

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of) DOCKET NO. 03-035-14
PACIFICORP for Approval of an IRP-)
based Avoided Cost Methodology for)
QF Projects Larger than One Megawatt) ORDER

ISSUED: September 24, 2003

By The Commission:

On May 27, 2003, PacifiCorp requested approval of an Integrated Resource Plan (IRP)-based avoided cost methodology for qualifying facility (QF) projects larger than one megawatt. The proposed methodology would determine avoided costs using two computer simulations of long-run resource expansion plans employing the same computer model used for the company's IRP. The resulting avoided costs would provide indicative power prices for purchases of power from QF's greater than one megawatt per PacifiCorp's Electric Service Schedule No. 38. The Commission approved Schedule No. 38 in a February 24, 2003 Order in Docket No. 02-35-T11 which addressed an impediment to non-utility generation identified in an informal investigation undertaken by the Commission at the request of the Utah Legislative Energy Policy Task Force. 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 to provide input on an avoided cost method for power purchases from large QF's.

In response to an action request by the Commission, the Division filed its recommendations on July 30, 2003. The Committee submitted comments on August 26, 2003.

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The Division, while generally supportive of the filing, recommended that the proposed avoided cost methodology be approved on an interim basis only and that the QF work group be promptly reconvened to deal with unresolved capacity payment issues. Specifically, the Division stated that it was not clear how capacity payments are to be calculated or when they would apply. The Committee, while also generally supportive of the filing, recommended that the capacity payment issue be determined before approving and implementing the proposed avoided cost methodology for Schedule 38. The Committee suggested an approach for further discussion by the QF work group for determining an avoided cost capacity payment.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

- PacifiCorp reconvene the QF work group including the Division, the Committee and other interested parties to resolve the capacity payment issue described above and other issues that may arise.
- PacifiCorp file for approval within 60 days a revised avoided cost method for developing indicative power prices for purchases of power from Qualifying Facilities greater than one megawatt that clearly describes how capacity payments will be determined and applied.

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Dated at Salt Lake City, Utah, this 24th day of September, 2003.

/s/ Ric Campbell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#35285