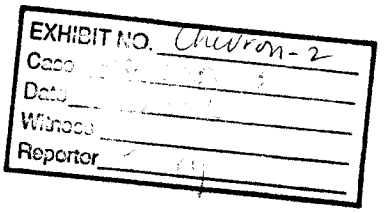


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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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| IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR AN ORDER APPROVING ITS AVOIDED COST RATES | ) ) ) ) | Docket No. 94-2035-03<br><br>COMMENTS CLARIFYING THE POSITION OF CHEVRON USA PRODUCTS COMPANY |

In its amended petition to intervene dated September 29, 1994, Chevron requested that the Public Service Commission ("Commission") expand the original scope of the docket to address the issue of PacifiCorp's ("Company") acquisition of resources greater in size than 1000 kw. In the Commission Order in Docket No. 94-2035-03 dated October 18, 1994, the Commission requested that the parties provide their views and suggestions regarding the handling of projects greater than 1000 kw in size.

Given the response of the Company to the Commission's request as reflected in the statement of Mr. Rodger Weaver submitted to the Commission on November 4, 1994, Chevron believes it necessary to provide additional comments to clarify its original intent in asking the Commission to address the issue of the Company's acquisition of resources larger than 1000 kw in size. Chevron feels that absent these additional comments there exist the possibility that the purpose and intent of Chevron's request will be misconstrued and

the focus of any subsequent discussions will fail to address the issue Chevron set out in its amended petition to intervene.

The question of the Company's acquisition of market resources greater in size than 1000 kw is of significant importance since it is this size resource which represents the vast majority of acquisitions the Company pursues. It is also an area likely to increase in importance due to the presence of competitive forces in the electricity industry. Since this size resource acquisition has and will continue to play a prominent role in the Company's acquisition strategy, Chevron believes it would benefit all parties to this docket to use this opportunity to develop a process whereby the acquisition of these market-based resources can be assured as having been least-cost.

This does not, nor should it be, construed as suggesting that the way to achieve such results is to have the Company develop a standard or generic avoided cost value to be applied in every acquisition the Company undertakes. Quite the contrary is true. Having a standard value against which these resources of 1000 kw or greater in size would be measured runs counter to the very notion of having their value determined through competitive forces. The comments offered by the Company seem to erroneously assume that the question to be addressed is whether a return to a standard avoided cost for all resource acquisitions is desirable. It is not and it was never the intent of Chevron to suggest such a course of action.

The Company has opined that "market-based alternative costs should be used to evaluate potential large (over 1000 kw) resource

acquisitions." Chevron completely agrees. Market-based prices provide a superior source of information as to the value of any potential resource to the Company's operating system. The reliance on the market to provide correct price signals is not in dispute. What is in question is the current process used by the Company for acquisition of resources 1000 kw or larger in size and whether this process can provide assurances that the values derived through the current process result in least cost resource acquisitions.

The intent of Chevron in requesting that the Public Service Commission expand the scope of this docket from its original limit of projects less than 1000 kw in size was to have the Commission adopt a process that would provide such assurances. The current process which relies on Company-developer negotiations to produce true market cost in every transaction can lead to results which are not characterized as least-cost. This is due to the erroneous assumption which underlies the negotiating process that both parties involved are negotiating from a position of equal knowledge and understanding. Such is not the case. Despite the perceived changes in the industry resulting from emerging competitive forces, the current reality is that the Company holds a vast advantage in any negotiated transaction due to its superior knowledge and understanding of its own generation, transmission and distribution system. These are not negotiations conducted on the proverbial "level playing field."

Chevron reiterates its request that the Commission adopt a process whereby the true market value of any resource transaction can be assured. Our position remains that this can best be achieved

through a competitive bidding procedure. The dynamics of the market (including locational factors, regional adjustments, etc.) will dictate the final value of the resources offered under a competitive solicitation. This will remove much of the imbalance in the current negotiation process and help minimize the costly and inefficient procedure of a developer seeking recourse at the Commission on a complaint basis.

The discussion in this docket should not result in a "pro-market vs. anti-market" rhetoric as suggested in the Company's comments. The desire of Chevron is to simply move the process forward with greater reliance on competitive forces as a guide for future resource acquisitions.

Additionally, Chevron's initial comments and these revised comments are intended as a response to the Commission's invitation to respond to the issue of an expanded docket. If the Commission rejects expanding the docket, Chevron again reserves its right to respond to and comment upon the original docket.

DATED this 9 day of January, 1995.

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By _____

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CERTIFICATE OF MAILING

I hereby certify that I caused a true and correct copy of the within and foregoing COMMENTS CLARIFYING THE POSITION OF CHEVRON USA PRODUCTS COMPANY to be mailed, postage prepaid, this 9th day of January, 1995, to the following:

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