
In the Matter of the Application of)	
PACIFICORP, dba Utah Power & Light)	<u>DOCKET NO. 03-035-T10</u>
Company, for Approval of Standard)	
Rates for Purchases of Power from)	Request for Agency Review and
Qualifying Facilities Having a Design)	Reconsideration
Capacity of 1,000 Kilowatts or Less)	

The Utah Energy Office, Wind Tower Composites LLC, Utah Clean Energy Alliance, Wasatch Clean Air Coalition, Renewable Energy Development Corporation, and Tasco Engineering (“Petitioners”) Pursuant to Utah Code ' 63-46b-12 (2004) request that the Commission review and reconsider the June 1, 2004 Order establishing the tariff in the above matter.

BACKGROUND

On June 1, 2004, the Utah Public Service Commission issued an Order setting tariff rates and terms and conditions for Qualifying Facilities (QFs) having a design capacity of 1,000 Kilowatts or less. In that Order, the Commission essentially adopted the rate schedule stipulated to in Docket No. 03-035-14, avoided cost for QFs greater than 1,000 Kilowatts. The June 1, 2004 Order also placed a limit on the number of projects that are eligible under this schedule. The Commission placed a cap of only 10 MWs as the maximum cumulative capacity of actual projects that would be allowed before additional review and approval of the tariff would be necessary. The Commission also restricted payment options for wind-powered resources. Wind generated QFs are only eligible for volumetric pricing that is they are paid only for the energy

that they produce. Other QFs were eligible for either volumetric pricing or the option of collecting capacity payments and energy payments.

Pursuant to U.C.A. ' 63-46b-12 (2004), an aggrieved party may file a written request for review of an Order of the Commission within 30 days after the date of a Commission Report and Order. The Utah Energy Office, Wind Tower Composites LLC, Utah Clean Energy Alliance, Wasatch Clean Air Coalition, Renewable Energy Development Corporation, and Tasco Engineering (“Petitioners”) petition the Commission for review and reconsideration of the above reference Order on two issues.

- 1.

First the Petitioners request that the Commission review the 10MW cap on eligible QF projects. This cap is arbitrary and capricious in that it is not supported by any evidence on the record. No party advocated for a cap lower than 25 MWs and the Petitioners argued for a higher cap of 50 MWs. The Commission contends that QF rate in the Order are based on a 10 MW decrement model run. While it is true that a 10 MW load decrement was used to calculate the avoided costs during a short three year period of sufficiency, this calculation makes only a minor contribution to the total value of the calculated avoided costs over the 20 year period. The predominant determinant of the avoided costs is the proxy plant that is used to measure costs during the deficiency period. To set a cap based on a minor component used in the calculation of avoided costs is arbitrary.

Furthermore, the adoption of such a low cap will discourage small QFs from developing QF projects. The small cap creates considerable uncertainty about whether a particular project will be eligible under the cap or if other projects will already use the cap space. There are considerable fixed costs incurred when preparing a QF project for submission for approval by the

Company and its regulators. These costs, once incurred, are not recoverable if the project is not completed. The prospect that other projects will consume the cap space creates great uncertainty about a project's eligibility under the current rate schedule and therefore will discourage the planning and development of QF projects. Just four QF projects of 3MWs a piece would exceed the cap. Clearly such a small cap creates an unnecessary barrier to encouraging developing of QF projects contrary to legislative policy. Utah Code §54-12-1(2), (2004) directs the Commission to encourage small-scale QF production including "removing unnecessary barriers to energy transactions involving independent energy producers". The Petitioners request that the Commission consider not having any cap, or if one is determined to be useful and necessary, to increase the cap to a minimum of 25 MWs to 50MWs.

2.

The second issue the Petitioners want the Commission to review is the decision to deny wind projects the opportunity to be paid explicitly for the capacity they provide the system. The Commission's order restricts wind project to volumetric pricing only. The Commission contends that full capacity payments, which are based on an 85% assumed capacity factor, will over compensate wind projects. We agree with the Commission's analysis. However, we never suggested that wind resources should receive full capacity payments. We recommended in our comments that the capacity payments be on the order of 20% to reflect wind's contribution to capacity. The current IRP is assigning larger wind resources a 20% capacity credit. We ask the Commission to grant the same credit to small wind developers. To deny capacity credits to wind that reflect their contribution to avoiding capacity additions in a manner that is different than other sources is discriminatory and contrary to requirements of Utah Code 54-4-4(2004). The

policies implemented by the Commission in this Order create an “unnecessary barrier” to small-scale QF projects contrary to the explicit statutory policy of the state.

RELIEF REQUESTED

Petitioners ask that the Commission review and reconsider the June 1, 2004 Order for consistency with the facts available to it and the law applicable to the tariff. Petitioners ask that the Commission not set a Cap, or set one of no less than 50 MW, and determine reasonable capacity payments be recovered at a rate of not less than 20% or some other factor that is not discriminatory against wind generated resources.

Dated this 30th day of June, 2004.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing
PETITION FOR REVIEW AND RECONSIDERATION was mailed by United States mail, first
class postage prepaid, this ____ day of June, 2004, to the following:

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