



May 27, 2003

Utah Public Service Commission  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City UT 84114

Attention: Julie P. Orchard  
Commission Secretary

RE: APPLICATION OF PACIFICORP  
Docket 03-035-\_\_\_

PacifiCorp (dba Utah Power & Light Company) submits for filing an original and eight conformed copies of the Application of PACIFICORP for Approval of an IRP-based Avoided Cost Methodology for QF Projects Larger than One Megawatt. An electronic copy of this filing will also be provided.

It is respectfully requested that all formal correspondence and Staff requests regarding this matter be addressed to:

By E-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com).

By Fax: (503) 813-6060

By regular mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah, Suite 800  
Portland, OR 97232

With copies to: John Stewart  
PacifiCorp  
201 South Main Street, Suite 2300  
Salt Lake City, UT 84140  
Telephone: (801) 220-4561  
Facsimile: (801) 220-3116

John M. Eriksson  
Stoel Rives LLP  
201 South Main Street, Suite 1100  
Salt Lake City, UT 84111  
Telephone: (801) 578-6937  
Facsimile: (801) 578-6999  
E-mail: [ejmerikssonr@stoel.com](mailto:ejmerikssonr@stoel.com)

Sincerely,

A handwritten signature in black ink that reads "D. Douglas Larson" followed by a stylized flourish.

D. Douglas Larson  
Vice President, Regulation  
Enclosures

Edward A. Hunter  
John M. Eriksson  
STOEL RIVES LLP  
201 South Main Street, Suite 1100  
Salt Lake City, Utah 84111  
Telephone: (801) 578-6937  
Facsimile (801) 578-6999

Attorneys for PacifiCorp

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of : Docket No. 03-035-\_\_  
PACIFICORP for Approval of an IRP-based:  
Avoided Cost Methodology for QF Projects : APPLICATION OF PACIFICORP  
Larger than One Megawatt :

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PacifiCorp, doing business as Utah Power & Light Company (“PacifiCorp” or “Company”) hereby applies to the Public Service Commission for an order approving an Integrated Resource Plan (“IRP”)-based avoided cost methodology for qualifying facility (“QF”) projects larger than one megawatt, and in support thereof states as follows:

1. PacifiCorp is a public utility in the state of Utah and is subject to the jurisdiction of the Commission with regard to its rates and service. PacifiCorp also provides retail electric service in the states of California, Idaho, Oregon, Washington and Wyoming.

2. Communications regarding this Application should be addressed to:

John Stewart  
PacifiCorp  
201 South Main, Suite 2300  
Salt Lake City, Utah 84140  
Telephone: (801) 220-4561  
Facsimile: (801) 220-3116

John M. Eriksson  
Stoel Rives LLP  
201 South Main Street, Suite 1100  
Salt Lake City, UT 84111  
Telephone: (801) 578-6937  
Facsimile: (801) 578-6999  
Email: jmeriksson@stoel.com

PacifiCorp requests that copies of all data requests in this matter be addressed to:

By e-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By fax: (503) 813-6060

By mail: Data Request Response Center  
PacifiCorp  
825 NE Multnomah St., Suite 800  
Portland, OR 97232

3. In its Order issued February 24, 2003, the Commission approved PacifiCorp's Electric Service Schedule No. 38, which establishes procedures for purchases of power by PacifiCorp from QFs with a design capacity greater than one megawatt ("Large QFs").

4. PacifiCorp's Electric Service Schedule No. 37 specifies published rates applicable to QFs located in Utah having a design capacity of 1 MW or less. In its February 24, 2003 Order, the Commission directed the Company to file for approval an avoided cost method for developing indicative power prices for purchases from Large QFs.

5. As directed by the Commission, PacifiCorp convened a work group which included representatives from the Division of Public Utilities ("Division"), the Committee of Consumer Services ("Committee") and other interested parties. The work group (which had already met on December 12, 2002) held additional meetings on March 31 and May 6, 2003, during which participants discussed and provided input regarding

the Company's proposed avoided cost methodology for Large QFs and its proposed generic power purchase agreement for Large QFs.

6. The IRP-based methodology which has been discussed in the work group, and which the Company proposes herein, will determine avoided costs using two computer simulations of long-run resource expansion plans. In the first, or "base case" simulation, all costs will be calculated on an annual basis. In the second, or "incremental cost" simulation, a resource (the specific Large QF that is the subject of the calculation) will be added to the base case at zero cost, and the expansion plan will be recalculated. The net present value of the difference in total revenue requirement streams of the two simulations will be the avoided cost of the new resource. That net present value would then be adjusted to a payment stream that increases at inflation over the life of the QF contract. The resulting avoided costs will equal the sum of the energy value assumed to be produced by the QF, the change in system dispatch costs (positive or negative) and, if applicable, the fixed and variable costs of a delayed or displaced planned resource, less the energy value that would otherwise be available from the delayed or displaced resource. In selecting the resource to be delayed or displaced by the QF, the Company will consider whether the capacity, energy, dispatchability, and plant commercial operation dates, are substantially equivalent. Resources included in the Integrated Resource Plan to provide diversity and balanced risk will not be considered for delay or displacement unless the QF provides similar benefit.

7. The base case that the Company would presently use under the proposed method is the Diversified Portfolio I described in the Company's IRP filed with the Commission on January 24, 2003. Among other things, the base case uses a September 2001 load forecast, assumes a 15% resource planning margin, and a balanced resource

portfolio. A new base case will be adopted based on subsequent IRPs and plan updates. The assumptions used in the base case will be the same as in the IRP-based case, except for known and measurable changes, which will include significant changes to long-term contracts included in the base case, additions to the base case for new QFs and Company-owned generation resources, the most current forward price forecast, and changes necessary to account for significant changes in regulation (such as changes in environmental regulations).

8. Under the proposed method, the incremental cost simulation will model, as closely as possible, the operating characteristics of the proposed QF, based on information to be provided by the developer. That information should include contract term, commercial operation date, maximum plant capacity by month, generation by month, weekly on-peak and off-peak generation patterns, plant location, planned maintenance schedule and the forced outage rate. The utilization of such information is consistent with Section 292.304 of FERC rules implementing the provisions of the Public Utility Regulatory Policies Act (“PURPA”) regarding avoided cost rates. 18 CFR § 292.304(e).

9. The computer model used for the development of avoided costs under the proposed method will be the same model as used for the Company’s IRP. Presently, the model is a product known as “MARKETSYM™”, but the model used for the Company’s IRP, and hence for avoided cost determinations, may change over time. The proposed IRP-based methodology will provide more than indicative prices for proposed Large QFs, it will provide reasonable determinations of the avoided costs associated with specific Large QF projects. The avoided costs determined under the proposed methodology will

provide the basis for price design, which will be negotiated with Large QFs on a project-specific basis.

WHEREFORE, PacifiCorp respectfully requests that the Commission enter an order approving the proposed IRP-based methodology for the calculation of avoided costs for Large QFs.

DATED this 21<sup>st</sup> day of May, 2003.

Respectfully submitted,

  
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John M. Eriksson  
Stoel Rives LLP

Attorneys for PacifiCorp

**CERTIFICATE OF SERVICE**

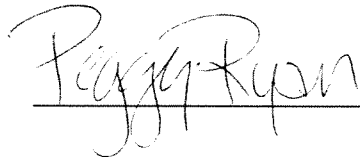
I hereby certify that on this 23<sup>rd</sup> day of May, 2003, I caused to be served via United States mail, postage prepaid, a true and correct copy of the foregoing Application of PacifiCorp to the following:

Michael Ginsberg  
Trisha Schmid  
Assistant Attorney General  
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