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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 29, 2008

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

RECOMMENDATIONS (Accept as in Compliance)

The Division has reviewed the PacifiCorp's Quarterly Avoided Cost Compliance filing for the first quarter 2008 (filed June 27, 2008) and second quarter (filed August 12, 2008). Based upon our previous review described in the Division's memo dated September 2, 2008 and subsequent discussions with PacifiCorp (Company) and data received from the Company, the Division recommends that the Commission accept the Company's first and second quarter filings as in compliance with the Commission's Order in Docket No. 03-035-14.

The Division recommends that the Company's subsequent filings include GRID model updates ordered by the Commission in Docket No. 07-035-93 (the 2007 general rate case) and the Chehalis purchase which was closed this month.

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 for first quarter 2008. On August 12, 2008, the Company filed its second quarter changes to its avoided cost inputs. The Division responded to the Commission’s Action requests on September 2, 2008. At the time of the Division’s September 2 memorandum, it was not clear to the Division that the August 12 filing was intended by PacifiCorp to represent its second quarter filing since it came only about six weeks after the June 27 filing. Based upon explanations from the Company, the Division accepts the June 27 filing as the first quarter 2008 filing, and the August 12 filing as the second quarter filing. Additionally, the Division had concerns about the exclusion of Tesoro from the “QF queue” as part of the analysis.

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 June 27 and August 12 filings. The Division noted that, for example, RMP properly included the Kennecott QF which the Division believes is a similarly situated QF to the Tesoro QF. If Tesoro was incorrectly excluded from the analysis, the Company may have had to revise its filings to reflect the inclusion of Tesoro. Following the exchange of additional information and discussion with the Company, the Division now believes that PacifiCorp correctly developed its avoided cost analysis for the first and second quarters of 2008. Specifically, the Company documented that Kennecott had requested indicative pricing in May for its QF, and as of the end of the second quarter 2008 Tesoro had not requested indicative pricing. PacifiCorp explained that it places a

QF contract in its “queue” only when the QF has actually asked for indicative pricing. PacifiCorp does not attempt to anticipate such requests for purposes of this avoided cost report. With these explanations, the Division is satisfied with the avoided cost reports.

Discussion of other issues surrounding these filings was discussed in the Division’s September 2nd memo. These other issues primarily related to the Company’s compliance with the Commission’s Revenue Requirement Order in Docket No. 07-035-93, the 2007 general rate case.

CONCLUSION

Based upon the foregoing discussion the Division recommends that the Commission accept the Company’s first and second quarter filings as in compliance with the Commissions Order in Docket No. 03-035-14.

The Division recommends that the Company’s subsequent filings include GRID model updates ordered by the Commission in Docket No. 07-035-93 (the 2007 general rate case) and the Chehalis purchase which was closed this month.

CC: Rea Petersen, DPU
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