

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE REVISION OF QF)	
VARIABLE ENERGY PRICES IN)	CASE NO. PAC-E-03-10
ACCORDANCE WITH TERMS OF THE 1992)	
AMENDMENTS TO POWER PURCHASE)	
AGREEMENTS BETWEEN IDAHO QFS AND)	ORDER NO. 29316
PACIFICORP.)	

On July 1, 2003, PacifiCorp dba Utah Power & Light Company (Company) sent a letter notifying the Idaho Public Utilities Commission (Commission) of a July 1, 2003, revision to the variable energy price for Qualifying Facilities (QFs) holding certain power sales contracts with the Company. Thirteen QFs have PURPA contracts with PacifiCorp that include a Commission approved 1992 Amendment that outlines a methodology that is to be used for determining the variable energy price component of the avoided cost rate. As stated in the 1992 contract Amendment:

Beginning July 1, 2003 and continuing throughout the term of the power purchase agreement, including any extensions, the variable energy rate shall be calculated in accordance with the following methodology:

- a) the variable energy rate shall be the sum of the Buyer's (PacifiCorp) fuel cost and the variable O&M cost.
- b) Buyer's fuel cost shall be the average cost of fuel consumed in Buyer's Utah Division, specifically the Carbon, Hale, Naughton, Huntington and Hunter generating plants. If any of the specified plants does not operate in any calendar year, such plant shall be excluded from the calculation of the average cost of fuel. The average cost of fuel shall be calculated using the data reported in Buyer's FERC Form 1. For 1990, Buyer's fuel costs are reported at pages 402-403, lines 12 and 21 of the FERC Form 1. In the event that the FERC Form 1 ceases to include the cost of fuel or net generation data, comparable data based upon Buyer's normal accounting practices shall be used.
- c) Buyer's variable O&M cost shall be calculated using the methodology adopted by the Idaho Public Utilities Commission in Order No. 23738 for determining the variable avoided O&M cost of the Surrogate Avoidable

Resource, excluding the State of Montana generation tax and the line loss adjustment.

The variable energy component is composed of two parts, fuel costs for PacifiCorp's Utah thermal plants and variable O&M costs. Commission Order No. 28708 clarified how each of these two parts to the variable energy component is to be calculated:

For those PacifiCorp contracts with 1992 Addendum language, we note, by way of clarification, that the fuel component calculation is to remain unchanged, i.e., "average fuel costs as reported in FERC Form 1 for PacifiCorp Carbon, (Hale—presently out of service), Naughton, Huntington and Hunter plants." The variable O&M under the PacifiCorp QF contracts, while presently fixed, is to be tied to Colstrip beginning in 2003. The Commission notes that pursuant to the '92 Addendum language in the PacifiCorp QF contracts, generation taxes and a line loss adjustment are specifically excluded from the calculation of any variable O&M. It is not our intention to change this contract term. The Commission notes, as calculated by Staff, that the exclusion of line loss (5%) and generation tax (20¢/MWh) from the variable Colstrip calculation for affected PacifiCorp contracts (beginning in 2003) results in an adjusted O&M figure of \$1.51/MWh.

As computed by PacifiCorp, fuel costs in 2002 for its Utah thermal plants are \$8.66/MWh. As stated above in Order No. 28708, variable O&M has been set at \$1.51/MWh. The sum of these two parts is \$10.17/MWh and represents the new variable energy rate for the affected contracts.

Concurrent with the letter received by the Commission, PacifiCorp submitted workpapers for Staff's review showing how the new variable energy rate has been computed. Staff has reviewed the Company's data and computations and believes they comport with both the 1992 Amendment and with Commission Order No. 28708.

Besides notifying the Commission of the new variable energy rate, PacifiCorp sent letters to the holder of each affected contract. Staff also sent letters to the same contract parties and posted the Company's workpapers showing its calculations on the Commission's web page for review.

Because the 1992 Amendments require annual adjustments henceforth, Staff recommends the Company be directed to annually submit its revised variable energy costs on a

schedule consistent with other avoided cost annual updates that become effective on July 1 each year. By filing its revised variable energy costs on or before June 1 each year, the Commission will be able to review and process the changes before the July 1 effective date, and the Commission can incorporate the revision in the same Order issued prior to July 1 each year that updates the Colstrip and Sumas avoided cost rate adjustments that apply to some other QF contracts.

COMMISSION FINDINGS

The Commission has reviewed and considered the filings of record in Case No. PAC-E-03-10 and the proposed revision to PacifiCorp QF contracts with 1992 amendment language. We have reviewed the Company's supporting workpapers and have also considered the recommendations of Commission Staff. We find the revised variable energy cost calculation as computed by PacifiCorp for existing QF power purchase contracts with the 1992 Amendments to be correct and find it reasonable to approve same for an effective date of July 1, 2003. With Staff review and copies of the calculation provided to all affected QF contract holders, we find that no further notice or procedure is required. Henceforth, we find it reasonable to require PacifiCorp to make an annual filing with the Commission on or before June 1 of each year showing its computation of the revised variable energy costs for these contracts.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby authorize and approve a new variable energy rate of \$10.17/MWh for those PacifiCorp/QF contracts with approved 1992 Amendment language.

Recognizing the variable rate change we approve today is the first of what will be an annual change in the variable rate for PacifiCorp/QF contracts with 92 Amendment language, IT IS FURTHER ORDERED and the Commission does hereby direct PacifiCorp to make an annual filing with the Commission on or before June 1 of each year showing its computation of the revised variable energy costs for these contracts.

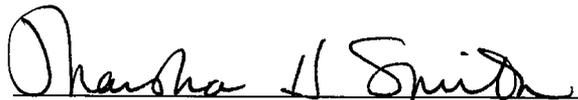
THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days

after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th day of August 2003.



RAUL KJELLANDER, PRESIDENT

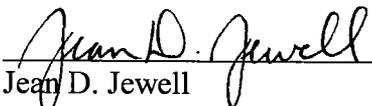


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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