BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Petition of Spring Canyon LLC for Approval of a Contract For the Sale of Capacity and Energy From Its Proposed QF Facilities	:	**Docket No. 05-035-08**
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In the Matter of the Petition of Pioneer Ridge LLC & Mountain Wind For Approval of a Contract For the Sale of Capacity and Energy From Its Existing and Proposed QF Facilities	:	**Docket No. 05-035-09** **REBUTTAL TESTIMONY OF BRUCE W. GRISWOLD**

MARCH 18, 2005

Q. Please state your name, business address and position with PacifiCorp dba Utah Power & Light Company (the Company).

A. My name is Bruce W. Griswold. My business address is 825 N. E. Multnomah, Suite 600, Portland, Oregon 97232. I am a Manager in the Origination section of the Company's Commercial and Trading Department.

Qualifications

Q. Please briefly describe your education and business experience.

A. I have a B.S. and M.S. degree in Agricultural Engineering from Montana State and Oregon State, respectively. I have been employed with PacifiCorp over eighteen years in various positions of responsibility in retail energy services, engineering, marketing and wholesale energy services. I have also worked in private industry and with an environmental firm as a project engineer. I currently work in the Commercial and Trading Business unit of PacifiCorp. My responsibilities are wholesale and large retail transactions including the negotiation and management of the non-tariff power supply and resource acquisition agreements with PacifiCorp's largest retail customers.

Q. Have you previously appeared in any regulatory proceedings?

A. Yes. I have appeared in proceedings in Utah and Idaho.

Purpose of Testimony

Q. What is the purpose of your rebuttal testimony?

A. I am responding to the direct testimony of UAE, Spring Canyon and Pioneer Ridge LLC & Mountain Wind LLC regarding their responses to the three questions asked by the Utah Commission in its Scheduling Order issued February 24, 2005. The three questions asked by the Commission were:

(1) Does the Stipulation approved in Docket No. 03-035-14 ("Stipulation") still reflect PacifiCorp's avoided costs such that it remains the applicable interim method for determining avoided costs?

(2) If the answer to Question (1) is yes, how many megawatts are remaining under the cap contained in Paragraph 10 of the Stipulation?

(3) If the answer to Question (1) is yes, how should the order of eligibility for the remaining megawatts be determined and what is that order?

<u>Question 1: Applicable Interim Method For Determining Avoided Costs</u>

Q. Should the Stipulation as written remain the applicable interim method for determining avoided costs for the megawatts remaining under the Stipulation?

A. Under the terms of the Stipulation, a taskforce was created to review, discuss and file, by November 22, 2004, a report regarding a long-term avoided cost pricing methodology. The Commission was then expected to make a determination regarding those proposals by December 20, 2004. As a result, the Company anticipated that the Stipulation would be replaced by a long-term method by the end of last year. However, the Company believes that, although the Stipulation has remained in place longer than expected, the terms of the Stipulation are still appropriate for determining avoided costs for the 100 megawatts remaining under the Stipulation cap. The Company entered into the Stipulation in May 2004 with the full understanding that the terms and conditions of the Stipulation were just and reasonable for power purchases from Qualifying Facilities ("QF"), up to a cumulative cap of 275 megawatts, so long as the power would be available no later than June 1, 2007, and that remains the Company's position..

Q. While arguing that the prices in the Stipulation should remain unchanged, some parties are also advocating changes in other terms of the Stipulation to increase the 275 MW cap and extend the online deadline beyond June 1, 2007. Do you agree that these other proposed changes are appropriate?

A. No. The Company believes that it is inappropriate to change any single component of the Stipulation and not reopen the entire Stipulation. The on-line date was established to be on or before June 1, 2007 for the specific purpose of having resources available and on-line to meet the summer peak loads. Therefore, allowing the QF to be commercially available at a later date reduces the value of that resource and would require that the Stipulation prices need to be reevaluated.

Some of the parties in this Docket also assert that the 275 MW cap in the Stipulation should be increased. It is important to remember that the 275 MW cap was established, at least from the Company's perspective, to limit the risk that hundreds of megawatts of QF projects might line up for interim avoided cost prices before the Commission could establish a long-term method. As shown on Exhibit UP&L _____ (BMG-2), if the Commission changes the Stipulation eligibility criterion by extending the on-line deadline and eliminating the cap, there would be, based on discussions the Company has had with potential QF projects, upwards of 800 MW of QF projects seeking the Stipulation avoided cost prices. The methodology in the Stipulation did not assume or reflect that much additional capacity and energy in the Company's system. Therefore, the Stipulation prices would not reflect true avoided cost prices or meet the ratepayer indifference standard if applied to MWs in excess of the cap. Mr. Weaver addresses that further in his testimony. The Company understands that the Commission will deal with the long-term avoided cost methodology issue at the conclusion of this proceeding expeditiously. .

Question 2: Remaining Available MW Under The Stipulation Cap

Q. Do you agree with UAE or Spring Canyon's position regarding the number of megawatts remaining under the Stipulation?

A. No. Both UAE and Spring Canyon state that the Stipulation cap applies to "*firm*" QF capacity only and therefore, does not include the three non-firm QF contracts signed under the Stipulation. This is incorrect and is not consistent with the terms of the Stipulation or the intent of all of the parties who participated in the settlement negotiations leading up to the Stipulation. Section 5 of the Stipulation states, "Appendix A Prices will be available for any QF project with a nameplate capacity in excess of the Schedule 37 maximum capacity as determined by the Commission in Docket 03-035-T10." The key word in the sentence above is "*any*". It does not say firm or non-firm. The reference to "any" includes both firm and non-firm and is consistent with the intent of the settlement negotiations. If the QF can meet the monthly availability factor of 85 percent and agrees to be dispatched or prescheduled by PacifiCorp per the Appendix A definition then it has the right to the full indicative prices in Appendix A with any specific operational adjustments as allowed by the Stipulation. If the QF cannot meet those criteria but chooses to offer non-firm power (i.e. the QF has the right but not the obligation to deliver power to PacifiCorp), the QF has the right to receive the non-firm prices in Appendix A. .

The UAE and Spring Canyon argument is also not consistent with the intent of the parties to the Stipulation. At the time of the settlement negotiations, a list of potential QF projects was discussed by all parties. The list included the four QF contracts that have been signed. Prior to the settlement negotiations, two of the QFs, Kennecott and Tesoro, had requested to be considered non-firm QF contracts. These non-firm QF projects were nevertheless specifically considered in the settlement negotiation as part of the known QF resources that made up the 275 MW Stipulation cap. Additionally, US Magnesium, at the time of the settlement negotiations, had proposed to be a firm QF resource but later changed their position and sought non-firm QF prices. Their non-firm QF contract was approved by the Utah Commission in Docket 03-035-38 on December 16, 2004 and deemed to be consistent with the Stipulation, thus US Magnesium's 36.0 MW QF was included as counting against the 275 MW Stipulation cap.

Q. What is the Company's position regarding the number of megawatts remaining under the Stipulation?

A. The Company believes that there are 100 megawatts available under the Stipulation.

Q. What is the basis for your conclusion that there are 100 MW available?

A. I have prepared Exhibit UP&L ____ (BWG-1) which shows the four (4) QF contracts that have been signed under the Stipulation and have a total nameplate capacity of 219.0 MW. That would leave only 56 MW available under the cap. However, two of the QF projects have significant limits on their output. Desert Power's steam turbine has an operational derate that limits its output to 95 MW and Tesoro sells only the excess power over their own refinery load. Therefore, taking into account those factors, the total MWs for the four QF contracts is 174.8 MW, leaving 100 MW available for Stipulation pricing provided that a proposed QF meets the Stipulation criteria.

Q. Do you agree with UAE's position that a QF contract that expires should have the right to renew its pricing under the Stipulation?

A. No. Once the last 100 MWs under the Stipulation has been allocated by the Commission, Stipulation pricing is no longer available. QF contracts that expire are only entitled to the then applicable avoided cost prices. Indeed, the Kennecott and Tesoro QF contracts which terminate on December 31, 2005, can only be extended if the Commission finds that the contract's pricing and terms are consistent with the long-term avoided cost methodology that would be applicable at the time of extension. However, the Company anticipates that issues regarding a new long-term method for determining avoided cost prices will be addressed and determined by the Commission this year, before any of the existing QF contracts expire.

Q. Do you agree with Spring Canyon's position that they would have the right to claim capacity of the existing QF contracts if they expire prior to 2025?

A. No. That unreasonable assertion by Spring Canyon has no basis in the Stipulation and is inconsistent with the agreement of the parties who participated in the settlement negotiations. The Stipulation was never intended to be a 275MW flat block of firm capacity and associated energy for a 20 year term. It specifically provided for contracts up to 20 years. The Stipulation was a settlement to provide interim pricing while a new avoided cost methodology was developed that would be available for QF projects greater than 3 MWs. It does not state in the Stipulation nor was it the intention of the parties who participated in the settlement negotiations that any QF under the Stipulation would have the rights to another QF's contract capacity amount if that other QF's contract expired. Furthermore, it is reasonable to expect that any QF agreements entered into pursuant to the Stipulation and which expired prior to 2025, would be renegotiated based on the then current Commission approved methodologies.

Q. Please comment on UAE's position that the QF capacity factor should determine the amount of capacity that is applied to the Stipulation cap.

A. First, UAE believes that the cap is based only on firm capacity. For the reasons I stated above, that understanding is incorrect. Second, UAE proposes that the Stipulation be amended such that the MW capacity applied against the Stipulation cap is based on the capacity factor of the resource. I take that to mean that a 10 MW nameplate resource that has a capacity factor of 50% would contribute only 5 MW to the cap. There is no language in the Stipulation to support this assertion.

Q. Do you agree with Mr. Swenson's direct testimony on how intermittent resources such as wind QF projects should be treated under the Stipulation?

A. Yes, I agree that a wind resource that is seeking QF prices under the Stipulation should be treated no differently from any other QF resource that has applied for Stipulation pricing. However I do not agree with Mr. Swenson that the wind QF should receive a capacity payment. Per the Stipulation, the QF must meet the monthly availability factor of 85 percent and be dispatched or scheduled by

PacifiCorp per Appendix A in order to receive the full indicative prices in Appendix A with any specific operational adjustments as allowed by the Stipulation. Based on the wind project information provided, they would not meet either criteria. However, the wind QF does have the right per the Stipulation to be paid as a non-firm QF resource at 93% of the hourly shaped Palo Verde firm index price.

<u>Question 3: Order Of Eligibility For Remaining Available MW Under The Cap</u>

Q. What is the Company's position on the order of eligibility?

A. First, we clearly understand our obligation under PURPA to purchase the output of all QF projects. Thus, this is not an issue of whether or not the Company will purchase the output from the projects, this is simply an issue regarding a proposed parties' entitlement to the Stipulation avoided cost prices. Second, as an electric utility with an obligation to serve load, PacifiCorp would plan to serve load with the QF resource. In order to meet its obligation to serve load, it is important, as Mr. Weaver explains further in his testimony, that the QF be available by June 1, 2007. As a result, the most important Stipulation criterion for us is the commitment to be on-line and delivering power by June 1, 2007. The Company has been approached by several QF projects. Of these projects, Spring Canyon, Pioneer Ridge, Mountain Wind, and ExxonMobil have all indicated they can meet the June 1, 2007 Stipulation on-line date and are in various stages of project development leading to commercial operation.

However, of those projects, only the ExxonMobil project is currently on-line and operating as a QF. The ExxonMobil project also has documented its ability to deliver its output to PacifiCorp in Utah. The project has 75 MW of firm transmission from its site in Wyoming to Mona, Utah beginning January 1, 2006.

If the Commission agrees that that the order of eligibility should be determined based on a consideration of whether the QF is able to provide its output to the Company by June 1, 2007, then based on the information currently available and provided, the Company believes that ExxonMobil's QF project most closely meets that criteria..

Q. Does this conclude your testimony?

A. Yes it does.