you have any final comments on this issue? ~~What other documents have you reviewed that relate to this issue~~

A. Yes. This issue is not a resource procurement issue, it is a regulatory cost recovery, risk assessment and cost of capital issue and as such it should be addressed in that context, if at all.

~~CommissionapprovesldrespectPPA'sburdenshouldPPA'sdiversifying wholeisOther issues~~

~~**Q.What other issues would you like to address**~~

~~**A.** Division witness Ms. Coon responded to my comments obligation to serve and QF return on investment.~~ **~~Most of the parties in this case, including UAE, have stressed the importance of ratepayer indifference when determining avoided cost payment. Do you have any additional comments with respect to this issue?~~**

~~**A.** Yes, as I stressed in my Direct Testimony, this is a very important issue to UAE. The discussions have by a large been conducted in the context of $/MWH prices without any real dollars attached. In exhibit UAE-1SR.5 (SAG-5SR), I have provided a sample of the "outlier" positions of the parties and tried to show the possible impacts of the different positions. ratepayerpartiesthiscaseNothingthereMW'sof CHPCommissionoperatingoverarguablyithess ththis environmentefficientperhapsratepayer'sguessdecrease on~~

~~**Q. Please Describe**~~

~~A. In this exhibit I provide just two reference points of potential ratepayer impacts stemming from actions of the Company and others. Page one illustrates the impact that a $10/MWH swing in avoided costs would have on ratepayers of both the Tesoro and Exxon/Mobil projects. The potential ratepayer impact is $_____ million. Page two of the exhibit illustrates the potential impact on ratepayers of various gas price forecasts used in the Company's resources acquisition activities before this Commission. As you look across the past four gases price forecasts to which we have access – which form a key basis for the Company's resource procurement activities – the "potential" impact to ratepayers exceeds $440 million. My point is not to criticize faulty projections, but to highlight areas where ratepayers face real risks. The most significant impacts will not stem from the amount paid to a few CHP projects. Other decisions that come out of the resource planning efforts have much larger potential impacts.~~

Q. Many parties have emphasized potential ratepayer risks from setting QF rates too high. Is there another side of the coin? Do QF projects help ratepayers avoid other risks that are not taken into account in setting avoided cost rates?

A. Yes. CHP ~~QF~~ projects help avoid a number of risks that ratepayers face with respect to company-owned/built projects. For example, construction risks inherent in developing a project, the risk of cost overruns, rating agency risks, heat rate risks, cost of capital, catastrophic failures (like the Hunter II) etc. ~~….~~ A huge risk I fear is the risk of overbuilding unneeded resources due to growth and natural gas forecasts that may miss the mark. The utility is planning to acquire or construct over 1,500 MWs of generation in this IRP planning cycle. If the 150

MWs of potential efficient CHP facilities cited by the Company in response to CCS Data Request 13.2 play even a minor role in avoiding one of those 500 MW plants, ratepayers will have saved $100s of millions of dollars.

SUMMARY OF RECOMMENDATIONS

Q. Would you please summarize your recommendations to the Commission in this docket?

A. Yes. UAE recommends that the Commission do the following:

1. Explicitly adopt a policy, consistent with State statutes, to encourage the development of QF projects, and particularly efficient CHP projects ~~in Utah,~~ and to remove barriers to the development of efficient CHP projects.
2. Adopt Mr. Townsend's recommendations to include avoided transmission costs and line losses in the calculation of avoided capacity payments for firm QFs.
3. Require ~~Authorize~~ the continued availability of a tolling arrangement for a firm QF contract~~s~~, with energy prices during dispatch hours set by reference to the avoided CCCT's heat rate ~~(7.6)~~ and the Kern Opal daily gas index, plus transportation. Energy provided during non-dispatch hours should continue to be set at 93% of the Palo Verde index, at least until a Mona index is determined to be sufficiently liquid to set accurate market pricing.

4. Require the continued availability of a ~~firm~~ fixed price option for firm QF contracts, with energy prices determined in accordance with Mr. Townsend's proxy model. Alternatively, if the GRID model is to be used to establish energy prices, adopt Mr. Swenson's proposal to include the market value for 50% of the hours that GRID backs down coal units due to assumptions as to transmission and market liquidity constraints.

5. Adopt a "loading order" policy that gives CHP projects priority access to market in order to encourage and maximize sales from efficient CHP projects.

6. Direct the Parties to evaluate and investigate the use of a Mona pricing index.

~~**[this is where I ran out of time]**~~

~~Adopt UAE's recommended avoided cost methodologies and payment options as recommended by Witness Townsend, including the Index pricing option I recommend.~~

~~3. Adopt UAE line loss and other avoided cost payment adders.~~

~~4. Eliminate contractual and other barriers to QF and particularly CHP development in Utah.~~

~~5. Direct the Parties to evaluate to the independent Mona pricing index.~~

7. ~~6.~~ Reject ~~the proposal by~~ the Company's proposed ~~to employ~~ "blanket" contract price adjustments and ~~deductions and also to deduct from QF prices due to~~ debt imputation ~~and accounting issues determined by PacifiCorp~~.

8. Set 20 years as the standard QF contract term, but give a QF developer the ability to demonstrate to the Commission that a longer term is appropriate and in the public interest.

9. Direct PacifiCorp to add tariff language explaining available formal and informal dispute resolution processes and direct PacifiCorp to notify the DPU of requests for indicative pricing.

Q. Does that conclude your surrebuttal testimony?

A. Yes.