

**Committee Positions regarding QF Avoided Costs
Transmission Avoided Capacity Payments
and Transmission Avoided Loss Energy**

Issue 1 - Thermal Avoided Transmission Capacity

Committee Position

The Committee agrees with PacifiCorp's position with two exceptions. PacifiCorp assumes that transmission avoided costs should be zero for QFs that attach to transmission lines that are 230 kV and above. It is the Committee's understanding from discussions in the working group that it is unlikely that any QF will connect to PacifiCorp's 230 kV system. However, should a QF do so, the Committee believes that those QFs should still be eligible to receive avoided transmission capacity payments, or subject to a charge for additional transmission costs caused by the QF. PacifiCorp's main concern appears to be the reliability of its system, and the Committee agrees that this is extremely important, and should take first priority. The Committee believes that the methodology that PacifiCorp has proposed will identify the transmission elements that the QF may defer or avoid, or may require added transmission resources, regardless of the voltage level at which the QF connects, without leading to an inherently unreliable system. Results of PacifiCorp's analyses should always be carefully examined to make sure that the transmission elements that might be deferred or avoided by the QF do not lead to a less reliable system.

The Committee's second exception relates to the base case that the Company proposes to use in its transmission analysis. The Company proposes to rely on a base case that does not include any of the IRP resources. The Committee believes that the base case transmission data should include the IRP resources, and the second transmission case that includes the QF resource should eliminate an equivalent amount of IRP resources to the amount of QF capacity added to the data. The difference in the transmission capital costs between the two cases represents the transmission capacity benefits or costs that are attributable to the QF. The Committee's intent is not to scale the IRP transmission cost and use that as a transmission avoided cost payment but instead is to determine the transmission impact only for the applicant QF. We believe this method will achieve that goal. However, the Committee recognizes that while this method is theoretically accurate, it may not necessarily produce results that are significantly better than PacifiCorp's approach. If PacifiCorp establishes to the parties satisfaction that its method would produce similar results, and would be less burdensome, then the Committee may be willing to accept PacifiCorp's approach.

Issue 2 - Thermal Avoided Line Losses

Committee Position

The Committee agrees with PacifiCorp's proposal to derive thermal avoided line losses.

Issue 3 - Wind Avoided Transmission Capacity

Committee Position

Under the Commission's Order, wind resources received special avoided cost treatment in that wind QFs will receive the same price as the most recently executed RFP wind contract. However, this approach is limited to the amount of QF resources determined as being economic in the IRP, which was 1,400 MW in the 2004 IRP. The executed contract price is presumed to be an all-inclusive price that would be adjusted only for the specific QF wind profile, but it is

presumed to already incorporate all pricing components that might be considered in evaluating the cost of a wind resource. Therefore, the Committee believes that no adjustments should be made to the contract price for these QFs, such as adjusting for avoided transmission capacity costs or avoided transmission energy line losses. In the case in which the wind capacity limit has been satisfied, then we are open to separate consideration of including these adjustments.

Issue 4 - Wind Avoided Line Losses

Committee Position

See Committee position regarding Wind Avoided Transmission Capacity