



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

To: The Public Service Commission of Utah

From: The Committee of Consumer Services
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Date: April 26, 2007

Subject: Docket No. 07-035-14: Quarterly Compliance Filing—Avoided Cost Input Changes

Background

On April 6, 2007, the Division submitted a Memorandum to the Commission responding to the Commission's February 20, 2007 action request, which asked the Division to review and report on RMP's Quarterly Compliance—Avoided Cost Input Changes (Docket No. 03-035-14). The Commission subsequently amended its action request and asked the Division to also review and assess the Company's decision to not pursue the 25 MW expansion of the Blundell geothermal plant at this time.

The Division submitted recommendations relating to three areas: (1) discount rate; (2) load forecasting; and (3) Blundell Expansion. It proposed that these recommendations apply to the Company's next quarterly avoided cost update.

The Committee now provides its perspective on two of the Division's recommendations and additionally addresses the Cove Fort Geothermal Project.

Discussion

Load Forecast

As indicated in the Division's memo, the Company has substituted a mix of business plan forecasts and IRP growth rates by load bubble for the 20-year IRP load forecast that it previously relied on for avoided cost purposes. In addition, there have been recent updates to the 2007 IRP load forecasts that may differ from the forecasts used for the avoided cost update. The Company should be required to: (1) explain and reconcile the prior 20-year IRP load forecast with the avoided cost update and 2007 IRP forecasts; (2)

justify the use of any new load forecasts in the avoided cost update; and (3) show the impact on avoided costs stemming from the use of any new load forecasts.

Blundell Expansion

According to MEHC Merger Condition No. 52, PacifiCorp committed to perform an economic analysis of expanding the Blundell Plant by at least 25 MWs.¹ As discussed in the Division's memo, the plant-only cost estimate of \$4,259 exceeds the \$3,600 cost threshold set forth in the Tax Settlement Agreement. The Division recommends removing the 50 MW Blundell Expansion that was included in the Company's avoided cost update filing.

The Committee is still reviewing the information PacifiCorp provided in its notice that it was exercising the *force majeure* clause in the Tax Settlement Agreement. Upon completion of our review, we intend to submit a letter to the Commission with our recommendations. Consequently, the Committee believes it is reasonable to remove the Blundell Expansion from avoided cost updates until any further action is requested of the Commission and a decision by the Commission is issued.

Cove Fort Project

There is considerable uncertainty regarding whether a purchase power agreement will be executed between PacifiCorp and the developer of the Cove Fort Geothermal Project. As of March 16, 2007, there was a Standstill Agreement in place while the parties attempted to resolve contract differences. We also understand the expected plant capacity of 33 MW may be lower than originally proposed by the developer. The Company should be required to report on the status and viability of the Cove Fort Project prior to including it as a resource in the avoided cost update.

Recommendations

Based on the discussion above, the Committee recommends the following:

- (1) The Company should be required to explain and reconcile the 20-year IRP load forecast with the avoided cost update and 2007 IRP forecasts. The Company should also be required to justify the use of any new load forecasts in the avoided cost update and demonstrate the resulting impacts on avoided costs.
- (2) The Blundell Expansion should be removed from avoided cost updates until any further action is requested of the Commission and a decision by the Commission is issued.
- (3) The Company should be required to report on the status and viability of the Cove Fort Project before it is included in the avoided cost update.

These recommendations should apply to the Company's next quarterly avoided cost update.

¹ The potential expansion of the Blundell facility ranged approximately between 25-100 MWs.

