

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR AN ORDER APPROVING ITS AVOIDED COST RATES	<u>DOCKET NO. 94-2035-03</u> <u>ORDER CONFIRMING</u> <u>BENCH DECISION</u>
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ISSUED: July 7, 1995

Appearances:

Edward A. Hunter	For	PacifiCorp
Michael Ginsberg	"	Division of Public Utilities
John T. Nielson	"	Chevron U.S.A.
Gary A. Dodge	"	Geneva

By the Commission:

PROCEDURAL HISTORY

On April 29, 1994, PacifiCorp filed an application with the Commission for an order approving its proposed standard avoided cost rates for purchases from qualifying facilities ("QF") 1000 kW or less in size. In addition, PacifiCorp applied for an order approving its proposed method for calculating standard avoided cost rates.

On May 20, 1994, PacifiCorp filed a motion to suspend the availability of QF contracts for QF 1000 kW, or less, in size pending issuance of the Commission's final order in this docket. On June 13, 1994, the Commission granted PacifiCorp's motion.

On September 15, 1994, the Commission issued an order establishing the schedule and the scope of this proceeding. In that order, the Commission limited the scope of this docket to the determination of the avoided cost rates for QFs 1000 kW, or less, in size and the

appropriate methodology for that calculation. At the behest of Chevron USA, the Commission on October 18, 1995, requested that interested parties submit their views and suggestions for handling projects greater than 1000 kW. On January 23, 1995, a public hearing was held before the Commission. At the hearing, the Commission heard testimony from Dr. Rodger Weaver for PacifiCorp (the "Company"), Ms. Rebecca Wilson for the Division of Public Utilities (the "Division") and Dr. Richard Anderson for Chevron USA ("Chevron").

POSITION OF THE PARTIES

The Company's proposed method for computing avoided costs is a combined differential revenue requirement and proxy method. During the period from 1994 through 1999, the avoided costs are based on the marginal energy production costs of operating the Company's existing system, plus the cost of purchasing summer capacity. During the period 2000 and beyond, the avoided costs are based on the fixed and variable costs of a combined cycle combustion turbine.

The Company argued that its method of calculating avoided cost prices was appropriate because the method produces avoided cost rates which reflect the costs the Company can avoid based on its resource requirements and least cost resource options with purchases from QFs. The Company also argued that the method was desirable because it was consistent with methodologies authorized in the Company's other jurisdictions and was simple to calculate and easy to use and update.

The Division filed testimony recommending that the Commission approve rates based on PacifiCorp's proposed method subject to two conditions. The first condition was that the Commission direct PacifiCorp to compute avoided energy and capacity costs using its integrated resource planning model, IPM, and to refile an application for approval of avoided costs methods and standard QF rates when the IPM avoided cost information is available for analysis.

The second condition was that avoided energy costs computed by PacifiCorp for the period of resource sufficiency, which were based on an assumption of 50 average MWs of QF power, be recalculated assuming 10 average MWs as a proxy for the QFs eligible for payments under standard avoided cost rates. The Division also recommended that the avoided cost rates approved in the proceeding be presented in a formal tariff and that the rates in the tariff state peak and off-peak prices for summer and winter and that the terms and conditions for payments available under the tariff, for example annual or levelized payments, be explicitly stated.

Chevron argued that the Commission does not currently have a mechanism to judge whether a purchase from a QF larger than 1000 kW or from some other alternative energy supplier is truly least cost. Current procedures do not afford the Commission or other parties a transparent analysis of such acquisitions. The Company's Integrated Resource Planning (IRP) process does not furnish such a judgement and the Company has not provided a process to

determine its avoided cost for these larger projects. QFs greater than 1000 kW and other independent power producers should be afforded a similar process in which it could calculate a payment for electricity sales to the Company. Chevron asserts that it is time to implement procedures that will allow for the review and evaluation of potential purchases of electricity from projects greater than 1000 kW. Chevron suggests that the only viable mechanism to provide such a transparent process would be a competitive bidding process for all projects above 1000 kW.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. PacifiCorp is an Oregon corporation duly authorized to do business in Utah. PacifiCorp, doing business as Utah Power & Light, is authorized by the Commission to provide retail electric utility service to the public within specified certificated areas throughout Utah. PacifiCorp also provides utility service in the states of California, Idaho, Montana, Oregon, Washington and Wyoming.

2. The Commission has jurisdiction over the rates and conditions for PacifiCorp's purchase of electricity from QFs under U.C.A. 54-12-2.

3. The Commission finds that PacifiCorp's proposed method for calculating avoided cost rates, as amended in Finding 4, is an appropriate method to determine payments for qualifying facilities 1000 kW and below.

4. The Commission finds that the Division's recommendation to use a 10 MW decrement rather than the 50 MW decrement to calculate avoided costs for QFs 1000 kW and below is in the public interest.

5. The Commission finds that the avoided cost rates calculated by PacifiCorp in this docket using the 10 MW decrement provide reasonable rates for purchases of energy and capacity from qualifying facilities 1000 kW and below.

6. The Commission finds that PacifiCorp should investigate and file a report regarding the use of the IPM model for the calculation of avoided cost prices. That investigation should be conducted and the resulting report filed after PacifiCorp files its final RAMPP-4 report with the Commission. Such reports should also be filed with any other avoided cost applications filed subsequent to the submission of the RAMPP-4 report.

7. The Commission finds that the issues raised by Chevron on projects larger than 1000 kW should be considered on an informal basis.

ORDER CONFIRMING BENCH DECISION

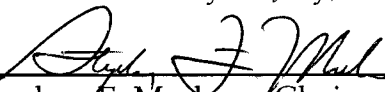
This Order confirms the Bench Decision entered by the Commission at the conclusion of the public hearing held in this matter on January 23, 1995 authorizing and requiring the following:

1. The Commission adopts the method proposed by PacifiCorp for the calculation of avoided cost prices as amended by the Division's recommendation to use a 10 MW decrement in the calculation procedure.

2. PacifiCorp shall file a tariff for the review and approval of the Commission which incorporates the rates approved in this Order.

3. PacifiCorp shall investigate and file a report with the Commission regarding the use of the IPM model to calculate avoided cost prices. That investigation shall be conducted and the resulting report filed after PacifiCorp files its final RAMPP-4 with the Commission.

DATED at Salt Lake City, Utah this 7th day of July, 1995.



Stephen F. Meacham, Chairman

(SEAL)




James M. Byrne, Commissioner
Pro Tempore



Stephen C. Hewlett, Commissioner
Pro Tempore

Attest:



Julie Orchard
Commission Secretary

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-
AFFIDAVIT OF MAILING

In the Matter of the Application)
of PACIFICORP for an Order Approv-)
ing its Avoided Cost Rates.)
_____)

DOCKET NO. 94-2035-03
ORDER CONFIRMING
BENCH DECISION

County of Salt Lake)
) ss.
State of Utah)

Annette Hansen, being duly sworn, deposes and says that she is a secretary regularly employed in the office of the Public Service Commission of Utah, whose office is located at the Heber M. Wells Building, Fourth Floor, 160 East 300 South, Salt Lake City, Utah.

That there is a United States Post Office at Salt Lake City, and at the place of residence or place of business of the persons whose names are set forth below; and between Salt Lake City and residence or places of business, there is a regular communication by mail.

That on the 7th day of July, 1995, affiant served a true copy of the hereto attached ORDER CONFIRMING BENCH DECISION on the said person by mailing such copy on said date in a post office in Salt Lake City, Utah properly enclosed in a sealed envelope with postage prepaid thereon, legibly addressed to the following persons, at the addresses shown:

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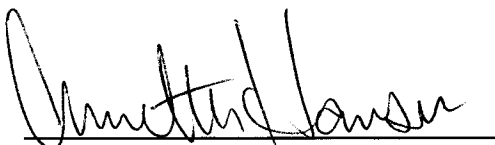
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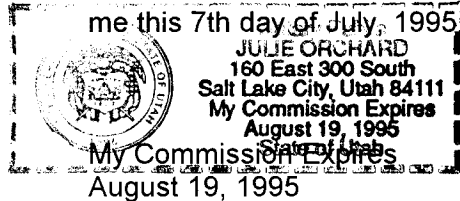
Subscribed and sworn to before
me this 7th day of July, 1995.



Secretary



Notary Public
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