

EXHIBIT NO.	DPU-2
Case	
Date	
Witness	
Reporter	

-BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH-

)	<u>Docket No. 94-2035-03</u>
In the Matter of the Application)	
of PacifiCorp for an Order)	Views and Suggestions of the
Approving its Avoided Cost Rates)	Utah Division of Public Utilities
)	Regarding QF projects over 1 MW

The Division respectfully responds to the Commission's request for views and suggestions regarding PacifiCorp's purchase of power from PURPA qualifying facility (QF) projects which are greater in size than one megawatt.

The Division supports the use of standard rates for smaller units only. We view the issue of the appropriate size limitation eligible for standard rates to be an open issue. Any process developed to address QFs greater than 1 MW could address the issue of appropriate size distinctions eligible for standard rates versus other processes.

Our primary suggestion is to open an informal docket to explore options for QFs greater than 1 MW. We expect that two situations will need to be addressed to accommodate efficient and desirable QF projects. The first situation is when PacifiCorp is resource deficient and the second situation is when PacifiCorp is resource sufficient.

In the first situation, when PacifiCorp needs to acquire resources for its retail load, an appropriate tool might be to establish competitive bidding rules defining the terms, conditions and criteria applicable for QFs submitting a bid to provide power to PacifiCorp.

The second situation is when PacifiCorp is resource sufficient or experiences a transmission constraint it does not find economic, from the perspective of its retail customers, to remove. We recognize that PacifiCorp experiences periods of resource sufficiency which may or

may not coincide with the development of very efficient and desirable projects, and we further recognize that PacifiCorp has considerable market power in determining when, where and under what conditions it purchases power for the wholesale market during this period of resource sufficiency. We therefore think that in this case, it is crucial to assure that viable QF projects have open access to the transmission grid at rates comparable to the costs transmission owners enjoy. Open access to the transmission grid at comparable rates could assist in creating options for QFs to market their power when the price PacifiCorp offers is not acceptable.

We recognize that the issue of open transmission access and the advent of potential institutions, i.e., Regional Transmission Groups, potential "Poolco's", are important factors that can influence and possibly level the wholesale market playing field. We therefore find it important to proceed in an informal manner to develop the processes, tools and institutions which can assure that economically and environmentally sensible projects are developed in Utah to meet demand for electricity wherever it may occur.