

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the) Docket No. 94-2035-03
Application of PacifiCorp)
for an Order Approving its) REPORTER'S TRANSCRIPT
Avoided Cost Rates.) OF PROCEEDINGS
_____)

Salt Lake City, Utah

Monday, January 23, 1995

10:05 a.m.

BEFORE:

STEPHEN R. MECHAM, Chairman, Public Service

Commission of Utah;

JAMES M. BYRNE, Commissioner, Public

Service Commission of Utah;

STEPHEN C. HEWLETT, Commissioner, Public

Service Commission of Utah.

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EXHIBITS

Exhibit No.	Marked	Received
PacifiCorp 1, 1.1 - 1.8, 1S, 1S.1, 1R and 1R.1	7	7
DPU 1, 1.1 and 1.2	24	24
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1 January 23, 1995

2 10:05 a.m.

3

4 P R O C E E D I N G S

5 CHAIRMAN MECHAM: Good morning. Let's go

6 on the record in Docket Number 94-2035-03, which is

7 captioned in the matter of the application of

8 PacifiCorp for an order approving its avoided cost

9 rates, and take appearances for the record, please.

10 MS. NODA: Laurie Noda for the Division of

11 Public Utilities.

12 MR. NIELSEN: John T. Nielsen on behalf of

13 Chevron USA Products Company, intervenor.

14 MR. HUNTER: Edward Hunter, representing

15 PacifiCorp.

16 CHAIRMAN MECHAM: Okay. Geneva Steel

17 apparently filed a position statement. Does anyone

18 know if Mr. Dodge intends to participate today?

19 MR. HUNTER: I have not heard from Mr.

20 Dodge.

21 CHAIRMAN MECHAM: Okay. Two witnesses have

22 filed testimony. Shall we take Dr. Weaver first?

23 MR. HUNTER: Yes.

24 CHAIRMAN MECHAM: Is there anything

25 preliminarily we need to take up?

1 MR. NIELSEN: Only that the Commission
2 should be advised that we intend simply to listen.
3 We don't anticipate any cross examination today.

4 CHAIRMAN MECHAM: Okay. Thank you.

5 MR. NIELSEN: Except as to comment on the
6 invitation of the Commission to discuss the expanded
7 nature of the docket, which I understand will happen
8 later.

9 CHAIRMAN MECHAM: I'm sure that will be of
10 interest. It won't be that much later, I'm
11 confident. Dr. Weaver.

12 RODGER WEAVER
13 called as a witness, having been first duly sworn,
14 was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. HUNTER:

17 Q Mr. Weaver, would you please state your
18 name and business address for the record.

19 A My name is Rodger Weaver. My business
20 address is 825 -- which direction is it? I knew I

21 was going to do this -- Northeast Multnomah,

22 Portland, Oregon. Multnomah is M-U-L-T-N-O-M-A-H.

23 Q And by whom are you employed?

24 A PacifiCorp.

25 Q And what's your position with PacifiCorp?

1 A My position is regulatory administration
2 manager.

3 Q Have you caused to be prefiled direct
4 testimony that consists of 22 pages of narrative and
5 eight exhibits, numbered 1.1 through 1.8?

6 A Yes.

7 Q Do you have any corrections or additions
8 you'd like to make to that prefiled direct testimony?

9 A No.

10 MR. HUNTER: Mr. Chairman, we request that
11 Mr. Weaver's testimony, narrative testimony be marked
12 PacifiCorp Exhibit No. 1 and that his exhibits be
13 marked 1.1 through 1.8.

14 CHAIRMAN MECHAM: Okay.

15 Q (BY MR. HUNTER) Mr. Weaver, have you also
16 filed supplemental testimony in this proceeding?

17 A Yes, I have.

18 Q And does that supplemental testimony
19 consist of five pages of narrative and one exhibit?

20 A Yes.

21 Q Do you have any corrections or additions
22 you'd like to make to that supplemental testimony?

23 A No, I don't.

24 MR. HUNTER: Mr. Chairman, we request that
25 Mr. Weaver's supplemental testimony be marked

1 PacifiCorp Exhibit Number 1S and that the exhibit
2 attached to that exhibit be marked 1S.1.

3 Q Mr. Weaver, have you also filed rebuttal
4 testimony in this proceeding?

5 A Yes, I have.

6 Q And does that consist of nine pages of
7 narrative and one exhibit?

8 A Yes.

9 MR. HUNTER: Mr. Chairman we request that
10 Mr. Weaver's narrative testimony be marked PacifiCorp
11 Exhibit 1R and that the exhibit attached thereto be
12 marked 1R.1

13 CHAIRMAN MECHAM: Okay.

14 MR. HUNTER: We move the admission of
15 PacifiCorp Exhibits 1, 1.1 through 1.8, 1S, 1S.1, 1R
16 and 1R.1.

17 CHAIRMAN MECHAM: Are there any objections?

18 MR. NIELSEN: No objections.

19 CHAIRMAN MECHAM: They're admitted.

20 (Whereupon PacifiCorp Exhibits 1, 1.1 -

21 1.8, 1S, 1S.1, 1R and 1R.1 were marked for

22 identification and received in evidence.)

23 Q (BY MR. HUNTER) Mr. Weaver, have you

24 reviewed the surrebuttal testimony of Ms. Wilson in

25 this proceeding?

1 A Yes, I have.

2 Q Based on that surrebuttal testimony, it
3 appears that the issues in this proceeding are
4 relatively defined at this stage. Would you please
5 identify what those issues are and what the Company's
6 position is on those issues?

7 A Yes, I will. First, the Division has
8 requested that the Company file a tariff embodying
9 its avoided costs. We've agreed to do that. We've
10 recommended that the Division and the Company and
11 other interested parties design a tariff
12 accomplishing that purpose upon completion of this
13 case, and the Division, I think, agrees with that
14 proposal, and so we intend to proceed along those
15 lines.

16 Second, the Division has recommended that
17 we investigate an alternative methodology to that.
18 We've proposed in this case for computing avoided
19 costs, that alternative would be based on the
20 Company's integrated resource planning process, call

21 RAMPP, and the model to be used would be the IPM

22 model.

23 We've agreed that we will undertake that

24 investigation. My testimony explains why the Company

25 thinks that that's not necessarily the appropriate

1 model to use or approach to use, but we agree with
2 the Division that we'll conduct the kind of
3 investigation that's needed upon completion of the
4 RAMPP-4 process and that, when that is completed,
5 we'll make a filing evaluating that methodology, and
6 I believe the Division agrees with that approach and
7 so that will be the way we will proceed on that
8 issue.

9 The third issue is whether the short-run
10 avoided cost should be based on a 50-megawatt zero
11 running cost resource or a 10-megawatt zero running
12 cost resource. The Company proposes 50. That's the
13 method we use in all states except for Montana at
14 this time. The Division prefers that a 10-megawatt
15 zero running cost resource be used for computing
16 short-run avoided cost. As I said, the state of
17 Montana now uses that.

18 I believe that the advantage of the
19 50-megawatt zero running cost resource is that it
20 supports use of the resulting avoided cost for a

- 21 variety of purposes, including a DSR conservation
- 22 cost effectiveness analysis, net lost revenue
- 23 calculation and so on.
- 24 The Division's purpose in 10 megawatts is
- 25 to use that cost for just the resources that are 10

1 megawatts -- I'm sorry, 1 megawatt or less in size,
2 and the Division's position seems to be that if we --
3 appears to me to be that if we are going to have
4 other purposes that an avoided cost calculation
5 should serve, then an additional calculation of
6 another avoided cost should be made for those other
7 purposes.

8 We recommend that there be a one-size
9 avoided cost calculation. If the Commission agrees
10 with that, then I think we both agree, the Division
11 and we, that 50 megawatts should be used. If the
12 Commission decides that it wants a separate
13 calculation for just the one megawatt and smaller
14 avoided cost and separate additional avoided cost
15 calculations for other purposes, then the Commission
16 should probably, for this purpose, use the 10
17 megawatts. I think we agree on that.

18 Those, I think, are the issues between the
19 Division and the Commission and that, I think, is the
20 current status of those issues.

21 Q Does that complete your testimony?

22 A Yes, it does.

23 MR. HUNTER: Mr. Weaver is available for

24 cross.

25 CHAIRMAN MECHAM: Ms. Noda?

1 Mr. Dodge, did you want to make an
2 appearance?

3 MR. DODGE: I do, Mr. Chairman. I
4 apologize for being late. Gary Dodge on behalf of
5 Geneva Steel.

6 (Discussion off the record.)

7 CHAIRMAN MECHAM: Ms. Noda.

8 CROSS EXAMINATION

9 BY MS. NODA:

10 Q Just one question. It has to do with
11 whether or not you'd be able to apply the 50-megawatt
12 number for all applications. Are you able to bind
13 other departments or other uses within the Company on
14 that 50 megawatt?

15 A Yes. Our standard practice for all those
16 other applications is the 50 megawatts, and we would
17 just continue with that approach.

18 MS. NODA: That's all I have.

19 CHAIRMAN MECHAM: Mr. Dodge, were you going
20 to engage in cross examination at this stage?

21 MR. DODGE: No.

22 COMMISSIONER BYRNE: Dr. Weaver, when was
23 your original testimony filed?

24 THE WITNESS: April of '94. I can't
25 remember the date.

1 COMMISSIONER BYRNE: When was it prepared?

2 Was it based on RAMPP-3?

3 THE WITNESS: It was based on RAMPP-3 with

4 updates that became known during the period that

5 RAMPP-3 was being carried out. Those updates are

6 clarified in the testimony itself.

7 COMMISSIONER BYRNE: Given what I'll

8 characterize as the conventional wisdom in the

9 industry is that costs are coming down for

10 alternative resources and what I presume is the

11 position of the Company as stated by George Galloway

12 last week that costs continue to come down, does the

13 Company not feel it necessary to revise their

14 testimony ten months or so after it was produced,

15 given the fact that there seems to be a decline in

16 cost curve in the industry?

17 THE WITNESS: I'm glad you asked that

18 question. We, in fact, recognize our costs are

19 declining, and we considered whether to revise the

20 testimony in this case or not.

21 By way of background, last Thursday,
22 following the rules of the Oregon Commission relating
23 to filing avoided costs within 30 days after we get
24 an acknowledgement letter from them on the most
25 recently completed RAMPP, which was RAMPP-3, we, in

1 fact, did file updated avoided costs, and those
2 updated avoided costs, using exactly the same method
3 as is proposed here, but updating, turn out to be, on
4 a present value basis, 25 percent lower than these.

5 Our expectation is that we will submit a
6 new filing in the state of Utah reasonably soon after
7 completion of this case to update for new
8 circumstances rather than updating -- that is to say,
9 rather than refiling in this case since we were so
10 near the time of hearing in this case.

11 COMMISSIONER BYRNE: A 25 percent
12 reduction. Is this filing a reduction from the rates
13 that were previously in effect?

14 THE WITNESS: That were previously in
15 effect in Oregon, and by way of background, also,
16 those are exactly the same rates as are proposed here
17 in this case.

18 COMMISSIONER BYRNE: But the rates proposed
19 in this case are also a reduction from the rates that
20 were previously in place in Utah?

21 THE WITNESS: Yes.

22 COMMISSIONER BYRNE: Is that also a 25
23 percent figure or something like that?

24 THE WITNESS: It's substantial. I can't
25 remember exactly what it is. We have an exhibit. I

1 think it's Exhibit 1.8. Yes. Which does a
2 comparison against the currently approved Utah rates
3 and those that are being applied for in this case,
4 and on a 20-year present value basis, nominal
5 levelized, that reduction is from 4.41 cents per
6 kilowatt hour down to 3.52, so that's something on
7 the order of 25 percent, yes.

8 COMMISSIONER BYRNE: And there hasn't been
9 a flood of requests for one megawatt or less avoided
10 cost treatment in Utah on the previously existing
11 rates?

12 THE WITNESS: No, not for one megawatt or
13 less. There's been a pretty substantial amount of
14 interest for large projects.

15 COMMISSIONER BYRNE: So if we were to adopt
16 the Company's current proposal, even recognizing that
17 the Company has already revised those numbers in
18 Oregon downward, you don't think there will be any
19 particular dramatic impact of doing that?

20 THE WITNESS: I think there won't be really

21 dramatic impact because of the magnitude of the
22 response in the small QF category, and as I said, we
23 anticipate filing again quite soon. There won't be a
24 lot of time elapse, either, in which a flood could
25 come out.

1 COMMISSIONER BYRNE: In your Exhibit 1.7,
2 you're assuming there, I guess, a price which, if I
3 had to guess, is probably high for 1994 and then a
4 six percent increase, escalation at least for what,
5 ten or fifteen years?

6 THE WITNESS: 6.15 for 20 years and then
7 5.1 for the remaining ten.

8 COMMISSIONER BYRNE: Does your filing in
9 Oregon revise those figures downward?

10 THE WITNESS: In fact, yes, it does and,
11 in fact, that's one of the two main reasons why the
12 newly filed Oregon avoided costs are so much lower
13 than these.

14 COMMISSIONER BYRNE: And why did the
15 Company choose to use a combined cycle combustion
16 turbine, rather than a cogeneration unit, such as
17 Hermiston?

18 THE WITNESS: The primary reason is we
19 needed a resource whose timing we could be in charge
20 of, so to speak. A cogeneration plant, of course,

21 requires the existence and cooperation of a steam
22 host. We can't be sure that, according to our own
23 schedule, a steam host may show up at the time we'd
24 need one.

25 COMMISSIONER BYRNE: And then basically the

1 Company had indicated that it didn't feel that was a
2 major problem, given that we're talking here, at
3 least, about one-megawatt resources and that that
4 isn't going have a lot of impact on the Company's
5 overall costs.

6 THE WITNESS: Yes; that's right. And, in
7 addition, the combined cycle CT is the resource of
8 choice for cogeneration projects these days as well.

9 COMMISSIONER BYRNE: At the top of page
10 six of your testimony --

11 THE WITNESS: This is direct?

12 COMMISSIONER BYRNE: Yes. Which way does
13 that 1994 seasonal exchange go? I'm not sure I can
14 tell from the bullet paragraph there.

15 THE WITNESS: Oh. We buy from Water Power
16 summer capacity and they buy from us winter
17 capacity.

18 COMMISSIONER BYRNE: These calculations,
19 are they based on levelized treatment of each part of
20 the cost that goes into the avoided cost calculation?

21 THE WITNESS: The actual file for avoided
22 costs escalate yearly, and they're not levelized.
23 Our anticipation would be that, in negotiating with a
24 particular developer, we could develop levelized
25 pricing based on these avoided costs.

1 COMMISSIONER BYRNE: So how is the capacity
2 cost calculated, then, on a nonlevelized basis?

3 THE WITNESS: Let me find the spot here.
4 Looking at, for example, Exhibit 1.6, pages two and
5 three of three, they are levelized carrying charges,
6 when I finally get around to answering the question
7 in the form that you meant it. The capital costs are
8 based on levelized carrying charges for the capital
9 costs.

10 COMMISSIONER BYRNE: Okay. Given the
11 changes that are occurring in the industry, perhaps
12 dramatic changes, does the Company feel that it's
13 reasonable to sign contracts for levelized payments
14 when, in the future, the Company may not be around in
15 the same business and the ratepayers may not be
16 treated the same and presumably in a levelized
17 contract the ratepayers end up paying more early on
18 and with the idea that they'll benefit later? Does
19 the Company feel that the contracts that it would
20 have in place will be sufficient to protect the

21 ratepayer through whatever restructuring scenarios
22 result?
23 THE WITNESS: That's kind of a broad
24 ranging question. By way of background, what we're
25 talking about here is pricing for QF contracts, QFs

1 being producers from which we have to buy. In the
2 event that we were to negotiate a levelized payment
3 stream, front loaded payment stream from a given QF,
4 we would require security provisions, project
5 security provisions in order to ensure that any
6 prepayments that -- early overpayments, I should say,
7 compare to real current avoided costs would be --
8 we'd get protection from those if the developer were
9 to walk away later on.

10 COMMISSIONER BYRNE: Does the Company have
11 some standard procedure developed in some other state
12 so we wouldn't have to go through the Sunnyside
13 nightmares for a less than one megawatt project?

14 THE WITNESS: The most rigorously, if you
15 will, spelled out set of procedures are those in
16 place in the state of Idaho requiring a set of
17 milestones and other provisions that developers have
18 to go through in order to qualify for QFs, payments
19 under QF contracts.

20 In our standard QF negotiating contract,

21 the sort of draft that we start negotiations from, a
22 series of milestones were included there for the
23 purpose of ensuring that projects are only paid if
24 they, in fact, come on and develop appropriately
25 provisions for certification of operability.

1 Commercial operation date provisions, are required to
2 be met before front loaded capacity payments would
3 be made. In other words, we've got to make sure that
4 the machines will work right.

5 And, in addition, another one of the ways
6 in which we protect against early overpayment
7 followed by subsequent nonperformance is through
8 financial protection in the way of -- in the form of
9 letters of credit for overpayment that would protect
10 us against that overpayment.

11 But formal provisions, as I said, the most
12 clearly spelled out ones are those in the state of
13 Idaho.

14 COMMISSIONER BYRNE: I guess those are all
15 the questions I have, except that we may need Dr.
16 Weaver to also comment on the greater than one
17 megawatt when we get to that.

18 CHAIRMAN MECHAM: Yeah, clearly. Dr.
19 Weaver, let me make sure I understand. With respect
20 to the two conditions that Ms. Wilson for the

21 Division recommends, the Company is going to maintain
22 the data necessary to compute the avoided cost under
23 the integrated planning model?

24 THE WITNESS: Yes.

25 CHAIRMAN MECHAM: And then I'm not sure

1 that I either heard or perhaps understood with
2 respect to the second condition and how it's computed
3 whether the assumption is 50 megawatts average of QF
4 power or 10. Is there some sort of agreement there
5 between the two now or not?

6 THE WITNESS: Basically, the agreement is a
7 functional one. If the Commission decides that, for
8 its own regulatory purposes, that the avoided costs
9 established here are to be limited only to pricing
10 for QFs less than a megawatt, then the 10-megawatt
11 number is appropriate.

12 If the Commission, on the other hand,
13 believes that the avoided costs here are for other
14 purposes, particular to DSR issues and so on, then it
15 should be the 50.

16 CHAIRMAN MECHAM: Okay. Any redirect, Mr.
17 Hunter?

18 REDIRECT EXAMINATION

19 BY MR. HUNTER:

20 Q Just on that last point. Mr. Weaver, is it

21 accurate to say that the crux of the dispute is
22 whether or not the Company has an avoided cost which
23 can then be modified -- starting with that basic
24 avoided cost, modified by adding things like
25 off-system sales credits to make it applicable to

1 other purposes?

2 A Yes. I think that's the case, and, in
3 fact, the question is whether we have a ceiling
4 avoided cost reflecting resources that are fully
5 integrated into the system or whether we have a
6 variety of ceiling avoided costs or, in this case,
7 different size resources, but again reflecting
8 resources that are fully integrated into the system.

9 Q And the distinction -- another distinction,
10 or the calculation distinction is that the Division
11 has assumed that there will be 10 megawatts of
12 qualifying facilities under a megawatt and they've
13 used that number in their calculation, and the
14 Company has made an assumption based on what's a
15 reasonable assumption for all QFs, regardless of
16 size, that will come on the system during the same
17 period of time?

18 A That's basically true, yes.

19 MR. HUNTER: Thank you. That's all I
20 have.

21 COMMISSIONER BYRNE: Let me just -- to
22 clarify on the issue of further study on the IPM
23 model and RAMPP-4, I think there was a letter from
24 Mr. Powell about a revised schedule. I know it was
25 getting shortened and then it was getting

1 lengthened. Mr. Powell is here. Can you tell us
2 what the latest schedule is, or whoever else is
3 participating in the RAG group?

4 MR. POWELL: The target date for completion
5 of RAMPP-4 is October, '95 with possible extension as
6 late as December, '95 as an absolute final date.

7 COMMISSIONER BYRNE: And so the idea would
8 be that, during that period and in the RAMPP and RAG
9 process, the Utah parties would also look at the IPM
10 model type calculation for avoided costs versus the
11 Company's proposed method?

12 MR. POWELL: More immediately superceding
13 or following that process.

14 THE WITNESS: Yes. I believe what's the
15 case is the RAMPP process is already quite fully
16 loaded. Our intent is that, after the RAMPP-4
17 process is completed, then we'd undertake the
18 investigation of computing avoided costs using IPM.

19 COMMISSIONER BYRNE: So there's no need for
20 an interactive approach on this? You take what the

21 RAMPP-4 produces and then look and see how that would

22 work for --

23 THE WITNESS: That's our intent, yes.

24 COMMISSIONER BYRNE: Okay. And then,

25 finally, the Land and Water Fund had intervened. Has

1 anyone heard from them, specifically on this issue of
2 50 megawatts versus 10 and whether to lump in the
3 DSR? It seems like that was their principal issue,
4 is the use of the avoided cost calculation for
5 comparing DSM projects. Has anyone heard from them
6 or does anyone know about their concerns?

7 (No response.)

8 CHAIRMAN MECHAM: Thank you. Any redirect
9 beyond that?

10 MR. HUNTER: No redirect.

11 CHAIRMAN MECHAM: Thank you, Dr. Weaver.

12 Ms. Wilson.

13 REBECCA L. WILSON

14 called as a witness, having been first duly sworn,

15 was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MS. NODA:

18 Q Would you please state your name for the
19 record.

20 A Rebecca Wilson.

21 Q And by whom are you employed and in what

22 capacity?

23 A I'm with the Utah Division of Public

24 Utilities and I'm employed as a utility economist.

25 Q And did you cause to be filed direct

1 testimony in this case on November 4th, 1994,
2 testimony consisting of 22 pages with attached
3 exhibits? I should probably have it marked 1.1 and
4 1.2.

5 A Yes.

6 Q And do you have any changes to make to this
7 testimony?

8 A No.

9 MS. NODA: We would ask that it be marked
10 as DPU 1 with attached Exhibits 1.1 and 1.2, and we
11 would move for its admission.

12 CHAIRMAN MECHAM: Objections? They are
13 admitted.

14 (Whereupon DPU Exhibits 1, 1.1 and 1.2 were
15 marked for identification and received into
16 evidence.)

17 Q (BY MS. NODA) And did you also cause to
18 be filed surrebuttal testimony on January 9th, 1995?

19 A Yes, I did.

20 Q And this consists of eight pages of

21 testimony, no exhibits. Do you have any corrections

22 to this exhibit?

23 A No.

24 MS. NODA: And we probably should have this

25 marked as DPU 1SR.

1 CHAIRMAN MECHAM: Any objections? Oh. You
2 hadn't moved for its admission. I'm sorry. Are
3 there objections to its admission? Hearing none,
4 it's admitted.

5 (Whereupon DPU Exhibit 1SR was marked for
6 identification and received in evidence.)

7 Q (BY MS. NODA) Do you have any comments to
8 make to Dr. Weaver's statement?

9 A No. I think he accurately characterized
10 our agreement in terms of some key issues. One thing
11 I think I'd like to add is it's my understanding -- I
12 was not at the prehearing conference, but it's my
13 understanding that the Commission did ask that we
14 focus our attentions on the applicability of the
15 standard rates for the use of QFs that are less than
16 one megawatt, rather than for other issues such as
17 DSR, and so I did take that perspective when I
18 reviewed the Company's proposed rates.

19 Q Does that conclude your testimony?

20 A Yes, it does.

21 MS. NODA: Miss Wilson is available for

22 cross examination.

23 CHAIRMAN MECHAM: Mr. Hunter?

24 //

25 //

1 CROSS EXAMINATION

2 BY MR. HUNTER:

3 Q You probably have already made it clear, so
4 I'll just go over it very briefly. The Division's
5 perspective is that the modeling done using the IPM
6 model is for analysis purposes only? You haven't
7 made a decision about whether the IPM model is the
8 appropriate way to calculate avoided costs?

9 A That is correct. We'd like to reserve our
10 recommendation that this methodology that the Company
11 has proposed, the proxy methodology be adopted until
12 we have a chance to look at the results of computing
13 avoided costs through the IPM model through that
14 approach.

15 Q And from your perspective, would it be
16 possible to develop an avoided cost in this
17 proceeding which then could be -- that single avoided
18 cost then could be adapted for the other purposes
19 you've discussed in your testimony?

20 A I think that's probably the case. I think

21 I'd like to wait until we see the results.

22 MR. HUNTER: Okay. Thank you.

23 COMMISSIONER BYRNE: Ms. Wilson, on page 13

24 of your testimony, you talk about the analysis that

25 the Division is carrying forward on the realized

1 marginal cost method for estimating avoided energy
2 costs. Is there a schedule for that analysis to be
3 completed?

4 THE WITNESS: Yes. We're a little behind
5 schedule. We had hoped to get you a memorandum this
6 month. Originally we had hoped to get you some
7 feedback by November, but due to some delays the
8 Company had in being able to prepare some additional
9 analysis we've requested, we sent you a memo saying
10 we'd be late and we'd be getting a response in by
11 January.

12 We just got a copy of that analysis that
13 the Company performed about three weeks ago or so, so
14 we're about ready to conclude that investigation, and
15 I expect we'll get a report to you in February.

16 COMMISSIONER BYRNE: Did the Division have
17 any contacts from the purchasers of the Sunnyside
18 project about this analysis?

19 THE WITNESS: That's what we still have yet
20 to do, is to discuss -- I talked with Brian Burnett

21 and he was pretty concerned about some of the results
22 of the analysis and so we're going to have some
23 discussions.

24 COMMISSIONER BYRNE: Well, my question was:
25 Did the purchasers of the Sunnyside project contact

1 the Division about this study?

2 THE WITNESS: Oh. No.

3 COMMISSIONER BYRNE: Does the Division
4 support the adoption of the Company's numbers as
5 filed in this case, even given the fact that they've
6 already filed revised numbers in Oregon?

7 THE WITNESS: I think we'd support the
8 numbers that are presented in -- I think it's Exhibit
9 1R.1. I don't think we're that concerned for the
10 narrow scope, for the less than one megawatt users of
11 this tariff, that there will be a substantial
12 problem.

13 COMMISSIONER BYRNE: Okay.

14 CHAIRMAN MECHAM: Any redirect, Ms. Noda?

15 MS. NODA: None.

16 CHAIRMAN MECHAM: Thank you, Ms. Wilson.

17 Let's go off the record just a moment.

18 (Discussion off the record.)

19 CHAIRMAN MECHAM: Okay. Let's go back on
20 the record.

21 We have had statements filed with the
22 Commission from Chevron, from Geneva Steel and from
23 the Division on treatment above one megawatt.

24 COMMISSIONER BYRNE: An additional
25 statement from the Company as well.

1 CHAIRMAN MECHAM: Yeah, that is true.

2 Let's go off the record.

3 (Discussion off the record.)

4 (Whereupon PacifiCorp Exhibit 2, Geneva
5 Exhibit 1, Chevron Exhibits 1 and 2, and DPU Exhibit
6 2 were marked for identification.)

7 CHAIRMAN MECHAM: Let's go back on the
8 record. While off the record, we marked comments of
9 the parties concerning treatment above one megawatt.
10 The Company's comment was marked PacifiCorp 2.
11 Geneva submitted a comment as well which we marked
12 Geneva 1. Chevron submitted a comment, which we
13 marked Chevron 1, and a clarification which we marked
14 Chevron 2.

15 Is there any objection to the admission of
16 these exhibits?

17 MS. NODA: Did you include the Division?

18 CHAIRMAN MECHAM: I perhaps did not. The
19 Division's comment we marked DPU 2 which we would
20 also be admitting with this admission. Hearing none,

21 we will admit those comments, PacifiCorp 2, DPU 2,
22 Geneva 1, Chevron 1 and Chevron 2.
23 (Whereupon PacifiCorp Exhibit 2, Geneva
24 Exhibit 1, Chevron Exhibits 1 and 2 and DPU Exhibit 2
25 were received in evidence.)

1 CHAIRMAN MECHAM: Mr. Nielsen, have you
2 given consideration as to how you'd like to proceed?

3 MR. NIELSEN: I haven't. We would
4 certainly proceed at the pleasure of the Commission.
5 I have with me Mr. Rick Anderson of Energy
6 Strategies, Incorporated, who is the principal author
7 of our comments.

8 I don't know whether the Commission would
9 choose to do this formally by having him take the
10 stand or whether we could just simply have him make
11 his comments from his seat here and then respond to
12 any questions any party has. That would certainly be
13 preferable to us and acceptable to us.

14 I could make some brief introductory
15 comments and then let Mr. Anderson flesh those out
16 for the benefit of everyone concerned, if that's what
17 the Commission would desire.

18 CHAIRMAN MECHAM: Okay. If you want to
19 make a brief statement, that would be fine. I think
20 what I'll do, though, is have Mr. Anderson stand and

21 I'll swear him in, but you can stay there. I know
22 that there are questions for you. And we'd have you
23 do a brief introduction.

24 And, Mr. Dodge, you might want to just give
25 a succinct statement on where Geneva is as well, and

1 we'll have the other parties do likewise, so, Mr.
2 Anderson, why don't you stand and we'll take care of
3 that.

4 (Whereupon Mr. Rick Anderson was sworn.)

5 MR. NIELSEN: Thank you, Mr. Chairman.
6 John Nielsen on behalf of Chevron. We did not file
7 any formal comments or prefiled testimony with
8 respect to the initial docket. The questions
9 propounded by Commissioner Byrne to Mr. Weaver, I
10 think, properly set the stage for our concerns; that
11 is, it is the Company's view that avoided cost
12 calculations with respect to QFs of less than one
13 megawatt are essentially irrelevant to anything that
14 our company would be interested in, and certainly the
15 comments that the demand for less than one megawatt
16 energy from those QFs is really not very common and
17 that the Company would really seek energy from
18 sources greater than that.

19 It's at that point that Chevron's concerns
20 become relevant to this consideration, and that is,

21 we believe that the Commission should have some way,
22 and we have suggested one that Mr. Anderson will talk
23 about in a moment, of having some oversight or some
24 ability to determine if, in fact, the acquisitions
25 being made by the Company from QFs or other alternate

1 energy sources are, in fact, the least cost resource
2 available to the Company.

3 We think that the process that we've just
4 seen, the docket which deals with less than a
5 megawatt, is certainly transparent enough that
6 everyone, including potential developers, have a
7 fairly good notion as to how those costs are
8 calculated, and that same process, however, we
9 believe is not available for the larger types of
10 projects, so with that brief introduction, I'd like
11 Mr. Anderson to flesh out the company's -- when I say
12 company's, Chevron's view -- and what it is we have
13 proposed and why we think that process may make sense
14 to the Commission.

15 MR. ANDERSON: I think our position is that
16 there seems to be a gap in the review process between
17 the smaller projects, the thousand KW QF, and what is
18 really the major acquisitions that the Company,
19 PacifiCorp, undertakes. There was a good number of
20 us in this room in attendance Wednesday in San

21 Francisco at a meeting in which George Galloway,
22 PacifiCorp counsel, spoke, and he made the note that
23 PacifiCorp is now the largest wholesale utility --
24 largest utility in the wholesale market in the nation
25 with revenues annually over \$600 million.

1 Most of that is coming not from QFs. Most
2 of that is coming from an acquisition strategy that
3 centers around the acquisition of larger projects.
4 That acquisition strategy of those larger projects
5 for wholesale purposes, on the other hand, is
6 dismissed in the RAMPP process in a single sentence
7 that says it can't be modeled because of the
8 uncertainties of markets in the future.

9 There seems to be something missing.
10 You've got a utility that is very active in
11 competitive markets. You don't have a process where
12 those acquisitions seem to be fully discussed and
13 evaluated with regard to whether they were effective
14 as least costs, and so with that in mind, Chevron's
15 concern is that we move -- we've got the parties
16 really who are of interest at the table in this
17 particular docket -- that we use this opportunity to
18 move forth a discussion on how -- what kind of
19 process could be put in place where the Commission
20 and all interested parties would have some assurances

21 that those acquisitions are, in fact, least cost and

22 are cost effective in terms of all ratepayers.

23 Chevron suggested in their statements, both

24 the original and the clarifying, that perhaps the

25 best way to move that forward and perhaps the best

1 method to do that would be to adopt some form of
2 competitive bidding process, and so that is a
3 suggestion that we would put out on the table for
4 discussion.

5 One thing that I do want to clarify, and
6 this is really the purpose of the clarifying comments
7 themselves, is it was never the intent of Chevron to
8 suggest that we should move back to a standard
9 avoided cost for large projects. In fact, just the
10 opposite. The purpose should be to move the
11 competitive process forward, not to rely on some
12 generic formula, and so it is not a -- Chevron's
13 position is not one of a reluctance to use
14 competitive forces or backing away from the market.
15 In fact, it would like to see the market used more
16 effectively in evaluating those resources.

17 COMMISSIONER BYRNE: These same issues have
18 been raised in the RAG group, the Regional Advisory
19 Group, for the RAMPP process, and we've had some
20 earlier discussions of this issue in the context, I

21 guess, of the RAMPP docket, and the Division has
22 indicated that it is concerned about the analysis of
23 these large projects, and this goes all the way from
24 Choya to Colorado Ute to Hermiston, and is proceeding
25 with some kind of analysis, so you can ask Mr. Powell

1 to comment about that.

2 I believe that Chevron has participated in
3 the past in those discussions in some form or
4 another. Is that the case? In the regional process?

5 THE WITNESS: We are participating now in
6 the RAMPP-4 process, the monthly meetings. We
7 commented on the RAMPP-3 document. We did not
8 participate -- I think one or two meetings up in the
9 Portland area, the Portland meetings on RAMPP-3, but
10 today we consider ourselves at the table on RAMPP-4.

11 COMMISSIONER BYRNE: In addition, the
12 Commission has had informal meetings, I think, with
13 Chevron and Geneva, and perhaps others on this very
14 issue of resource acquisition, and the fact that
15 we're in a changing industry and we have to figure a
16 way to deal with that, at times the Commission has
17 felt that the parties who were interested in building
18 new resources, third parties, felt that PacifiCorp
19 had an unfair advantage due to the fact that it had
20 all of the information about its system. The other

21 parties didn't have that.

22 On the other hand, the Commission has felt

23 that it's not in the best interest of the ratepayer

24 to have the Company negotiate in front of the

25 Commission or have to lay all of its cards out on the

1 table in a regulatory process when it's really
2 dealing with a competitive one, so I think the issues
3 that you have raised probably go beyond this avoided
4 cost docket and, as you know, we've had some informal
5 meetings on the issue of changes in the electric
6 power industry and I'm actually not sure at this
7 point whether all the parties have been noticed of
8 the meeting at one o'clock this Friday with Dr.
9 Malko. Judith Johnson with the Division set this
10 meeting up, but it is looking at the kinds of
11 restructuring and future of the electric power
12 industry issues that we're talking about, and that
13 meeting is in Room 205 at one o'clock this Friday.

14 In addition, both myself and Dr. Anderson
15 have mentioned that George Galloway spoke last week
16 in San Francisco about PacifiCorp's view of the
17 changing industry, and we have a meeting scheduled on
18 the 1st of February at two o'clock where Dennis
19 Steinberg is going to come and, I presume, talk about
20 many of the same things that Galloway mentioned last

21 week.

22 Would the parties feel that it's sufficient

23 to go forward with an informal process, at least for

24 a little while, and see how that develops, or are you

25 asking for something more formal at this point?

1 CHAIRMAN MECHAM: The Division propounded
2 an informal process.

3 MR. NIELSEN: We don't think the informal
4 process would be inappropriate at this point. I
5 think there are sufficient issues that need to be on
6 the table and perhaps we can come to a consensus as
7 to what they are through that process, but at some
8 point, at least it would be my initial thinking that
9 it ought to be formalized beyond that, perhaps in the
10 nature of an additional new docket, to discuss them
11 in a formal process.

12 COMMISSIONER BYRNE: Let me just ask, also,
13 then -- we have -- in the past, two, maybe three
14 years ago, the Washington Utilities and
15 Transportation Commission required PacifiCorp to
16 issue an RFP for both demand and supply side
17 resources for 50 megawatts. At that time, the
18 Commission issued an order basically that said, "me,
19 too," that we wanted to participate in the state of
20 Utah, both in the supply and the demand side resource

21 acquisition in that docket.

22 The Washington UTC has issued another -- or

23 required PacifiCorp to issue another RFP which I

24 think has just gone out recently. We have talked

25 informally in the past about whether we ought to deal

1 specifically with that. I think there was a general
2 feeling that we didn't have to participate in their
3 process, but we could go forward independently and
4 deal with an RFP.

5 I would presume, from the standpoint of
6 Chevron and Geneva, that that kind of a process where
7 we're talking about a competitive bid for a limited
8 resource like 50 megawatts is probably not -- doesn't
9 meet all the concerns that you have in mind, but I
10 guess -- let me ask if that's something that we ought
11 to go forward with on a formal basis as to whether to
12 deal in an expeditious basis on that 50-megawatt type
13 bid or are you asking for something more than that?

14 MR. WEAVER: I don't think we knew who you
15 were asking that question to.

16 COMMISSIONER BYRNE: I'm asking Chevron
17 and --

18 CHAIRMAN MECHAM: He did say "parties" but
19 he kept looking over here to the right.

20 COMMISSIONER BYRNE: Chevron and Geneva.

21 MR. ANDERSON: Well, I think you have to be
22 careful here if you go to the Washington Commissions.
23 The quest is not to force a bid when a bid is really
24 not timely. We don't want the Company, PacifiCorp,
25 to have to be forced to go into the market and

1 acquire resources under a competitive bid process
2 when it's not timely to do so, and we have --
3 actually, we have some concerns about that coming out
4 of the utility, the Washington utility.

5 On the other side, when it is timely for
6 the Commission to -- I mean, when it is timely for
7 the Company to go forth and acquire resources, that
8 is when we would like to see something come about
9 that is more than what we have now in terms of
10 acquisition strategy.

11 COMMISSIONER BYRNE: But I would presume
12 from your filings that a process that had a
13 50-megawatt competitive bid every two years is not
14 exactly what Chevron is looking for.

15 THE WITNESS: That would be correct.

16 COMMISSIONER BYRNE: Mr. Dodge, did you
17 want to --

18 MR. DODGE: Our reaction would be
19 essentially the same. The 50-megawatt bid process
20 provides some interesting information, but otherwise,

21 in our view, doesn't do a whole lot. Frankly, we
22 concur and follow Chevron's comments almost
23 completely, except maybe at the point they turn to
24 the RFP process, and our view is that that, in the
25 context of PURPA and large independent power

1 projects, or QFs or whatever, is a little bit
2 unwieldy and difficult to use because matching the
3 size of a QF to the companies at that given time
4 perceive needs in an RFP process is very difficult.

5 We do believe that there should be an open
6 process that encourages active negotiation between
7 the Company and the QF or independent power producer
8 but that also involves a component of disclosure and
9 involvement by the Commission, so, again, we follow
10 their comments up to the point where it suggests the
11 RFP and at that point we part company.

12 COMMISSIONER BYRNE: And therein lies the
13 problem, Mr. Dodge, when you encourage active
14 negotiation and then this process of disclosure
15 somehow through a public process with the Commission,
16 and, you know, I think we probably would all agree
17 that therein lies the crux of the issue and the
18 difficulty, because I see everyone nodding their head
19 yes, that we all recognize this is a problem, and we
20 also recognize that Congress is looking at at least

21 revising PURPA, removing the requirement to purchase

22 QF power.

23 We also know that the situation in the

24 industry in the West is changing very fast. One of

25 the issues that both Chevron and Geneva raised in

1 informal processes prior to this is their lack of
2 ability to understand the Company's transmission
3 system and the limits of that system that would cause
4 the Company to offer a cogeneration project in Oregon
5 at a considerably higher figure than they were
6 willing to offer a Utah project.

7 The Company has indicated that it's going
8 to file comparable service tariffs within the next
9 couple of months and post the availability of its
10 transmission system on an electronic bulletin board.
11 I don't know whether that, in and of itself, is going
12 to be sufficient to level the playing field in
13 negotiations, but at this point it seems to me that
14 we have to continue to address this issue informally
15 for a little while further before we are ready to get
16 into some kind of a formal process.

17 CHAIRMAN MECHAM: Well, let's hear from the
18 Division and PacifiCorp.

19 MS. WILSON: I just had a couple of
20 comments. One is on the Washington process. I

21 believe -- it's my understanding that, even though
22 this Commission hasn't taken any action on that RFP,
23 that any QF or any developer in the system can still
24 make a bid.
25 COMMISSIONER BYRNE: I think that's just on

1 the supply side, isn't it?

2 MS. WILSON: Right. Exactly. And the
3 second point is Washington state also has an inquiry
4 open right now for comments on their bidding
5 process. It's on a number of issues to do with
6 restructuring of the electric industry, and one of
7 the items on their list is comments on their
8 competitive bidding process, and that may be a
9 starting point for an informal process here in Utah.
10 Perhaps we should talk about comments we might want
11 to make, since their rules do drive the entire
12 competitive bidding process.

13 Even the Oregon has a process, also. I
14 don't believe theirs is driving. It's the scheduling
15 requirements of -- the timing and scheduling
16 requirements of the Washington process that are
17 driving it right now and they're a very small piece
18 of the puzzle. Is that right?

19 CHAIRMAN MECHAM: Dr. Weaver?

20 MR. WEAVER: Yes, that's true. Three

21 states have either rules or guidelines that affect
22 our RFP process, those being Montana, Oregon and
23 Washington. Montana has stated explicitly that their
24 guidelines are guidelines and that since Pacific is a
25 real small player in their state that they weren't

1 interested in us being rigidly required to follow
2 those.

3 Oregon's rules are rules and they're clear,
4 but they're rules that we should follow when we do an
5 RFP, but there are no rules about when that should
6 happen. You just have to do it according to the
7 rules if we do it.

8 Washington's rules finally do have a time
9 attachment, particularly, they follow. Six months
10 after completion of a RAMPP report, submission of a
11 final RAMPP report, we have to have an RFP out, and
12 that's the timing that drives the current one out
13 under the Washington rules.

14 Those rules do call for a system-wide RFP
15 on the supply side and that's the kind that we have
16 out right now. Geneva and Chevron, Kennecott, other
17 Utah -- large Utah customers have been provided with
18 copies of the RFP. They're open to participate and
19 bid into it if they wish.

20 The RFP explicitly states that it's a

21 50-megawatt RFP, but there's no obligation to buy up
22 to 50 or any. There's also no limitation on the
23 amount that we could buy if a bigger project came in
24 and were cost effective.
25 I believe that the Commission's --

1 characterized as Commissioner Byrne did -- "me, too,"
2 vote on the '91 RFP, we viewed that in the Company as
3 sort of continuing. As long as we don't do something
4 drastically different between two RFPs, we sort of
5 are thinking that we are complying with the Utah
6 Commission's wishes as well when we comply with the
7 Washington wishes.

8 I should point out there is one important
9 difference between this RFP under Washington rules
10 and the old one. They made a change. That specific
11 difference is that prices of projects are now
12 negotiable. They weren't before, and the Company was
13 sort of the lead driver in getting the Commission
14 to -- the Washington Commission to make that change,
15 and that came about as a result of our recognition
16 that the informal, nonsolicitation-based market for
17 new generation resources has matured, is a reliable
18 source of low cost generation alternatives, and
19 negotiation with non-RFP resource projects always
20 involves prices.

21 If a project looks pretty good but we can
22 make changes that change the costs and the prices can
23 change, either up or down, that's the way
24 negotiations are carried out between the utility and
25 non-RFP based approaches to us. We believe that's

1 the appropriate way for negotiations to go forward,
2 and I guess our view is that the strength of the
3 independent power supply industry, its robustness,
4 leads us to believe that a formal RFP process,
5 especially one that has timing requirements saying we
6 have to go out -- and I appreciate Dr. Anderson's
7 statements on this point -- that we have to go out
8 for bids whether or not we have a resource need,
9 maybe that's something that was useful in the past
10 and probably played a significant role in the
11 development of the independent market, but maybe
12 isn't as necessary from the point of view of
13 providing utilities with the lowest cost resources to
14 provide power to their customers from as it was in
15 the past.

16 COMMISSIONER BYRNE: Appreciate those
17 comments. If this Commission made no further action
18 on the issue of competitive bidding for resources,
19 would the Company accept, under the schedule it has
20 going forward under the Washington UTC requirements,

21 would it accept demand side resource bids from the
22 state of Utah?

23 MR. WEAVER: I hesitate to answer because
24 I'm not sure what the practice would be. I can say,
25 I don't think without any fear of being wrong, that a

1 bid into the RFP from the state of Utah on the demand
2 side would be treated openly and fairly, whether or
3 not it was carried inside of the RFP rules itself or
4 just as an approach by a developer. That's a long
5 way of saying that I don't really know the answer.

6 COMMISSIONER BYRNE: You know, I thought
7 you said something about you thought you were
8 continuing under the previous order of the Commission
9 and I -- so I guess I would like to have an answer to
10 that question because I suspect we may very well face
11 that issue, and we need to know now so that we can
12 act one way or another if we need to.

13 MR. WEAVER: We'll find that out.

14 MR. HUNTER: As a practical matter, I think
15 it's not currently established that way in the RFP.
16 If you wanted a change, you'd have to issue an order
17 and tell PacifiCorp that's what you wanted them to
18 do.

19 COMMISSIONER BYRNE: Well, is that then the
20 response of the Company or --

21 MR. HUNTER: I know, as a practical matter,
22 that the RFP does not include demand side resources
23 from any --

24 COMMISSIONER BYRNE: I know that's the case
25 in the Washington order.

1 MR. HUNTER: It's the case in the RFP
2 that's gone out, so if you want something different,
3 you have to tell the Company so they can implement
4 it.

5 Could I extend the Company's comments on
6 just a couple of other things?

7 CHAIRMAN MECHAM: Go ahead, Mr. Hunter.

8 MR. HUNTER: From our perspective, this is
9 not a novel question. The Company went through over
10 a year process, 92-2035-01 that we probably all
11 remember, to look at issues like whether or not the
12 Company would take a prescriptive role in resource
13 acquisition decisions.

14 People hired consultants, we did reports,
15 and at the end of that process, the Commission
16 decided that they were going to use the information
17 exchange model instead of something more formal, like
18 the Nevada approach or the competitive bidding
19 approaches that New Jersey and some other
20 jurisdictions had adopted, that the Company was going

21 to retain its traditional role as the planner and
22 acquirer of resources, and that prudence decisions
23 would be made in the context of the rate case.
24 We're unaware of anything that's happened
25 over the last four years that would make it less

1 desirable to follow that process.

2 COMMISSIONER BYRNE: The Company will be
3 perfectly happy about going forward with the
4 traditional regulatory approach and that changes
5 aren't happening in this industry on a daily basis
6 that might force them and us to change our minds?

7 MR. HUNTER: What would the changes be that
8 would make the Company or the ratepayers or the
9 Commission happier about having less than an arm's
10 length bargaining relationship with the potential
11 providers of resources? The competitive bidding
12 process became more attractive to Chevron and to
13 Geneva at remarkably the same time they came to the
14 Company with 600 megawatts of resource that wasn't
15 attractively priced.

16 The Company has found 155-megawatt
17 qualifying facility project that's willing to provide
18 resources to the Company at the price that Chevron
19 and Geneva rejected. This is not a process that's
20 broken. This is not a process that requires

21 attention from the Commission, from our perspective.
22 If the industry does change, if Mr. Galloway's view
23 of the future where generation resources are
24 separated from the LDC, at that time it would be
25 appropriate to look at those kind of issues.

1 Right now we don't see a reason to go
2 forward with that kind of process.

3 CHAIRMAN MECHAM: Okay. Let's go off the
4 record just a moment.

5 (Discussion off the record.)

6 CHAIRMAN MECHAM: Let's go back on the
7 record. Apparently there is at least one outstanding
8 question to you, Mr. Powell. You look too
9 comfortable back there.

10 COMMISSIONER BYRNE: It was just on the
11 issue of -- that Chevron has raised about the
12 analysis of large projects and whether there is a
13 process in place to determine whether they are indeed
14 least cost since, as Dr. Anderson indicates, the
15 RAMPP -- says that the RAMPP process can't deal with
16 those directly.

17 Are there any recent updates that we ought
18 to have from the Division on that issue? I know that
19 the last time we talked about this, the Division had
20 indicated it was going ahead on its own to perform

21 analysis on the major acquisitions that the Company

22 has done over the last few years, even absent a rate

23 case.

24

25 MR. POWELL: The Division is a few weeks

1 away from filing with the Commission a recommendation
2 for a standard filing requirement for PacifiCorp or
3 other utilities for that because, when they acquire a
4 new resource, that will enable us to evaluate them as
5 a least cost resource in light of our semiannual
6 reviews, so the Company's financial structure, if
7 other interested parties would like to review those
8 before we finalize them for the Commission, we have
9 no objection to them doing that, although our
10 purposes in obtaining the information, we are not
11 eager to disclose competitive information to other
12 parties as well.

13 Least cost is sometimes that because you
14 can negotiate in private and we don't want to lose
15 that advantage with PacifiCorp but we do need more
16 information than we're getting about acquisition of
17 resources and we've been working on a draft set of
18 standards of the data that we need to do that
19 evaluation and we're just a few weeks away from
20 finalizing that.

21 COMMISSIONER BYRNE: Would that data then
22 be -- would you be able to protect that data under
23 grandma? Are you not asking for this data that would
24 relate directly to competitive issues? Have you been
25 through that issue with counsel?

1 MR. POWELL: We've not been through that
2 issue yet, no.

3 CHAIRMAN MECHAM: Mr. Hunter gave a
4 vigorous negative head shaking while the question was
5 being asked.

6 MR. HUNTER: There's a question, at least
7 in our mind and the Division's counsel's mind whether
8 or not you can protect anything under a grandma, but
9 we could at least make an argument that it fell
10 within the proprietary provisions of grandma and then
11 wait for a district court to determine whether that
12 was an accurate appraisal or not, but we're less
13 excited about providing that kind of supersensitive
14 data than we have in the past because of the industry
15 changes that we've talked about.

16 COMMISSIONER BYRNE: One of the things we
17 might ask as a specific question in this informal
18 process is for a discussion, perhaps on the 1st of
19 February, but not necessarily then if that doesn't
20 work for the Company, but on the issue of when the

21 Company files its comparable service tariff and
22 begins to publish on electronic bulletin board its
23 transmission availability, will that provide some of
24 the information that the parties here, Geneva and
25 Chevron, have said they didn't have in the past and

1 were disadvantaged thereby?

2 CHAIRMAN MECHAM: Okay. While we were off
3 the record the last round, the Commission concluded
4 that it would approve the Company's application and
5 ask you, Mr. Hunter, to draft a proposed order that
6 would reflect the statements of Dr. Weaver as they
7 concern the Division's conditions.

8 Additionally, clearly, Chevron and Geneva
9 have raised an issue that we need to review, but I
10 don't believe that we're prepared to do anything more
11 than review that through an informal process at this
12 point.

13 Let's go off the record just a moment.

14 (Discussion off the record.)

15 CHAIRMAN MECHAM: Let's go back on the
16 record. I think we'll hold to what I said. Are
17 there other matters we need to take up this morning?

18 MR. NIELSEN: I'd just ask a question of
19 clarification. I'm assuming when the Commission is
20 talking about an informal process to consider these

21 greater resource issues, it's the -- is it the
22 Commission's view that this is the process that
23 Commissioner Byrne has already initiated or something
24 in addition to that? And, secondly, I'm assuming by
25 that statement the Commission is not foreclosing the

1 possibility of sometime at a later time doing
2 something more formalized.

3 CHAIRMAN MECHAM: I can guarantee we're not
4 foreclosing that possibility. With respect to the
5 process, Commissioner Byrne outlined a couple of
6 meetings that are happening fairly imminently here
7 and we'll just have to see how they develop. I know
8 that's rather vague, but I'm not prepared to get more
9 specific.

10 COMMISSIONER BYRNE: At any time the
11 parties feel like the informal process is not making
12 progress or at least not making progress on the time
13 frame that you think it ought to be, please return to
14 the Commission with some sort of formal request.

15 CHAIRMAN MECHAM: We try to never foreclose
16 things that we can't anticipate. Mr. Powell?

17 MR. POWELL: The Division would like to
18 volunteer to formalize the informal process a little
19 bit more by meeting with the parties and setting up a
20 timetable and list of objectives to be accomplished

21 and looking at the broader issue of acquisition of
22 resources by the utilities in the current venue and
23 the mode of transitioning from one to the other.
24 We'd volunteer to chair it.
25 MR. HUNTER: I wasn't aware that was a task

1 force that the Commission was setting up.

2 COMMISSIONER BYRNE: We've got to be
3 careful about using the word task force.

4 MR. HUNTER: The informal process that the
5 Commission was talking about I thought was to discuss
6 whether or not competitive bidding was one of the
7 appropriate methods by which resource acquisition
8 should be handled and whether it would be for QFs or
9 all resources. Now we're talking about something
10 broader than that?

11 COMMISSIONER BYRNE: The informal process
12 is the future of the electric power industry, much
13 broader than just competitive bidding. And, you
14 know, we certainly know that the Company is looking
15 at that as well and they have only recently revised
16 the magic slate again to put them in a position to be
17 ready to move forward in the new industry.

18 MR. HUNTER: Based on that, I suggest that
19 we do let -- we've got these meetings coming up.
20 Let's see what comes out of that process before we

21 try and formalize it more and identify the issues

22 we're going to address.

23 CHAIRMAN MECHAM: That's actually my

24 position. I'm not checking with my colleagues, but I

25 would at least like to see what the next couple of

discussions produce and then, given that it's informal, at that point we could determine whether we accept your offer. And I do avoid the word task force. That's sort of the equivalent of a black hole.

Are there any other things we need to take up beyond that? Thank you. We'll adjourn.

(Whereupon the hearing was concluded at 11:30 a.m.)

* * * *

1 REPORTER'S CERTIFICATE

2

3 STATE OF UTAH)
) ss.
4 COUNTY OF SALT LAKE)

5

6 I, RENEE L. STACY, Certified Shorthand
7 Reporter, Registered Professional Reporter and Notary
8 Public for the State of Utah, do hereby certify that
9 the foregoing transcript, consisting of pages 1 to
10 55, was stenographically reported by me at the time
11 and place hereinbefore set forth; that the same was
12 thereafter reduced to typewritten form, and that the
13 foregoing is a true and correct transcript of those
14 proceedings.

15 Dated this 30th day of January, 1995.

16

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18

RENEE L. STACY, CSR, RPR

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20 My Commission expires:

21 November 9, 1995

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