

To: Utah Public Service Commission  
Steve Mecham, Chair  
Connie White, Commissioner  
Ric Campbell, Commissioner

From: Renewable Energy Systems, North America, Inc.  
(RES, NA)  
Richard Collins

Re: Docket No. 02-035-T11; Schedule 38, Qualifying Facilities

Date: November 4, 2002

## Introduction

On August 1<sup>st</sup>, August 13<sup>th</sup> and September 3<sup>rd</sup>, the Commission held a series of informal meetings to discuss the impediments confronting independent power producers and qualifying facilities in obtaining power purchase agreements from PacifiCorp. During these discussions, the Company agreed to submit a tariff outlining the response schedule for Qualifying Facilities (QFs). On October 7, 2002, PacifiCorp filed an application for Commission approval of its proposed tariff, Schedule 38, Qualifying Facility Procedures. The tariff identifies the procedure for negotiating a power purchase agreement with the Company. The tariff applies to QFs with generating capacity greater than one megawatt. As a potential QF, we would like to take this opportunity to make the following comments and recommendations to the Commission.

## Background

The tariff specifies the procedures the Company will follow in response to a request by a qualifying facility for a power purchase agreement. The tariff outlines two parallel tracks for negotiation, one for the power purchase agreement, the other for an interconnection agreement. Interconnection agreement will follow the procedures for interconnection described in the Company's Open Access Transmission Tariff filed with FERC. We have not had time to review this procedure but request the right to comment on it at a later date. The procedure for negotiating a power purchase agreement involves a four step process that could take 90 days or more before formal negotiations begin. The tariff is scheduled for implementation on November 7, 2002.

## Comments and Recommendations

We have read the Division of Public Utilities' October 31, 2002, memorandum on Schedule 38 and generally agree with the comments and recommendations put forth. We agree that the timeline could be shortened by 30 days by simply eliminating the first step. The Company could post a copy of its generic power purchase agreement (PPA) on its Oasis web site or send it immediately upon receipt of information required in Step 2. The tariff specifies a 30 day response time after receipt of all required information, but leaves the timeframe nebulous for when the Company tells the applicant that its information is incomplete.

In addition, we ask for clarification on the nature of the information needed to provide evidence that the project can be financed and equipment bought. Are signed contracts or letters of credit required? We also note that there is no time limitation for negotiating the final power purchase agreement. This could lead to protracted negotiations without closure.

We find that the schedule fails to provide any guidelines on the method for determining an indicative price for QF projects. We understand that each project will have unique characteristics, but the schedule should provide both parties with some guidance on how best to calculate fair prices. We also would like more information on the form of the power purchase agreement. Is it amenable to an intermittent power source? As wind has proven to be the least-cost and least risk alternative energy source, the PPA should accommodate the particular nature of the wind resource.

In spite of our concerns, we recommend that the Commission approve this tariff with the recommended change that the first step in the timeline be eliminated and the Company posts its generic power purchase agreement on its Oasis web site. We strongly recommend that the Commission initiate a stakeholder review process that will investigate methods for determining avoided costs rates for qualifying facilities, review the PPA and correct inadequacies in regard to intermittent resources and revise the tariff to address any other issues that may arise.