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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 Spring Canyon Exhibit 1
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**PRE-FILED DIRECT TESTIMONY OF DAVID L. OLIVE FOR
SPRING CANYON ENERGY, LLC**

July 29, 2005

1 **Q. Please state your name and business address.**

2 A. My name is David L. Olive and my business address is 500 S. Taylor, Suite 400,
3 Amarillo, TX 79101.

4

5 **Q. By whom are you employed and for whom are you appearing in this**
6 **proceeding?**

7 A. I am employed as Director, Project Development and Power Marketing with
8 Quixx Corporation (“Quixx”). Quixx is an investor in the Spring Canyon project
9 and I am appearing on behalf of Spring Canyon Energy, LLC (“Spring Canyon”).
10 Spring Canyon is wholly owned by USA Power Partners LLC and was formed to
11 develop and ultimately construct a Combined Cycle power plant close to Mona,
12 Utah.

13

14 **Q. What is your experience and educational background?**

15 A. I have worked at various operational and management levels of regulated and
16 unregulated entities. My previous experience includes power plant operations,
17 system operations and scheduling, real-time and forward power trading, and
18 management of a power trading group.

19

20 My present responsibilities as Director, Project Development and Power
21 Marketing at Quixx include developing cogeneration and other independent
22 power projects throughout the domestic market. In addition to project
23 development and other duties, I support the investment and acquisition functions

24 at Quixx by providing detailed market analyses and price forecasts. I have
25 developed price forecasts and market analyses for most NERC regions and some
26 international markets. I hold undergraduate and graduate degrees in Business
27 Administration.

28

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

30 A. My testimony addresses several inconsistencies regarding assumptions PacifiCorp
31 (the “Company”) uses in the differential revenue requirement method (“DRR”)
32 relating to the no-cost QF resource, along with various other market assumptions.

33

34 **Q. How do these assumptions impact Spring Canyon?**

35 A. Spring Canyon supports fair and reasonable avoided costs for the ratepayer; but
36 wants to ensure that the assumptions, process, and resulting avoided costs are fair
37 and reasonable to independent power producers as well. The assumptions used in
38 the DRR method and GRID model should be consistent with determining fair and
39 reasonable avoided costs for all parties.

40

41 **Q. You mentioned the DRR method and GRID model. How has it been to work
42 with PacifiCorp employees as you have tried to run the model?**

43 A. My point-of-contact during this exercise has been Laren Hale and I have
44 appreciated his assistance as I have worked to learn about the GRID model.

45

46 **Q. Do you believe sufficient time has been allotted to learn the workings of the**
47 **GRID model?**

48 A. No. The GRID model is very cumbersome and complex and not easily
49 understood. Although electronic manuals were provided, one must be able to
50 devote significant time to:

- 51 a. Reading the manuals;
- 52 b. Correctly entering assumptions;
- 53 c. Waiting several hours for each model run;
- 54 d. Correctly deciphering results and hoping no mistakes were made, since the
55 process must start all over again if mistakes are found;
- 56 e. Submit a data request and wait two weeks for a response; and
- 57 f. Start the process all over again to verify results prepared by the Company.

58
59 **Q. Why is it important that PacifiCorp's avoided cost model be easy to run and**
60 **understand?**

61 A. It is important in order to be able to independently verify assumptions,
62 methodology, and results. Using a black box to develop fair and reasonable
63 avoided costs does not allow independent evaluation and verification.

64
65 **Q. Please list some of the assumptions used in the DRR method and GRID**
66 **model that you believe to be inconsistent with determining fair and**
67 **reasonable avoided costs for all parties.**

68 A. Capacity Factor

69 Assuming 100% capacity factor for the no-cost QF resource is an aggressive
70 operating assumption for a 525 MW CCCT since no consideration for scheduled
71 and forced outages appears to be made. This assumption can decrease avoided
72 costs because the gas-fired resource has the potential of backing down lower-cost
73 resources during light load hours. The Company has stated that it uses an 85%
74 capacity factor to determine avoided costs, but that certainly is not the assumption
75 it uses in the GRID model.

76

77 Maintenance Outage Duration

78 The average maintenance outage duration for the plant labeled IRP 2005 P5 East
79 Dry Cool CCCT in the GRID model appears to be only seven (7) days per year on
80 average. This assumption excludes at least the major inspection outage which
81 should occur every 48,000 hours and can last 20+ days.

82

83 Market Sales

84 The Company assumed during the Currant Creek hearings that Currant Creek
85 would make significant energy sales from Currant Creek using Mona prices
86 through 2043. These energy sales were delivered at Mona and provided
87 significant value to Currant Creek, helping the Company to justify the decision to
88 choose the self-build option. In fact, these sales caused the CCCT and duct firing
89 portions to realize average capacity factors of approximately 89.22% and 77.36%
90 respectively during the 2007-2043 period. Questions such as: “Where have all

91 those sales gone?’ ‘Why are they not modeled now?’ ‘Why is Mona pricing not
92 readily apparent?’ ‘Are there additional sales that could be modeled from other
93 Company-owned resources?’” arise as I have looked through the GRID model
94 results.

95

96 **Q. Does this conclude your testimony?**

97 A. Yes, but I wish to reiterate that using a black box to develop fair and reasonable
98 avoided costs does not lend itself to independent evaluation and verification. I
99 intend to continue working with the model and will further my analysis of it in
100 rebuttal testimony due in this proceeding on September 8, 2005.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Spring Canyon Exhibit 1 was served by email or U.S. mail, postage prepaid, this 29th day of July 2005, to the following:

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