PACIFIC POWER
A DIVISION OF PACIFICORP

825 NE Multnomah, Suite 2000
Portland, Oregon 97232

December 30, 2010

VIA ELECTRONIC FILING

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P.O. Box 47250
Olympia, WA 98504-7250

Attention: David W. Danner
Executive Director and Secretary

RE: **Advice No 10-06**
Schedules of Estimated Avoided Cost and
Update to Schedule 37 – Avoided Cost Purchases from Cogeneration and Small Power Purchases

Dear Mr. Danner:

Pursuant to RCW 80.28.050 and 80.28.060, WAC 480-107-055 and WAC 480-107-095 and the Washington Utilities and Transportation Commission's ("Commission") Rules and Regulations, PacifiCorp, d.b.a. Pacific Power, ("Company") submits for filing a copy of proposed tariffs applicable to Pacific Power's electric service in the state of Washington. The Company respectfully requests an effective date of February 11, 2011.

Sixth Revision of Sheet No. 37.2	Schedule 37	Avoided Cost Purchases from Cogeneration and Small Power Production

The Company's current avoided cost prices and Schedule 37 became effective in March 2010. Since that time resource requirements, natural gas prices and market prices have changed, as have the Company's avoided costs. This filing updates the Company's estimated avoided cost prices and Schedule 37 based on the costs that the Company would expect to pay "but for" the Qualifying Facility resource.

Also enclosed is the notice to customers, a summary page of tariff changes and the Pacific Power avoided cost calculation exhibit.

It is respectfully requested that all formal correspondence and Staff requests regarding this filing be addressed to:

By e-mail (preferred): datarequest@pacificorp.com

By regular mail: Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon, 97232

Informal questions should be directed to Jon Christensen, Regulatory Manager, at (503) 813-5269.

Sincerely,

Andrea L. Kelly /jr

Andrea Kelly
Vice President, Regulation

Enclosures

Attachments and Exhibits
Attachment A: Notice
Attachment B: Summary Page of Tariffs
Attachment C: Proposed Tariff Schedule 37
Exhibit 1: Summary of the Company's avoided cost calculation methodology

ATTACHMENT A

Attachment A

NOTICE
PACIFIC POWER

Pursuant to Washington Law (including without limitation RCW 80.28.050 and -060) and the Washington Utilities and Transportation Commission's (the "Commission") Rules & Regulations, Pacific Power has filed with the Commission the original tariff schedules for electric service in the State of Washington.

Overview

Pacific Power's (the "Company") current avoided cost prices became effective in March 2010. Since that time resource requirements, natural gas prices and market prices have changed, as have the Company's avoided costs. This filing updates the Company's Commission approved avoided cost prices to be in line with the costs that the Company would expect to pay "but for" the Qualifying Facility resource.

The Commission will examine the Company's proposed tariff sheets. As a result of such examination, the Commission may determine that the proposed schedule should be accepted as filed, modified or rejected.

Unless suspended by the Commission, these tariff sheets will become effective February 11, 2011.

DATED: December 30, 2010

PACIFIC POWER

By Andrea L. Kelly /jc
Andrea L. Kelly
Vice President, Regulation
Pacific Power

ATTACHMENT B

The proposed tariff sheets to be revised in Pacific Power's currently effective Tariff WN U-74 are designated as follows:

Sixth Revision of Sheet No. 37.2	Schedule 37	Avoided Cost Purchases from Cogeneration and Small Power Production

ATTACHMENT C

EXHIBIT 1

PACIFIC POWER
AVOIDED COST CALCULATION

WASHINGTON - DECEMBER 2010

PACIFIC POWER
AVOIDED COST CALCULATION

WASHINGTON - DECEMBER 2010

The starting point for the avoided cost calculation is the load and resource balance developed for the Company's 2008 Integrated Resource Plan (IRP) Update. It should be noted that many of the input assumptions for the IRP were fixed in November 2009, in order to enable filing of the IRP in March 2010. Due to the age of the input assumptions, some of the inputs have been updated for known changes for purposes of this avoided cost calculation. The avoided cost prices were also developed consistent with the west control area allocation methodology adopted for the Company in Docket No. UE-061546[1].

Loads and Resources

The Company's October 2010 load forecast was used in the study.

Long-term sales and purchase contracts were updated to include information available as of November 2010. These changes include the addition or revision of several long-term purchase contracts[2].

Table 1 presents the Company's western control area loads and resource balance. Table 1 shows an energy balance with a surplus of 319 aMW in 2011 declining to a surplus of 300 aMW in 2015. The winter peak has a capacity surplus of 320 MW in 2011 and a capacity deficit of over 350 MW in 2012 through 2015. The summer months has a similar pattern with a capacity surplus in 2011 and capacity deficits in 2012 through 2015.

Avoided Cost Calculation

Based on the load and resource balance, the avoided cost calculation is separated into two distinct periods: (1) the Short Run – a period of resource sufficiency in which the avoided costs are based on the marginal production cost of existing resources plus the cost of purchasing summer capacity; and (2) the Long Run – a resource deficit period in which new resources are required to provide both capacity and energy to meet the Company's resource requirements. Avoided costs during the deficit period are based on the cost of a combined cycle combustion turbine. The load and resource balances in Table indicated resource sufficiency for all five years, only Short Run avoided costs are included in the current study.

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[1] GRID modeling changes include: additional reserve requirements for integrating wind resources; a change in the way market depth was calculated and non-firm transmission capacity was included.

[2] Additions and revisions to the long-term contracts portfolio include the addition of the Chehalis Station Service and an adjustment for coal fired ramp loss. The Condit hydro resource termination date was updated.

Short Run Avoided Costs

During periods of resource sufficiency, avoided energy costs are based on the displacement of purchased power and existing thermal resources calculated by the Company's GRID model. The model input data includes the monthly load and resource data, which are the basis for the annual summary of loads and resources shown in **Table 1**. To calculate short-run avoided costs, two production cost studies are prepared. The only difference between the two studies is an assumed 50 aMW increase, zero running cost system resource. The 50 aMW resource is a proxy for qualifying facility generation. The avoided energy cost is the difference between the two studies. The outputs of the production cost model run are provided as **Table 2**.

Winter capacity costs in this period are based on three-month capacity purchases. The annual value as shown in **Table 3** is one-fourth of the total fixed costs of a simple cycle combustion turbine (SCCT). Because energy generated by a qualifying facility may vary, avoided costs at 75%, 85% and 95% capacity factors are prepared to illustrate the impact of differing generation levels. This calculation is also shown in Table 3.

Avoided energy costs can be differentiated between on-peak and off-peak periods. To make this calculation, the Company assumed that all capacity costs are incurred to meet on-peak load requirements. On an annual basis, approximately 57% of all hours are on-peak and 43% are off-peak. **Table 4** shows the calculation of on-peak and off-peak avoided energy prices.

For informational purposes, **Table 5** shows a comparison between the avoided costs currently in effect in Washington and the proposed avoided costs in this filing.

Table 6 shows the calculation of the total fixed costs of a SCCT that are used in Table 3.

Table 1
Loads and Resources
2011 through 2015

	2011	2012	2013	2014	2015
aMW					
Net Load	2,329	2,372	2,381	2,387	2,395
Long Term Sales	209	208	133	133	94
Short Term Firm Sales	16	5	-	-	-
Total Requirements	2,553	2,586	2,514	2,521	2,489
Long Term Purchases	442	358	362	362	363
Short Term Firm Purchase	2	-	14	-	-
Thermal Generation	1,908	1,909	1,909	1,909	1,909
Other Generation	550	544	527	531	536
Reserves	(29)	(67)	(49)	(45)	(18)
Total Resources after Reserves	2,873	2,745	2,763	2,758	2,789
Surplus / (Deficit)	319	158	249	237	300
Percent Surplus / (Deficit)	12.5%	6.1%	9.9%	9.4%	12.0%
Peak (July)					
Net Load	3,404	3,489	3,488	3,508	3,529
Long Term Sales	361	361	361	361	261
Short Term Firm Sales	-	-	-	-	-
Total Requirements	3,765	3,851	3,850	3,869	3,790
Long Term Purchases	1,277	623	619	500	505
Short Term Firm Purchase	-	-	100	-	-
Thermal Generation	1,937	1,937	1,937	1,937	1,937
Other Generation	1,056	974	996	1,014	1,132
Reserves	(186)	(190)	(190)	(192)	(200)
Total Resources after Reserves	4,085	3,345	3,463	3,259	3,375
Surplus / (Deficit)	320	(506)	(387)	(610)	(415)
Percent Surplus / (Deficit)	8.5%	-13.1%	-10.1%	-15.8%	-11.0%
Peak (January)					
Net Load	3,684	3,751	3,787	3,804	3,822
Long Term Sales	200	200	100	100	-
Short Term Firm Sales	-	-	-	-	-
Total Requirements	3,884	3,951	3,887	3,904	3,822
Long Term Purchases	1,254	467	499	515	522
Short Term Firm Purchase	-	-	-	-	-
Thermal Generation	2,049	2,049	2,049	2,049	2,049
Other Generation	1,133	1,149	1,176	1,201	1,214
Reserves	(174)	(209)	(208)	(210)	(148)
Total Resources after Reserves	4,261	3,456	3,516	3,555	3,636
Surplus / (Deficit)	377	(496)	(371)	(349)	(186)
Percent Surplus / (Deficit)	9.7%	-12.5%	-9.5%	-8.9%	-4.9%

Table 2
Avoided Costs ($/MWh)
Non-Firm Energy

Year	Winter Season					Summer Season				Winter Season		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GRID Production Cost Study												
2011	34.63	32.69	29.62	25.43	18.50	14.42	31.51	38.04	35.72	35.22	38.94	41.37
2012	40.78	39.86	36.84	28.75	22.54	19.55	37.05	43.91	40.05	40.32	43.05	46.66
2013	42.84	41.82	38.52	31.37	24.59	21.60	39.45	46.07	42.04	42.42	45.01	48.66
2014	44.67	43.72	40.47	33.04	26.43	23.44	41.40	47.32	44.08	44.37	46.71	50.83
2015	46.23	45.20	42.43	35.15	27.98	25.72	43.47	49.77	46.29	46.38	49.19	52.98

Annual Seasonal Average

	Winter Season	Summer Season	Annual Wtd Average
2011	$32.05	$29.92	$31.36
2012	$37.35	$35.14	$36.63
2013	$39.40	$37.29	$38.71
2014	$41.28	$39.06	$40.55
2015	$43.19	$41.32	$42.58

Source: GRID Production Cost Study
Annual Wtd Average: Weighted by the number of days in a month

Table 3
Total Avoided Cost

Year	Avoided Firm Capacity Costs	Total Avoided Energy Cost	Total Avoided Costs At Stated Capacity Factor		
			75%	85%	90%
	($/kW-yr)	($/MWh)	($/MWh)	($/MWh)	($/MWh)
	(a)	(b)	(c)	(d)	(e)
			(b)+((a)/8.76 x 0.75)	(b)+((a)/8.76 x 0.85)	(b)+((a)/8.76 x 0.9)
Avoided Resource					
2011	(1)	$31.36	$31.36	$31.36	$31.36
2012	$22.24	$36.63	$40.02	$39.62	$39.45
2013	$22.64	$38.71	$42.16	$41.75	$41.58
2014	$23.08	$40.55	$44.06	$43.65	$43.48
2015	$23.51	$42.58	$46.16	$45.74	$45.56

Columns

(a) Table 6 Column (f) for three months (multiplied by 3/12)

(b) Table 2 Annual Average

Note: (1) No capacity payment is made in 2011 because the Company is capacity surplus during the winter peak 2011.

Table 4
On- & Off- Peak Energy Prices

Year	Avoided Firm Capacity Costs	Capacity Cost Allocated to On-Peak Hours	Total Avoided Energy Cost	On-Peak 4,993 Hours	Off-Peak 3,767 Hours
	($/kW-yr)	($/MWh)	($/MWh)	($/MWh)	($/MWh)
	(a)	(b)	(c)	(d)	(e)
		(a) /(8.76 x 21.0% x 57%)		(b) + (c)	(c)
Avoided Resource					
2011	(1)		$31.36	$31.36	$31.36
2012	$22.24	$21.21	$36.63	$57.84	$36.63
2013	$22.64	$21.59	$38.71	$60.30	$38.71
2014	$23.08	$22.01	$40.55	$62.56	$40.55
2015	$23.51	$22.42	$42.58	$65.00	$42.58

Columns

(a) Table 3 Column (a)

(b) Table 6 21.0% is the on-peak capacity factor of the SCCT Proxy Resource

(c) Table 3 Column (b)

Note: (1) No capacity payment is made in 2011 because the Company is capacity surplus during the winter peak 2011.

Table 5
Comparison between Proposed and Current Avoided Costs

Year	Total Avoided Costs at 85% CF		
	Proposed Avoided Costs ($/MWh)	Washington Approved Avoided Costs ($/MWh)	Difference ($/MWh)
	(a)	(b)	(c) (a) - (b)
2010		$48.62	
2011	$31.36	$50.02	-$18.66
2012	$39.62	$53.66	-$14.04
2013	$41.75	$54.10	-$12.35
2014	$43.65	$54.93	-$11.28
2015	$45.74		

Levelized Prices $/MWH (Nominal) @ 7.17% Discount Rate (1)

5 Year (2010 - 2014)		52.03
5 Year (2011 - 2015)	39.96	

Columns

(a) Table 3 Column (d)

(b) Avoided Costs Approved by the Commission March 11, 2010

Note: 1 Discount Rate - Company Official Discount Rate - Dated September 2010

Table 6
Total Cost of Displaceable Resources
SCCT Frame (2 Frame "F") - West Side Options (1500')

Year	Estimated Capital Cost $/kW	Capital Cost at Real Levelized Rate $/kW-yr	Fixed O&M $/kW-yr	Variable O&M $/MWh	Total O&M at Expected CF $/kW-yr	Total Resource Fixed Costs $/kW-yr
	(a)	(b)	(c)	(d)	(e)	(f)
2009	$700	$58.14	$3.90	$12.66	$27.19	$85.33
2010		$58.90	$3.95	$12.82	$27.53	$86.43
2011		$59.72	$4.01	$13.00	$27.92	$87.64
2012		$60.62	$4.07	$13.20	$28.35	$88.97
2013		$61.71	$4.14	$13.44	$28.86	$90.57
2014		$62.88	$4.22	$13.70	$29.42	$92.30
2015		$64.07	$4.30	$13.96	$29.98	$94.05

Source: (a)(c)(d) Plant Costs 2008 IRP Update - as modeled in PAR
(b) = (a) x Payment Factor
(e) = (d) x (8.76 x 21%) + (c)
(f) = (b) + (e)

SCCT Frame (2 Frame "F") - West Side Options (1500')			
	338	Plant capacity	MW
$	700	Plant capacity cost	$/kW
$	3.90	Fixed O&M plus on-going capital cost	$/kW-yr
$	12.66	Variable O&M and Other Costs	$/MWH
$	8.59	Fixed Pipeline Costs Included Above	$/MWH
	8.31%	Payment Factor	
	21%	Capacity Factor	

Company Official Inflation Forecast - Dated September 2010	
2009	0.30%
2010	1.30%
2011	1.40%
2012	1.50%
2013	1.80%
2014	1.90%
2015	1.90%