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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP FOR AVOIDED COST METHODOLOGY FOR QUALIFYING FACILITIES LARGER THAN 1 MW	)))))	Case No. IPC-E-95-9

Rebuttal Testimony

of

Rodger Weaver

On Behalf of PacifiCorp

June 25, 1996

Q. Please state your name, business address and present position with PacifiCorp (the Company).

A. My name is Rodger Weaver. My business address is 485 Lloyd Center Tower, Portland, Oregon 97232. My present position is Regulatory Administration Manager.

Q. Are you the same Rodger Weaver who has already prefiled testimony in this case?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. To present the Company's positions on avoided cost issues in response to the testimony of Rick Sterling and Dr. Richard A. Slaughter.

Q. Do you have any comments regarding Mr. Sterling's opinion on 20-year contracts?

A. Yes. Utilities are not acquiring long-term (20 years or more) resources as they have in the past prior to FERC's activities which have facilitated intense competition in the wholesale generation market. These activities have culminated in the recent issuance of Order No. 888. Presently, long-term in the market is being defined as three to five years and the predominant level of new transactions are for one year or less. To continue to guarantee QF prices for a twenty-year term is contradictory with market trends and will continue to subsidize the QF industry when the costs utilities can avoid are being defined by the market.

It should be noted that the Company signed the contract to acquire Hermiston resources in October, 1993, significantly prior to introduction of such pervasive competition into the marketplace.

Q. On page 5 of Dr. Slaughter's testimony he characterizes the electric power industry over the last 50 years as having prolonged periods of rising and then falling real prices. Do you agree that the current trend of declining prices is from the same factors that influenced the industry over the prior 50 years?

A. No. The prior trends occurred during periods of regulation much different from today's regulatory environment. The impetus of current price declines in the market is competition furthered by FERC Order No. 888. Without customers drive for increased market access, FERC's open access policies and state regulatory efforts to respond to the market, we would not have seen the price decreases that we have seen since early 1995.

Q. On pages 4 and 12 of Dr. Slaughter's testimony he asserts that shorter term contracts will eliminate small producers from the market and destroy competition to existing utilities. Have QFs really been competitive with the IOUs and beneficial to their customers?

A. Perhaps early in the history of PURPA QFs provided some competition. However, as the market has become more competitive QFs have ceased to play a competitive role. This is particularly true for PacifiCorp. Inclusion of high cost QF rates in the price of electricity have made prices higher than they would have otherwise been. During 1994 the Company's average price for all QF resources was \$69.29/MWH while the simple average cost of Company owned thermal resources was \$28.72/MWH and the simple average cost of Company hydro facilities was \$14.64/MWH. Existing QF resources have not been competitive with other resources available in the market, including Company owned resources and likely will never be in the future.

I would add that if QF's are truly competitive with utilities and other sellers, they will survive in a competitive market and if they are not they will not survive, as should be the case.

Q. In various sections of Dr. Slaughter's testimony he states that a reduction in the term of QF contracts from twenty to five years will result in an increase in risk that future energy price increases will be borne solely by customers and not by shareholders. Do you agree with this line of reasoning?

A. No. Dr. Slaughter's hypothesis does not match the realities of existing QF prices as discussed above and the fact that QF prices are artificially determined -- not determined by the market. Under existing regulation, customers are already burdened with paying for existing QF contract costs, not shareholders. A reduction in the term of QF contracts wouldn't change that fact. Moreover, it should substantially reduce price risk for customers because the prices will be more commensurate with market prices -- the prices that customers should pay.

Q. Do you have any comments on both Mr. Sterling's and Dr. Slaughter's recommendations that levelization should continue for twenty year QF contracts?

A. Yes. First, the Company is not opposed to levelization as a general concept. However, as explained in my direct testimony, we are opposed to levelization of twenty-year contracts, because they impose a cost on the utility that is not otherwise imposed in the market today.

Relative to Mr. Sterling's comment that the Commission has already reviewed the issue of levelization and therefore, the issue does not need further review, I would point out that the orders referenced were issued prior to open access policies and the tremendous level of competition that has exerted itself in the market. Therefore, I would envision that the Commission would want to review the appropriateness of levelization at this time. I consider such a review much the same as current congressional review of the appropriateness of PURPA in today's environment.

Q. What was FERC's proposed objective when they moved to facilitate competition into the marketplace?

A. Clearly, FERC facilitated emerging market competition as the preferred approach to securing maximum efficiency in the generation function and passing these efficiencies through to customers in the form of lower prices. A continuation of existing policies regarding QF contract length and levelization will perpetuate the existing disparity that we see between market prices and QF prices.

Q. Do you agree with Dr. Slaughter's proposal to disallow non-deferrable resources from the least cost planning stack of resources for the purpose of avoided cost calculations?

A. No. Non-deferrable resources are part of the IRP process and therefore, should be included in any determination of avoided costs that are IRP based. Exclusion of non-deferrable resources would be contrary to what IRP based avoided costs are supposed to accomplish -- a more accurate representation of a utilities avoided cost.

Q. Can you elaborate on the Company's non-deferrable resource position?

A. Yes. A non-deferrable resource is part of a utility's base case, generally a least cost option and requires acquisition at a certain point in time, otherwise it becomes a lost opportunity. For example, turbine upgrades are generally accomplished during major plant overhauls which occur every eight to nine years. Failure to upgrade a turbine at the major overhaul would result in an economic loss to the utility. Therefore, exclusion of a non-deferrable resource would artificially increase avoided costs to a level higher than they should be.

Q. Does this conclude your rebuttal testimony?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of June, 1996, a true and correct copy of the foregoing Rebuttal Testimony of Rodger Weaver was sent via Federal Express to the following:

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