



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

To: The Public Service Commission of Utah

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Date: 31 January 2003

Subject: Docket No. 02-035-T11: Comments on PacifiCorp's Revised Proposed Schedule 38

1 Background

On 7 October 2002, PacifiCorp (the Company) filed a proposal with the Public Service Commission (Commission) for a new Electric Service Schedule 38. The purpose of the filing was to establish procedures for sales of power to the Company by qualifying facilities (QFs) with a design capacity greater than 1MW. Based on responses to this proposal from the Division of Public Utilities (Division), the Committee of Consumer Services (Committee) and Renewable Energy Services North America (RES), on 12 November the Commission suspended the proposed schedule, invited additional comments by 29 November, and gave PacifiCorp the opportunity to respond by 13 December.

On 13 December 2002, PacifiCorp filed a revised proposed schedule, which the Committee has reviewed together with the comments submitted by the Division on 17 January 2003, and now offers the following comments and recommendations to the Commission.

2 Analysis

In response to the comments of the various parties, PacifiCorp appears to have modified the proposed Schedule 38 in a number of respects, the most significant being:

- 2.1 The Company has agreed to make a copy of its generic power purchase agreement available on its website, and is working with the other parties in this proceeding to prepare the text.
- 2.2 PacifiCorp now agrees that, in responding to a requesting party, it will simultaneously provide indicative prices and the methodology it has used to compute its avoided costs.
- 2.3 PacifiCorp has eliminated conditions (eg in 2.k and 4.i) requiring a requesting party to provide "any other information" unspecified in the schedule.
- 2.4 The Company no longer reserves the right to require evidence that equipment contracts have been signed or that project financing is in place.
- 2.5 The requirement that a requesting party already have achieved QF status has been replaced with a simpler one to demonstrate the ability to obtain that status.

In its 4 November 2002 memorandum, the Committee recommended that PacifiCorp spell out the avoided cost methodology that it would use to determine power purchase prices in its Tariff. In its 13 December reply comments, which were accompanied by the revised proposed Schedule 38, PacifiCorp states that: "Establishing an avoided cost methodology ... is not part of the Company's proposed Schedule 38."

This proceeding began when the Legislature asked the Commission to address the barriers facing independent power producers who wanted to sell electricity to PacifiCorp. The Company's continuing reluctance to make its methodology available is just such a barrier.

The public interest, and the establishment of just and reasonable rates, lies in PacifiCorp obtaining supplies of electricity at the lowest long-term cost. That can only be assured if there is open and even-handed competition when additional resources are needed. And that can only be assured when the method that PacifiCorp will use to compare alternative sources is open and transparent.

PacifiCorp has said or done nothing that persuades us that its revised proposed Schedule 38 should be approved without the publication of its avoided cost methodology. The Committee believes it to be in the public interest for the methodology to be on the record and approved by the Commission before Schedule 38 is implemented.

Nor should the Schedule be approved until PacifiCorp's generic power purchase agreement is filed with and approved by the Commission

3 Recommendations

The Committee recommends that the Commission ensure that Schedule 38 is right before it is approved, rather than approving it first and then having the parties work to get it right. The Commission should continue to suspend the proposed schedule until PacifiCorp removes the barrier caused by its refusal to declare the avoided cost methodology it intends to use to evaluate QF requests. And, as we said in our 4 November memo, the Company should address the issues of capacity and energy payments, the sequential value of QFs, and ancillary benefits in its methodology. Nor should the Schedule be approved until PacifiCorp's generic power purchase agreement is filed with and approved by the Commission.