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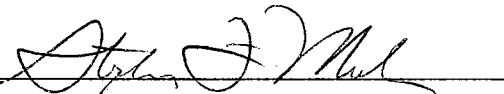
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PACIFICORP for Approval of an IRP-Based Avoided Cost Methodology For QF Projects Larger than One Megawatt	Docket No. 03-035-14 Desert Power Exhibit
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SURREBUTTAL TESTIMONY OF CHARLES M. DARLING, IV

Desert Power LP hereby submits the Surrebuttal Testimony of Charles M. Darling, IV in this
Docket.

DATED this 12th day of May, 2004.

/s/ 

SURREBUTTAL TESTIMONY

Of

CHARLES M. DARLING, IV

On behalf of Desert Power LP

In the Matter of the Application of PACIFICORP for Approval of an IRP-Based Avoided Cost
Methodology For QF Projects Larger than One Megawatt

Docket No. 03-035-14

May 12, 2004

1 **General Response**

2 **Q. Please state your name, business address and occupation.**

3
4 A. My name is Charles M. Darling, IV. I am President and General Manager of Desert
5 Power, L.P. My business address is 2603 Augusta Drive, Suite 880, Houston, Texas.

6

7 **Q. Have you filed testimony previously in this proceeding?**

8 A. No.

9

10 **Q. What is the purpose of your testimony?**

11

12 A. My testimony is to provide certain observations as a power developer in this
13 proceeding.

14

15 **Q. Please describe Desert Power.**

16

17 A. Desert Power independently owns and operates a 65 MW power plant in Rowley,
18 Utah. Physically, we are located adjacent to the magnesium refinery of US
19 Magnesium.

20

21 **Q. How did Desert Power come to be located in Utah?**

22

23 A. During the energy crisis in 2000-2001, the Governor of Utah put out an energy
24 program seeking to encourage independent power developers to develop power plants
25 in Utah to help alleviate the crisis. I met with the Governor and in response, Desert
26 Power located here. I would note that so far as I am aware, Desert Power is the only
27 one who did so.

1

2 **Q. What is Desert Power's interest in the QF proceeding?**

3

4 A. We have the ability to expand our plant to 90 - 100 MW quickly. We can bring
5 MW's to market to help avoid shortages. We are in place, provide jobs currently and
6 can provide more jobs for the future with the thermal energy utilization we would
7 install with economic QF pricing, including construction jobs.

8

9 **Q. PacifiCorp witness Tallman says your power is already committed to**
10 **PacifiCorp. Is that correct?**

11

12 A. No, it is not. We have no long-term contract with PacifiCorp. Although we have
13 sold to PacifiCorp in past summers, and have established a record of reliability, we
14 currently have no contract in place for any period; the contract offered us by
15 PacifiCorp for this summer was not economic. We have also bid into PacifiCorp's
16 RFPs but, as with everyone else, have been unsuccessful in that process as well.
17 Accordingly, we are currently seeking other buyers for the power. If we are unable to
18 sell the power, we may have to mothball the plant, or, alternatively, sell off the
19 equipment.

20

21 **Q. Mr. Tallman says your costs are sunk and thus the rates offered by the Division**
22 **and the Committee are more than adequate. Do you agree?**

23

24 A. No, I do not, on either point. We have an investment, but if the contract offered does
25 not provide us a net present value greater than the value resulting from removing and
26 selling the assets, as increased to account for a risk premium for the costs we would
27 incur and risks we would take for remaining in place and selling power long-term,

1 then we have a fiduciary duty to our investors to remove and sell the plant. I note in
2 this regard there exists an active international market for Frame 6B turbines.

3

4 As to the adequacy of the rates offered by the Division and the Committee, they
5 would not cover even the gas costs being incurred by any PacifiCorp gas-fired plant.

6 To run at those rates means Desert Power cannot even cover its gas costs. I note
7 these rates are justified by the Division and the Committee by reference to some
8 potential future coal plant in PacifiCorp's Integrated Resource Plan, yet all articles I
9 read lately of PacifiCorp's current construction and all construction by PacifiCorp
10 that I have seen since locating in Utah have been for gas-fired plants.

11

12 **Q. What about the proposed "hybrid?"**

13

14 A. This hybrid is supposed to blend elements of the differential revenue requirement
15 approach with a proxy plant approach. For a method that is designed to reflect the
16 operating characteristics of the proposed QF, the results it produces do not appear to
17 track reality. I believe the Division tempers the hybrid by adding coal to the formula
18 and that further skews the outcome. As a result, I would discourage the Commission
19 from adopting this method, even as an interim measure.

20

21 **Q. Does that conclude your testimony?**

22

23 A. Yes, it does.

24

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Surrebuttal testimony was emailed and/or sent by United States mail, postage prepaid, this 12th day of May, 2004, to the following:


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