

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Petition of Spring Canyon LLC for Approval of a Contract For the Sale of Capacity and Energy From Its Proposed QF Facilities	:	Docket No. 05-035-08
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In the Matter of the Petition of Pioneer Ridge LLC & Mountain Wind For Approval of a Contract For the Sale of Capacity and Energy From Its Existing and Proposed QF Facilities	:	Docket No. 05-035-09
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	:	REBUTTAL TESTIMONY OF
	:	BRUCE W. GRISWOLD
	:	

MARCH 18, 2005

1 **Q. Please state your name, business address and position with PacifiCorp dba Utah**
2 **Power & Light Company (the Company).**

3 A. My name is Bruce W. Griswold. My business address is 825 N. E. Multnomah, Suite
4 600, Portland, Oregon 97232. I am a Manager in the Origination section of the
5 Company's Commercial and Trading Department.

6

7 **Qualifications**

8 **Q. Please briefly describe your education and business experience.**

9 A. I have a B.S. and M.S. degree in Agricultural Engineering from Montana State and
10 Oregon State, respectively. I have been employed with PacifiCorp over eighteen
11 years in various positions of responsibility in retail energy services, engineering,
12 marketing and wholesale energy services. I have also worked in private industry and
13 with an environmental firm as a project engineer. I currently work in the Commercial
14 and Trading Business unit of PacifiCorp. My responsibilities are wholesale and large
15 retail transactions including the negotiation and management of the non-tariff power
16 supply and resource acquisition agreements with PacifiCorp's largest retail customers.

17 **Q. Have you previously appeared in any regulatory proceedings?**

18 A. Yes. I have appeared in proceedings in Utah and Idaho.

19

20 **Purpose of Testimony**

21 **Q. What is the purpose of your rebuttal testimony?**

22 A. I am responding to the direct testimony of UAE, Spring Canyon and Pioneer Ridge
23 LLC & Mountain Wind LLC regarding their responses to the three questions asked by

1 the Utah Commission in its Scheduling Order issued February 24, 2005. The three
2 questions asked by the Commission were:

3 (1) Does the Stipulation approved in Docket No. 03-035-14
4 (“Stipulation”) still reflect PacifiCorp’s avoided costs such that it remains the
5 applicable interim method for determining avoided costs?

6 (2) If the answer to Question (1) is yes, how many megawatts are
7 remaining under the cap contained in Paragraph 10 of the Stipulation?

8 (3) If the answer to Question (1) is yes, how should the order of eligibility
9 for the remaining megawatts be determined and what is that order?

10

11 **Question 1: Applicable Interim Method For Determining Avoided Costs**

12 **Q. Should the Stipulation as written remain the applicable interim method for**
13 **determining avoided costs for the megawatts remaining under the Stipulation?**

14 A. Under the terms of the Stipulation, a taskforce was created to review, discuss and file,
15 by November 22, 2004, a report regarding a long-term avoided cost pricing
16 methodology. The Commission was then expected to make a determination regarding
17 those proposals by December 20, 2004. As a result, the Company anticipated that the
18 Stipulation would be replaced by a long-term method by the end of last year.
19 However, the Company believes that, although the Stipulation has remained in place
20 longer than expected, the terms of the Stipulation are still appropriate for determining
21 avoided costs for the 100 megawatts remaining under the Stipulation cap. The
22 Company entered into the Stipulation in May 2004 with the full understanding that
23 the terms and conditions of the Stipulation were just and reasonable for power

1 purchases from Qualifying Facilities (“QF”), up to a cumulative cap of 275
2 megawatts, so long as the power would be available no later than June 1, 2007, and
3 that remains the Company’s position..

4 **Q. While arguing that the prices in the Stipulation should remain unchanged, some**
5 **parties are also advocating changes in other terms of the Stipulation to increase**
6 **the 275 MW cap and extend the online deadline beyond June 1, 2007. Do you**
7 **agree that these other proposed changes are appropriate?**

8 A. No. The Company believes that it is inappropriate to change any single component of
9 the Stipulation and not reopen the entire Stipulation. The on-line date was established
10 to be on or before June 1, 2007 for the specific purpose of having resources available
11 and on-line to meet the summer peak loads. Therefore, allowing the QF to be
12 commercially available at a later date reduces the value of that resource and would
13 require that the Stipulation prices need to be reevaluated.

14 Some of the parties in this Docket also assert that the 275 MW cap in the
15 Stipulation should be increased. It is important to remember that the 275 MW cap
16 was established, at least from the Company’s perspective, to limit the risk that
17 hundreds of megawatts of QF projects might line up for interim avoided cost prices
18 before the Commission could establish a long-term method. As shown on Exhibit
19 UP&L _____ (BMG-2), if the Commission changes the Stipulation eligibility
20 criterion by extending the on-line deadline and eliminating the cap, there would be,
21 based on discussions the Company has had with potential QF projects, upwards of
22 800 MW of QF projects seeking the Stipulation avoided cost prices. The
23 methodology in the Stipulation did not assume or reflect that much additional

1 capacity and energy in the Company’s system. Therefore, the Stipulation prices
2 would not reflect true avoided cost prices or meet the ratepayer indifference standard
3 if applied to MWs in excess of the cap. Mr. Weaver addresses that further in his
4 testimony. The Company understands that the Commission will deal with the long-
5 term avoided cost methodology issue at the conclusion of this proceeding
6 expeditiously. .

7 **Question 2: Remaining Available MW Under The Stipulation Cap**

8 **Q. Do you agree with UAE or Spring Canyon’s position regarding the number of**
9 **megawatts remaining under the Stipulation?**

10 A. No. Both UAE and Spring Canyon state that the Stipulation cap applies to “*firm*” QF
11 capacity only and therefore, does not include the three non-firm QF contracts signed
12 under the Stipulation. This is incorrect and is not consistent with the terms of the
13 Stipulation or the intent of all of the parties who participated in the settlement
14 negotiations leading up to the Stipulation. Section 5 of the Stipulation states,
15 “Appendix A Prices will be available for any QF project with a nameplate capacity in
16 excess of the Schedule 37 maximum capacity as determined by the Commission in
17 Docket 03-035-T10.” The key word in the sentence above is “*any*”. It does not say
18 firm or non-firm. The reference to “*any*” includes both firm and non-firm and is
19 consistent with the intent of the settlement negotiations. If the QF can meet the
20 monthly availability factor of 85 percent and agrees to be dispatched or prescheduled
21 by PacifiCorp per the Appendix A definition then it has the right to the full indicative
22 prices in Appendix A with any specific operational adjustments as allowed by the
23 Stipulation. If the QF cannot meet those criteria but chooses to offer non-firm power

1 (i.e. the QF has the right but not the obligation to deliver power to PacifiCorp), the
2 QF has the right to receive the non-firm prices in Appendix A. .

3 The UAE and Spring Canyon argument is also not consistent with the intent of
4 the parties to the Stipulation. At the time of the settlement negotiations, a list of
5 potential QF projects was discussed by all parties. The list included the four QF
6 contracts that have been signed. Prior to the settlement negotiations, two of the QFs,
7 Kennecott and Tesoro, had requested to be considered non-firm QF contracts. These
8 non-firm QF projects were nevertheless specifically considered in the settlement
9 negotiation as part of the known QF resources that made up the 275 MW Stipulation
10 cap. Additionally, US Magnesium, at the time of the settlement negotiations, had
11 proposed to be a firm QF resource but later changed their position and sought non-
12 firm QF prices. Their non-firm QF contract was approved by the Utah Commission
13 in Docket 03-035-38 on December 16, 2004 and deemed to be consistent with the
14 Stipulation, thus US Magnesium's 36.0 MW QF was included as counting against the
15 275 MW Stipulation cap.

16 **Q. What is the Company's position regarding the number of megawatts remaining**
17 **under the Stipulation?**

18 A. The Company believes that there are 100 megawatts available under the Stipulation.

19 **Q. What is the basis for your conclusion that there are 100 MW available?**

20 A. I have prepared Exhibit UP&L ____ (BWG-1) which shows the four (4) QF contracts
21 that have been signed under the Stipulation and have a total nameplate capacity of
22 219.0 MW. That would leave only 56 MW available under the cap. However, two of
23 the QF projects have significant limits on their output. Desert Power's steam turbine

1 has an operational derate that limits its output to 95 MW and Tesoro sells only the
2 excess power over their own refinery load. Therefore, taking into account those
3 factors, the total MWs for the four QF contracts is 174.8 MW, leaving 100 MW
4 available for Stipulation pricing provided that a proposed QF meets the Stipulation
5 criteria.

6 **Q. Do you agree with UAE's position that a QF contract that expires should have**
7 **the right to renew its pricing under the Stipulation?**

8 A. No. Once the last 100 MWs under the Stipulation has been allocated by the
9 Commission, Stipulation pricing is no longer available. QF contracts that expire are
10 only entitled to the then applicable avoided cost prices. Indeed, the Kennecott and
11 Tesoro QF contracts which terminate on December 31, 2005, can only be extended if
12 the Commission finds that the contract's pricing and terms are consistent with the
13 long-term avoided cost methodology that would be applicable at the time of
14 extension. However, the Company anticipates that issues regarding a new long-term
15 method for determining avoided cost prices will be addressed and determined by the
16 Commission this year, before any of the existing QF contracts expire.

17 **Q. Do you agree with Spring Canyon's position that they would have the right to**
18 **claim capacity of the existing QF contracts if they expire prior to 2025?**

19 A. No. That unreasonable assertion by Spring Canyon has no basis in the Stipulation and
20 is inconsistent with the agreement of the parties who participated in the settlement
21 negotiations. The Stipulation was never intended to be a 275MW flat block of firm
22 capacity and associated energy for a 20 year term. It specifically provided for
23 contracts up to 20 years. The Stipulation was a settlement to provide interim pricing

1 while a new avoided cost methodology was developed that would be available for QF
2 projects greater than 3 MWs. It does not state in the Stipulation nor was it the
3 intention of the parties who participated in the settlement negotiations that any QF
4 under the Stipulation would have the rights to another QF's contract capacity amount
5 if that other QF's contract expired. Furthermore, it is reasonable to expect that any
6 QF agreements entered into pursuant to the Stipulation and which expired prior to
7 2025, would be renegotiated based on the then current Commission approved
8 methodologies.

9 **Q. Please comment on UAE's position that the QF capacity factor should determine**
10 **the amount of capacity that is applied to the Stipulation cap.**

11 A. First, UAE believes that the cap is based only on firm capacity. For the reasons I
12 stated above, that understanding is incorrect. Second, UAE proposes that the
13 Stipulation be amended such that the MW capacity applied against the Stipulation cap
14 is based on the capacity factor of the resource. I take that to mean that a 10 MW
15 nameplate resource that has a capacity factor of 50% would contribute only 5 MW to
16 the cap. There is no language in the Stipulation to support this assertion.

17 **Q. Do you agree with Mr. Swenson's direct testimony on how intermittent**
18 **resources such as wind QF projects should be treated under the Stipulation?**

19 A. Yes, I agree that a wind resource that is seeking QF prices under the Stipulation
20 should be treated no differently from any other QF resource that has applied for
21 Stipulation pricing. However I do not agree with Mr. Swenson that the wind QF
22 should receive a capacity payment. Per the Stipulation, the QF must meet the
23 monthly availability factor of 85 percent and be dispatched or scheduled by

1 PacifiCorp per Appendix A in order to receive the full indicative prices in Appendix
2 A with any specific operational adjustments as allowed by the Stipulation. Based on
3 the wind project information provided, they would not meet either criteria. However,
4 the wind QF does have the right per the Stipulation to be paid as a non-firm QF
5 resource at 93% of the hourly shaped Palo Verde firm index price.

6

7 **Question 3: Order Of Eligibility For Remaining Available MW Under The Cap**

8 **Q. What is the Company's position on the order of eligibility?**

9 A. First, we clearly understand our obligation under PURPA to purchase the output of all
10 QF projects. Thus, this is not an issue of whether or not the Company will purchase
11 the output from the projects, this is simply an issue regarding a proposed parties'
12 entitlement to the Stipulation avoided cost prices. Second, as an electric utility with
13 an obligation to serve load, PacifiCorp would plan to serve load with the QF resource.
14 In order to meet its obligation to serve load, it is important, as Mr. Weaver explains
15 further in his testimony, that the QF be available by June 1, 2007. As a result, the
16 most important Stipulation criterion for us is the commitment to be on-line and
17 delivering power by June 1, 2007. The Company has been approached by several QF
18 projects. Of these projects, Spring Canyon, Pioneer Ridge, Mountain Wind, and
19 ExxonMobil have all indicated they can meet the June 1, 2007 Stipulation on-line
20 date and are in various stages of project development leading to commercial
21 operation.

22 However, of those projects, only the ExxonMobil project is currently on-line
23 and operating as a QF. The ExxonMobil project also has documented its ability to

1 deliver its output to PacifiCorp in Utah. The project has 75 MW of firm transmission
2 from its site in Wyoming to Mona, Utah beginning January 1, 2006.

3 If the Commission agrees that that the order of eligibility should be
4 determined based on a consideration of whether the QF is able to provide its output to
5 the Company by June 1, 2007, then based on the information currently available and
6 provided, the Company believes that ExxonMobil's QF project most closely meets
7 that criteria..

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

9 A. Yes it does.