



JON HUNTSMAN Jr.
Governor
GARY HERBERT
Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

PHILIP J. POWLICK
Director, Division of Public Utilities

MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
Philip Powlick, Director
Artie Powell, Manager, Energy Section
Joni Zenger, Technical Consultant
Charles E. Peterson, Technical Consultant
Matt Croft, Utility Analyst
Hsienming Liu, Utility Analyst

Date: July 1, 2010

Re: Docket No. 09-035-23, Action Items from Commission's Report and Order

RECOMMENDATION: No action required.

BACKGROUND

As part of the Division's analysis and prudence review of PacifiCorp's (Company) General Rate Case filing in Docket No. 09-35-23, the Division filed testimony recommending that the Company be required to file detailed accounting information up front when requesting rate recovery for its capital wind projects. On February 18, 2010, the Commission issued its Report and Order on Revenue Requirement pertaining to this and other issues. Specifically the Order states:

Following completion of the rate case, the Company is willing to meet with the Division to address any issues relative to the information provided for purposes of reviewing the evaluated cost of energy associated with the Company's owned and contracted wind resource acquisitions. We find the Company's offer reasonable, however, we believe this meeting should be open to all

parties, the accounting data should ultimately be provided in any cost recovery application rather than through a data request, and a summary of the outcome of the meeting should be provided to the Commission. We direct the Division to arrange such a meeting at its and the Company's convenience.¹

The Division convened the meeting as directed on June 24, 2010, and this memo reports the outcome from the meeting.

DISCUSSION

The Division held a meeting that was open to all parties. The agenda and attendee list are attached to this memo. The purpose of the meeting was two-fold: (1) to discuss the accounting data that needs to be provided up front in evaluating the wind resources and (2) to help the parties understand the Company's wind resource acquisition strategy.

With respect to the accounting information, the Division drafted a template that was distributed in advance of the meeting and reviewed at the meeting. The Company agreed to provide up front in future rate recovery proceedings the following information pertaining to capital wind additions:

1. Project Requisition forms
2. PacifiCorp Energy Expenditure Requisition (PEER) documents including economic analyses
3. Project Approval forms
4. Documentation regarding any estimations of total project cost broken down in detail

With respect to Item #4, the Company agreed to complete the attached wind plant fact sheet with the accounting detail filled in. The spreadsheet contains columns for document references so that parties can obtain further data where needed. The Division believes this information, along with any follow-up data requests, will help facilitate a thorough and complete prudence review of capital wind additions.

¹ Rocky Mountain Power Phase I Order on Revenue Requirement, pp. 113.

In addition to the accounting discussion, Mr. Mark Tallman from the Company spent a considerable amount of time discussing the circumstances that led to the Company's acquisition of its wind plants, including purchasing wind turbine generators, obtaining balance of plant contractors, siting of 99 MW wind plants, etc. Some of the Company's previous 99 MW wind projects did not go through an RFP bidding process because the Company was able to purchase the wind turbines at what it considered favorable pricing and due to the need to complete the wind projects before the federal production tax credits were due to expire. According to Mr. Tallman, PacifiCorp's wind resources currently consist of 59 percent that are Company-owned and 41 percent that are purchased from wind projects owned by others. The Company does not currently plan to purchase any wind turbine generators in the near future, since the IRP Update does not include any wind additions until the year 2017. However, Mr. Tallman stated that the Company has not stopped searching for future wind resource sites. The Company reports that the siting of wind projects is an iterative process with, at the present time, a lot of uncertainty with respect to purchasing and permitting land. The Company's Power Point presentation titled "Regulatory Policy Issues" is attached with this memo.

CONCLUSION

The Division convened the meeting as directed by the Commission and appreciates the Company's willingness to discuss its wind resource accounting and acquisition issues with the parties. The Company agreed to provide the necessary accounting detail up front in future rate recovery proceedings, as described in this memo and on the attached template. The Division has completed this action item from the Commission's Report and Order and no further action is required by the Commission.

cc:

Michael Ginsberg

Patricia Schmid

Michele Beck

Dave Taylor

Mark Moench

Mark Tallman

Attendance list