



Exhibit No. ____ (APB-3)
Docket No. UE-032065
Witness: Alan P. Buckley

BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP, d/b/a Pacific Power &
Light Company,

Respondent.

DOCKET NO. UE-032065

EXHIBIT TO
TESTIMONY OF
ALAN P. BUCKLEY

STAFF OF THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

July 2, 2004

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

In re the Petition of)
)
)
 PACIFICORP d/b/a PACIFIC POWER) DOCKET NO. UE-020417
 & LIGHT COMPANY)
)
 For an Accounting Order Authorizing)
 Deferral of Excess Net Power Costs.)
)
)

POST-HEARING BRIEF OF COMMISSION STAFF

April 11, 2003

western power crisis. The evidence demonstrates that those contracts serve Utah's 2002 summer peak. The contracts cover the months July through September 2002. (Ex. 74.) Power is delivered during peak times of the day ("HLH"). (Tr. 330.) The point of delivery is through Palo Verde ("PV") into the Company's Eastern Control Area. (Tr. 331.) The peaking power received under these peaking contracts is not necessary to meet Washington's load requirements.

47 The Deferral Period also includes the operating cost of two new resources: the West Valley combustion turbine, which is a nominal 200 MW gas-fired project in West Valley, Utah near Salt Lake City, and the Gadsby combustion turbine, which is a 120 MW peaking unit near the Company's existing Gadsby Plant in Salt Lake City. (Ex. 115 at 17: 1-5.)

48 The evidence is overwhelming that these facilities were acquired to meet summer peak load requirements in the Eastern Control Area. In a March 7, 2002 press release, the Company stated that a number of new electric supply options were available through a recent Request For Proposals (RFP), including:

A flexible lease with PacifiCorp Power Marketing, Inc. (PPM), an affiliate company, for new peaking resources in the *fast-growing Utah Power service area*. (Emphasis added.)

(Ex. 84.) The "flexible lease" is the West Valley project. (Tr. 335.)

49 The press release also states that:

Other proposals received through the RFP are being negotiated as potential short- or long-term options to meet the area's growing energy needs. The RFP was designed to ensure impartial selection of resources available to serve *summer peaking demand in the company's Utah Power service area . . .* (Emphasis added.)

(*Id.*)

50 West Valley is operated pursuant to a lease from an affiliate of the Company. The Company filed a copy of the lease as an affiliated interest transaction. The Company reiterated in that filing that:

The RFP focused primarily on flexible, dispatchable resources with a point of delivery in or to the *PacifiCorp's Eastern Control Area* that are capable of meeting *peak demands during the summer months 2002-04.* (Emphasis added.)

(Ex. 85 at 2.) The Company did not issue an RFP for its Western Control Area, which includes Washington. (Tr. 336.)

51 Scottish Power stated that 320 MW of new peaking capacity was commissioned at Gadsby and West Valley "further strengthening our position" given the highest peak demand on record in Utah during summer 2002. (Ex. 14, Attachment at 3.)

52 PacifiCorp studied the impact of Gadsby and West Valley on its results of operations from 2003-2006. (Ex. 80.) The study includes the cost of wheeling from "SP-15 to Mona" that is avoided by the addition of Gadsby and West Valley. (Ex. 62 at 7: 12-14; Ex. 80, Attachment at 1, "Transmission Savings".) SP-15 is located in southern California. Mona is located in central Utah. (Tr. 304.)

53 The average cost of energy that is avoided by the addition of Gadsby and West Valley for delivery into Utah is significantly more expensive than power delivered into Washington for any of Washington's summer requirements that are not met with regional resources.⁸ (Tr. 585-86.) The addition of wheeling charges to deliver power into Utah exacerbates the price differential for alternative power and further undermines any claimed benefits for Washington.

54 Finally, Exhibit 86C includes the Company's presentations to its Board of Directors, beginning September 4, 2001, regarding the Gadsby and West Valley projects. The document states clearly that Gadsby and West Valley were acquired to meet the "Utah bubble" each summer given transmission constraints that necessitate investment in peaking resources within Utah. (Tr. 566 and 569-71.) The exhibit is packed with discussions that the benefits of Gadsby and West Valley are local to Utah. Attention is drawn specifically to the following pages of the October 12, 2001 presentation: Page 2, Executive Summary; Page 3, Executive Summary; Pages 3-4, "Wasatch Front" section; and Page 13, Investment Risk Discussion. Washington is not mentioned in the exhibit.

55 Thus, the evidence is abundant and clear that the West Valley and Gadsby projects were added only to serve summer load in Utah. PacifiCorp attempts to deflect attention from this evidence by alleging several benefits of the projects for

⁸ The average cost of energy is determined from Exhibit 80C by dividing "Market value while on

Washington. (Ex. 62 at 7: 5-21.) The Company was asked to document each of these benefits, but it could provide no specific studies or analyses. The information that was provided addressed only the Company's Eastern Control Area or total system benefits. (Ex. 87, *e.g.*, Response at "(A) Reserves".)

C. The Company's Proposal for a 60-90 Day Prudence Review of Deferred Amounts Should Be Rejected

56 The Company recognizes that the ultimate amount of deferrals, if granted, is currently unknown. (Ex. 83.) Nevertheless, the Company proposes immediately to defer and recover its excess power costs.

57 Recognizing this obvious deficiency, the Company on rebuttal proposed a 60-90 day period after the Deferral Period to audit and adjust the deferred amounts when they are known. (Ex. 8 at 19 : 17 through 20: 2 ; Ex. 62 at 2: 5-14.) This review would not, however, change the proposal to begin immediate recovery of deferred amounts. (Tr. 322.)

58 The Commission should reject this late effort. The record is clear that the forward summer peaking contracts are the only costs that relate to the western power crisis and occurred during the Deferral Period. Those contracts serve summer peak load in Utah. They do not provide benefits to Washington.

line" by "Generation." (Tr. 303.)