



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: Utah Public Service Commission

From: Utah Division of Public Utilities  
Philip Powlick, Director  
Energy Section  
Artie Powell, Manager  
Abdinasir Abdulle, Technical Consultant  
Charles Peterson, Technical Consultant

Date: September 2, 2008

Ref: Docket No. 08-999-02, Re: 03-035-14. Quarterly Compliance Filing – Avoided Cost Input Changes

---

**RECOMENDATIONS**

The Division has reviewed the PacifiCorp's Quarterly Avoided Cost Compliance filing and recommends that the Commission withhold acknowledgement pending the Company's response to the Division's data request. Following a satisfactory response to the Division's data request, the Division will recommend that the Commission acknowledge the filing and instruct the Company that in future compliance filings it will update the GRID model to conform to the Commission's Order in the revenue requirement portion of Docket 07-035-93.

With the expected purchase of the Chehalis facility, the Company may want to reconsider its proxy thermal resource for future compliance filings (West Side 602 MW CCCT).

**BACKGROUND AND DISCUSSION**

In an Order in Docket No. 03-035-14 dated October 31, 2006, the Commission ordered PacifiCorp dba Rocky Mountain Power (RMP or the Company):

To keep a record of any changes, including data inputs, made to the Proxy and GRID models used in this case. The Company shall notify the Commission and Division of any updates they make to the models used in the approved Proxy and PDDRR methods.

In compliance with the above Commission Order, on June 27, 2008, RMP filed its Quarterly Compliance – Avoided Cost Input Changes. On August 12, 2008, the Company filed revised changes to its avoided cost inputs. In an Action Request dated July 2, 2008, the Commission requested that the Division review these updates and report its findings to the Commission by September 1, 2008, (the Division is filing September 2, 2008 because September 1 was a State holiday). This memo contains the Division’s review of RMP’s Quarterly Compliance Filings dated June 27 and August 12, 2008.

On August 21, 2008 the Division issued a data request asking the Company to review its exclusion of the Tesoro QF from its analysis as described in Appendix A of the filings. The Division notes that, for example, RMP properly included the Kennecott QF which the Division believes is a similarly situated QF to the Tesoro QF. As of this date the Company has not responded to this data request. If Tesoro was incorrectly excluded from the analysis, the Company may have to revise its filings to reflect the inclusion of Tesoro.

In an Erratum Order in Docket No. 07-035-93 dated August 21, 2008, the Commission ordered Rocky Mountain Power to make revisions to its GRID inputs and methods including the following:

- Eliminate four of five call option contracts (Erratum Order, p. 22)
- Adjust the SMUD contract in GRID (Erratum Order, pp. 27-28)
- “Remove uneconomic generation produced by faulty GRID logic” (Erratum Order, p. 30)
- Unplanned outage schedule (Erratum Order, p. 33)
- Remove Gadsby units from ramping adjustment (Erratum Order, p. 40)
- Hermiston transmission losses (Erratum Order, p. 42)

- Biomass non-generator agreement (Erratum Order, pp 42-43)
- Sunnyside Contract (Erratum Order, p. 44)
- Schwendiman Contract deferral (Erratum Order, p. 44)
- Transmission Wheeling Expenses (Erratum Order, p. 46)
- Tesoro and Kennecott QF Contracts (Erratum Order, p. 46)
- Electric Swaps, Indexed Gas Transactions (Erratum Order, pp47-48)
- Current Creek Outage Rate (Erratum Order, p. 49)
- Remove Self-Supply, Non-Owned Reserve (Erratum Order, pp 49-50)
- Other Adjustments as applicable to GRID.

After reviewing the Company's compliance filings, the Division concluded that, with the possible exception regarding the Tesoro contract mentioned above, the Company is generally in compliance with the Commission Order in Docket No. 03-035-14. The Division also notes that the Company expects to purchase the Chehalis power plant in September 2008. This plant will largely replace the need for the IRP facility used as a proxy in calculating these avoided costs. The Division expects that the Company will revise its thermal proxy resource for its next filing. The Division recommends that the Commission order the Company to revise its GRID inputs and methods to conform to the Commission's Order in Docket No. 07-035-93.

CC: Rea Petersen, DPU  
Jeff Larsen, RMP  
Dave Taylor, RMP  
Michele Beck, CCS