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 MW	))))))	Docket No. 03-035-14

Reconsideration Rebuttal Testimony of Bruce W. Griswold

February 17, 2006

Q. Are you the same Bruce W. Griswold that filed direct, rebuttal and surrebuttal testimony in this proceeding?

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. I will be responding to the direct testimony of Messrs. Swenson, Probst and Collins on transmission costs and line loss adjustments.

TRANSMISSION COSTS

Q. Mr. Probst asserts that there may be particular transmission costs that will not be identified in the RFP Proxy price and therefore are not captured in the costs that a QF can avoid. Do you agree?

A. No, the RFP Proxy price incorporates both the interconnection costs, in the bid price, and integration costs, if any, in the evaluation of the winning bid.

Q. How are the costs associated with the interconnection or integration of a resource determined?

A. Interconnection and integration costs are determined through a Network (NT) study. The NT study will establish the cost to both interconnect and integrate the resource into the system. Both the interconnection costs and the integration costs are included in evaluating and determining the winning bid. A QF

interconnection study is by default an NT interconnection study since a QF are always deemed to be network resource.

Q Is it appropriate to make adjustments to the winning bid Proxy price to incorporate an adjustment for the cost to integrate the QF resource if the result of the system impact study is different than the result of the system impact study from the winning bid?

A. No. The wind proxy price is the result of a competitive process. The RFP process evaluates the wind resources including the interconnection cost as a component of the bid price and integration costs, if any. The RFP is a system-wide process, and each bid is evaluated on project-by-project basis. The proxy price for wind is set based on the results of the competitive process and should not be adjusted based on the integration of the QF compared to the integration of the winning bid. As I said, the RFP is done on a system-wide basis and a proposed resource can be located in any of our six states as a system resource not specific to any given state or load pocket. The resources in the competitive process may or may not have a cost associated with integrating the resource however, based on all inputs the most cost effective bid will always be the resource that results in the most competitive price.

LINE LOSSES

Q. Do you agree with Mr. Swenson's statement that intermittent or non-firm resources should be eligible for line loss adjustment?

A. No. Mr. Swenson, and Mr. Collins for that matter, point to the laws of physics as support for their argument that intermittent or non-firm resources should be compensated for line losses. While the Company agrees that electrons obey the laws of physics rather than contractual provisions, the issue here is a contract issue. Like other avoided cost pricing adjustments which are designed to satisfy the ratepayer indifference standard, any line loss adjustment, either plus or minus, is based on the premise that line loss costs or savings result from the QF delivering power to a load area in lieu of power that PacifiCorp would have scheduled to be supplied to that same load area (either generated with its own resources or purchased). In order to be entitled to any such adjustment, the QF should actually permit the Company to avoid fully or at least partially line losses. While my direct testimony discussed both thermal and wind resources, the most important distinction is the firmness of the power being delivered. Beginning with thermal resources, Mr. Swenson points to US Magnesium and Desert Power's power purchase agreements as the examples of how line loss adjustments should be calculated. While the Company agrees that the proximity method is an appropriate method for the evaluation of line losses, it does not agree that the variation of that method in those contracts should be adopted for future QF contracts. An entitlement to line losses should be, in the Company's view, dependent on a contractual commitment by the QF to deliver energy. In the case of a dispatched QF, which has the contractual obligation to provide energy on demand, the Company can make plans regarding its load and resource balance that include the QF and, therefore, avoid line losses. In contrast, a non-firm QF

has the right, but not the obligation, to deliver power to the Company at any time and, as a result, the Company can actually incur additional line losses associated with that QF. For example, if the Company relied on a non-firm QF to serve its load requirements and the QF did not deliver, then PacifiCorp would have to replace that QF power in real-time from wherever it was available inclusive of line losses. Conversely, if the Company has scheduled a firm resource to meet load and the non-firm QF delivers power randomly to PacifiCorp then PacifiCorp has to manage this excess in real-time, by redispatching other resources or making sales off-system, once again incurring line losses. The same considerations apply to QF wind projects which are non-firm resources which cannot be scheduled or dispatched and, therefore, should not be entitled to line loss adjustments. In addition, despite testimony from some of the parties, there is no discrepancy between the treatment of wind resources under the RFP and QF wind resources. In neither case was the wind resource assigned a line loss benefit. The RFP considers a wind project to be delivering non-firm power to the nearest load interconnected to the system based on the location of the wind farm and not specific to Utah.

Q. Mr. Probst indicates in his testimony that new emerging technologies would eliminate the need for system average loss studies and this new technology could potentially measure losses on a real-time basis. Are you aware of any emerging technology that will solve the line loss issue?

A. No.. However, when and if such a technology becomes available, we would analyze its applicability to line loss studies for individual QFs. Currently, however, as Mr. Houston testified in his direct testimony, line loss studies are very complicated, very specific to the loads and resource locations, very expensive and time consuming, and very dynamic. If a QF is willing to incur the expense and delay associated with such a study, the Company would of course be willing to look at that option.

Q. Mr. Probst states that a smaller QF project like Wasatch Wind or a small community project would more likely serve local load versus a big project like the proxy contract which would be moved to a large load center. Does the MW size of the QF project determine where the power is used by Company?

A. No. Regardless of the size of the project, the QF resource would be a system resource and power delivered from the QF to PacifiCorp would be used to serve system load at the closest point to the QF. In addition, the smaller community projects that Mr. Probst mentioned (i.e. the reference to Milford High School) are really more interested in developing renewable energy projects for community benefit and seek the standard Schedule 37 pricing. Since Schedule 37 does not provide for line loss adjustments, these projects would not be eligible for line loss adjustment.

Q. Mr. Collins states that the Company's RFP process is flawed if it does not include line losses. Do you agree?

A. No. The renewable RFP, like any RFP, is a competitive bid process designed to compare a large number of renewable resource bids on an equal basis. The end goal, obviously, is to receive the lowest bid price while meeting all of the bid requirements. These requirements are all spelled out up front in the bid documents supplied to potential bidders. The bidder delivers a bid package with a price. If they are the successful bidder they are awarded the bid and a contract is negotiated. The bidder does not submit a price and ask for a premium for avoiding line losses. They submit a price and deliver intermittent energy to PacifiCorp's system at that price. The project is built at its location and the project is interconnected to the Company's system where it is deemed appropriate and power flows into the system to serve the Company's system load. To the extent the wind project must build a transmission line or purchase third-party transmission to interconnect to PacifiCorp's system, then the wind project absorbs any interconnection costs and line losses to get it to our system at the point of delivery and the Company integrates it as a system resource to serve system load. If the RFP wind project values line losses as part of its price then it is in the price already but the Company does not adjust the bid price for line losses.

Q. Mr. Collins suggests that line loss adjustments should be allowed for wind QF projects when the QF project is located in a transmission constrained

area. Should transmission constraints be considered in a line loss adjustment?

A. No. Transmission constraints are a consideration taken into account when the Company studies the transfer capabilities and integration of the QF resource into its system. If there are significant constraints in the transmission system that affect the receipt and transfer of power from the QF then those constraints and potential options for corrections or managing the constraints will be identified in the System Impact Study performed by PacifiCorp Transmission for the project. Line losses are not a consideration when assessing the impact of transmission constraints. Additionally, a wind project would not necessarily relieve any transmission constraints or avoid any line losses even if it is located within the load area that has transmission constraints. With an intermittent and non-firm resource, the Company would still schedule to meet its firm load requirements as I have previously discussed. Mr. Collins also proposes that the QF have an option to ask for a line loss study if it was outside a transmission constrained area and far from a load center. As I have already mentioned, line loss studies can be expensive and time consuming. However, if a QF is willing to bear the expense and delay, that is certainly something the Company would consider.

Q. Does this conclude your testimony?

A. Yes, it does.