- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of PACIFICORP, dba Utah Power & Light Company, for Approval of Standard Rates for Purchases of Power from Qualifying Facilities Having a Design Capacity of 1,000 Kilowatts or Less	))))))	DOCKET NO. 97-2035-02
--------------------	)))	DOCKET NO. 00-2035-02 ORDER
In the Matter of the Application of PACIFICORP for an Order Approving its Avoided Cost Rates		

ISSUED: February 23, 2001

By The Commission:

INTRODUCTION AND PROCEDURAL BACKGROUND

On February 14, 1997, PacifiCorp, dba Utah Power & Light Company (PacifiCorp or Company), applied for Utah Public Service Commission (Commission) approval of its proposed Electric Service Schedule No. 37. This schedule establishes standard prices for purchases of power from Utah-located Qualifying Facilities (QFs) with a design capacity of 1,000 Kilowatts (kW) or less. The rates are based on avoided costs which are developed from the Company's Integrated Resource Plan (IRP). Avoided costs are costs the Company would incur to serve its native load "but for" the generation provided by the QFs. In its original application, a modified version of the Company's then most current IRP, RAMPP-4 (Resource and Market Planning Program - 4), was used to estimate avoided costs. Key inputs and assumptions used in RAMPP-4, such as fuel costs, off-system energy prices, and resources costs, were modified and updated for the Company's filing.

On February 18, 1997, the Commission opened Docket No.97-2035-02 and issued an Action Request to the Division of Public Utilities (Division, or DPU) to evaluate the Company's application by March 5, 1997. On March 5, 1997, the Division requested additional time for analysis with a response promised by March 28, 1997. On March 14, 1997, the Utah State Legislature passed legislation which froze all rate schedules for Utah Power until May 1998. This effectively prohibited the Division and the Commission from considering the avoided cost tariff request. The Division postponed its investigation and awaited the expiration of the rate freeze.

When the rate freeze expired, the Division resumed its investigation and recommended, via its February 5, 1999 Memorandum, that the Company resubmit its analysis using the RAMPP-4 IRP with new assumptions and inputs which reflected the changes that occurred during the two year interim. The Division recommended against using the more recently issued RAMPP-5 IRP as a basis for a new avoided cost filing because, in its opinion, RAMPP-5 contained unrealistic assumptions that led to faulty conclusions about resource balance. On April 21, 1999, the Commission declined to acknowledge RAMPP-5 because of reasons cited by the Division and other parties. On October 20, 1999, the Commission ordered the Company to resubmit its application compliant with the changes recommended by the Division in its February memorandum.

The Company submitted its revised filing on December 10, 1999. Another action request was issued to the Division with a response due by April 28, 2000. The relatively long response time was made to accommodate the time commitments of the Division's personnel for their participation in the Utah Power general rate case and the sale of the

Centralia generating plant. On May 2, 2000, the Division requested an extension until May 31, 2000 in order to further examine the significant changes made in the Company's filing. On June 7, 2000, the Division requested another refiling of the application to reflect the pending sale of the Company's Centralia. It also recommended that avoided cost calculations be based on the load and resource plan developed in conjunction with RAMPP-6, the Company's nearly completed IRP and that the Company incorporate known and measurable changes into its calculation. On July 11, 2000, the Company refiled its application using RAMPP-6 assumptions and reflecting the sale of Centralia under a new Docket No. 00-2035-02. On August 28, 2000, the Division recommended a further revision of the application to reflect the dramatic change in natural gas prices. The Division recommended the use of the Company's current natural gas price predictions rather than RAMPP-6 assumptions. On September 27, 2000, the Commission issued an Order for Correction of Application requiring the Company to calculate avoided costs with the updated gas forecast. The Company submitted its filing on October 10, 2000. The Division recommended approval of the application in its October 16, 2000 memorandum.

DISCUSSION

This application has taken an unusual amount of time from its first filing to this decision. One cause of the delay was the Legislature's decision to freeze all rate schedules while contemplating electric restructuring and deregulation. In addition, the Division and other regulatory agencies experienced resource constraints as a result of general rate case filings and other regulatory matters after the rate freeze. A further cause for delay was the constantly changing set of circumstances that the Company and the industry found itself in. These changes required a reexamination of the inputs used to calculate avoided cost rates as well as the general methodology. In fact, input assumptions are changing even as this order is being written. These changes cause some concern for the Commission and in other circumstances might result in further updates. However, given the delays in this docket and the relatively narrow impact of this order, we will base our decision on the Company's most recently revised application.

PacifiCorp uses information in its draft RAMPP-6 IRP to project its load and resource balance. In its application, PacifiCorp states that summer and annual energy resources are inadequate to meet firm load requirements beginning in 2000. When capacity and energy are deficit, the Commission has relied on the use of a proxy resource to estimate avoided costs for Qualifying Facilities. According to the draft RAMPP-6 analysis, a combine cycle combustion turbine is the least cost resource for a range of natural gas price assumptions. However, at today's gas prices, coal becomes least cost, still RAMPP-6 picks natural gas resources because of the long lead time associated with coal plant construction. The Division's analysis indicates that the Company's avoided cost assumptions are consistent with the RAMPP-6 input assumptions but reflects more realistic assumptions about natural gas prices. The Division's memo also indicates that the avoided costs used in this filing were not used in its analysis of special contracts. The Division concludes that the Company's latest revised application provides reasonable estimates of PacifiCorp's avoided costs and recommends adoption of the rates derived therefrom for Qualifying Facilities under 1000kW.

FINDINGS OF FACT AND CONCLUSION OF LAW

- PacifiCorp is a public utility which provides retail electric service in the states of California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp conducts its electric utility business in the state of Utah under the assumed business name of "Utah Power & Light Company."
- Applicant's rates for the purchases of capacity and energy from QFs are subject to Commission jurisdiction pursuant to Section 210 of the Public Utility Regulatory Policies Act of 1978 and Utah Code Ann. Section 54-12-2.
- PacifiCorp last submitted, for the Commission's approval, standard avoided cost rates for Qfs of 1,000 kW or less in Docket No. 95-2035-03. Those rates, submitted to the Commission on May 23, 1995, were based on a load and resource plan developed in conjunction with PacifiCorp's third integrated resource plan, RAMPP-3, and were updated to incorporate known or measurable changes in assumptions and inputs.
- PacifiCorp's avoided cost rates are shown in its proposed tariff Schedule No. 37, attached hereto as Exhibit B.
- The Division has reviewed the Company's application and analyzed its method of calculating avoided costs and rates reflecting those costs for QFs under one megawatt and has recommended Commission approval of these rates.
- The Commission finds that the avoided cost rates for QFs of up to one megawatt and the terms and conditions for

the purchase of power from QFs are reasonable.
- The avoided costs used and approved in this docket should not be assumed to represent avoided costs used in other dockets. For the evaluation of special contracts and demand-side resources, new avoided cost estimates may be necessary.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

The avoided cost rates, terms, and conditions contained in PacifiCorp's October 10, 2000 filing, contained in Exhibit B, are approved by the Commission as just and reasonable rates in purchases involving QFs with a design capacity of up to 1,000kW.

DATED at Salt Lake City, Utah, this 23rd day of February, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Clark D. Jones, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary

Exhibit B

Utah Power

First Revised Sheet No. 37.3

P.S.C.U. No. 43 **Canceling Original Sheet No. 37.**7

UTAH POWER & LIGHT COMPANY
ELECTRIC SERVICE SCHEDULE NO. 37
STATE OF UTAH

Avoided Cost Purchases From Qualifying Facilities

AVAILABLE: To owners of Qualifying Facilities in all territory served by the Company in the State of Utah.

APPLICABLE: For power purchased from Qualifying Facilities located in the State of Utah with a design capacity of 1,000 kW or less. Owners of these Qualifying Facilities will be required to enter into a written power sales contract with the Company.

DEFINITIONS:

Cogeneration Facility

A facility which produces electric energy together with steam or other form of useful energy (such as heat) which are used for industrial, commercial, heating or cooling purposes through the sequential use of energy.

Qualifying Facilities

Qualifying cogeneration facilities or qualifying small power production facilities within the meaning of section 201 and 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), 16 U.S.C. 796 and 824a-3.

Small Power Production Facility

A facility which produces electric energy using as a primary energy source biomass, waste, renewable resources or any combination thereof and has a power production capacity which, together with other facilities located at the same site, is not greater than 80 megawatts.

Winter Season

The months of November through April.

DEFINITIONS (continued)

Summer Season

The months of May through October.

Peak Hours

On-peak hours are defined as 6:00 a.m. to 10:00 p.m. Monday through Saturday, excluding holidays. Holidays include only New Year's Day, President's Day, Memorial Day, Independence Day, Pioneer Day, Labor Day, Thanksgiving Day and Christmas Day. When a holiday falls on a Saturday or Sunday, the Friday before the holiday (if the holiday falls on a Saturday) or the Monday following the holiday (if the holiday falls on a Sunday) will be the holiday and will be Off-peak.

Off-Peak Hours

All hours other than On-peak.

MONTHLY PAYMENTS: The Monthly Payment shall be the sum of the avoided cost energy payment and the avoided cost capacity payment if applicable.

RATES FOR PURCHASES: The non-levelized and levelized prices shown below are subject to change from time to time to reflect changes in the Company's determination of Utah avoided costs. The prices applicable to a Utah Qualifying Facility shall be those in effect at the time a written contract is executed by the parties. Capacity payments are determined using deliveries made during on-peak hours. The levelized prices shown are for a 20-year contract and assume a 2000 starting date. Levelized prices for contracts which start after 2000 and are for periods of 20 years or less are available upon request.

Non-Levelized Prices

Deliveries During Calendar Year	Capacity Price $/kW-mo	Peak Energy Prices Winter/Summer ¢/kWh	¢/kWh	Off-Peak Energy Prices Winter/Summer ¢/kWh	¢/kWh	Average Energy Price ¢/kWh	
2000	4.73	2.90	2.90	1.93	1.93	2.48	(I)
2001	4.86	2.96	2.96	1.99	1.99	2.54	(I)
2002	5.00	2.78	2.78	1.81	1.81	2.36	(C)
2003	5.14	2.60	2.60	1.63	1.63	2.18	(R)
2004	5.29	2.42	2.42	1.45	1.45	2.00	(R)

2005	5.43	2.46	2.46	1.49	1.49	2.04	(R)
2006	5.59	2.50	2.50	1.53	1.53	2.08	(R)
2007	5.74	2.54	2.54	1.57	1.57	2.12	(R)
2008	5.90	2.58	2.58	1.62	1.62	2.17	(R)
2009	6.07	2.63	2.63	1.66	1.66	2.21	(R)
2010	6.24	2.67	2.67	1.70	1.70	2.25	(R)
2011	6.41	2.71	2.71	1.75	1.75	2.30	(R)
2012	6.59	2.76	2.76	1.79	1.79	2.34	(R)
2013	6.78	2.81	2.81	1.84	1.84	2.39	(R)
2014	6.97	2.85	2.85	1.89	1.89	2.44	(R)
2015	7.16	2.90	2.90	1.94	1.94	2.49	(N)
2016	7.36	2.95	2.95	1.99	1.99	2.54	(N)
2017	7.57	3.00	3.00	2.04	2.04	2.59	(N)
2018	7.78	3.05	3.05	2.09	2.09	2.64	(N)
2019	8.00	3.11	3.11	2.14	2.14	2.69	(N)

Levelized Prices (Nominal)

Capacity Price $/kW-mo	Peak Energy Prices Winter/Summer		Off-Peak Energy Prices Winter/Summer		Average Energy Price	
	¢/kWh	¢/kWh	¢/kWh	¢/kWh	¢/kWh	
5.82	2.72	2.72	1.76	1.76	2.31	(C)