

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of )  
PACIFICORP, dba Utah Power & Light )  
Company, for Approval of Standard )  
Rates for Purchases of Power from )  
Cogeneration Qualifying Facilities )  
Having a Design Capacity of 1,000 )  
Kilowatts or Less or Small Power )  
Production Qualifying Facilities Having )  
a Design Capacity of 3,000 Kilowatts or )  
Less )

DOCKET NO. 06-035-T06

ORDER

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ISSUED: November 7, 2006

SHORT TITLE

**Update of Electric Service Schedule No. 37 Rates  
for Power Purchases from Qualifying Facilities.**

SYNOPSIS

The Commission approves the Schedule No. 37 rates filed October 6, 2006,  
effective November 6, 2006.

By The Commission:

INTRODUCTION AND PROCEDURAL BACKGROUND

On July 12, 2006, PacifiCorp, dba Utah Power & Light Company (“PacifiCorp” or “Company”), filed proposed changes to Electric Service Schedule No. 37 of Tariff P.S.C.U. No. 46 of Utah Power & Light Company. Schedule No. 37 establishes standard prices for purchases of power from Utah-located cogeneration Qualifying Facilities (“QFs”) with a design capacity of 1,000 Kilowatts (kW) or less and small power production QFs with a design capacity of 3,000 Kilowatts (kW) or less. The rates are based on avoided costs developed from the Company’s Integrated Resource Plan (“IRP”). Avoided costs are costs the Company would incur to serve its native load “but for” the generation provided by the QFs. Schedule No. 37 prices are also used to evaluate special contracts, demand side resource programs and form the basis of credits paid under Electric Service Schedule No. 135, the Company’s Net Metering Service. Specifically, the Company updates the rates for known and expected changes to system costs and requests a change to the definition of peak hours. On July 17, 2006, the Commission requested the Utah Division of Public Utilities (“Division”) investigate and review the proposed changes. On August 4, 2006, the Division filed its review and recommendations. No other party provided comments.

On September 12, 2006, the Commission ordered (“September Order”) the Company to refile the rates with the following changes: 1) On-peak hours shall be defined using Mountain Prevailing Time and denoted as such; 2) the cost of the coal and natural gas resources identified as proxy plants beginning in 2012 shall be consistent with the least cost portfolio

identified by the Company in its 2004 IRP Update; 3) the costs of actual fuel contracts held by the Company, either natural gas or coal, shall be used in the GRID calculation of avoided energy cost. In the absence of actual contract prices, forecasted fuel prices shall be used. On October 10, 2006, the Company filed replacement tariff sheets providing updated prices reflecting the Commission's September Order. On October 10, 2006, the Commission issued an action request to the Division to review the updated prices to ensure compliance with the Commission's September Order. On October 27, 2006, the Division filed its review that the Company's filing appeared to make the changes required in the September Order and recommended the Commission approve the changes to Schedule 37 rates as filed October 6, 2006.

#### DISCUSSION, FINDINGS AND CONCLUSIONS

For the purpose of comparing the proposed Schedule No. 37 rates to existing Schedule No. 37 rates, the Company levelizes the annual prices using an assumed capacity factor over a 20-year contract starting in 2006. The proposed levelized price, assuming an 85 percent capacity factor, is \$51.67 per megawatt hour. This proposed rate is about one percent higher than the current levelized rate of \$51.22 per megawatt hour for the 2006 to 2025 period. On an annual basis, the proposed rates in comparison to current rates are 13 percent lower in 2006, 4 percent to 19 percent higher in years 2007 to 2011, and 3 percent to 14 percent lower in years 2012 to 2025.

Having provided a complete review of the bases for these changes in our September Order, and upon the statements of the Company and Division that the October 6, 2006 updated prices are consistent with our September Order, we approve these Schedule No. 37

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rates (attached herein) as reasonable measures of avoided cost for Schedule No. 37 purchases of power, effective November 6, 2006.

ORDER

NOW, THEREFORE, PURSUANT TO OUR DISCUSSION, FINDINGS AND CONCLUSIONS MADE HEREIN, WE ORDER:

The avoided cost rates, terms and conditions contained in PacifiCorp's October 6, 2006 application to change rates for Electric Service Schedule No. 37, P.S.C.U. Tariff 45 are approved effective November 6, 2006.

DATED at Salt Lake City, Utah, this 7<sup>th</sup> day of November, 2006.

/s/ Ric Campbell, Chairman

/s/ Ted Boyer, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary  
G#51300

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Docket No. 06-035-T06 Tariff Utah Schedule 37 Prices							
Year	Capacity	Energy Only	Peak Energy Prices		Off-Peak Energy Prices		Total Price @
	Price \$/kW-mo	Price ¢/kWh	Winter ¢/kWh	Summer ¢/kWh	Winter ¢/kWh	Summer ¢/kWh	0.85 Capacity Factor ¢/kWh
2006	1.74	4.15	4.33	4.95	3.83	4.46	4.43
2007	3.12	4.37	5.19	5.38	4.31	4.49	4.87
2008	1.82	5.25	5.64	6.02	5.13	5.50	5.55
2009	1.40	5.15	5.44	5.74	5.05	5.35	5.37
2010	2.38	5.13	5.64	6.12	4.97	5.45	5.51
2011	4.39	4.95	6.02	6.52	4.78	5.28	5.65
2012	9.49	2.65	5.33	5.33	2.65	2.65	4.18
2013	9.73	2.77	5.52	5.52	2.77	2.77	4.34
2014	9.97	2.89	5.71	5.71	2.89	2.89	4.50
2015	10.22	3.04	5.93	5.93	3.04	3.04	4.69
2016	10.47	3.21	6.17	6.17	3.21	3.21	4.90
2017	10.73	3.39	6.43	6.43	3.39	3.39	5.12
2018	11.00	3.53	6.64	6.64	3.53	3.53	5.30
2019	11.27	3.72	6.90	6.90	3.72	3.72	5.53
2020	11.55	3.86	7.13	7.13	3.86	3.86	5.73
2021	11.85	3.94	7.29	7.29	3.94	3.94	5.84
2022	12.15	4.02	7.46	7.46	4.02	4.02	5.98
2023	12.47	4.11	7.64	7.64	4.11	4.11	6.12
2024	12.79	4.20	7.82	7.82	4.20	4.20	6.26
2025	13.12	4.30	8.01	8.01	4.30	4.30	6.41
20 Year							
Levelized							
Prices							
(Nominal) @							
	7.04	4.03	5.95	6.14	3.96	4.15	5.17
\$/MWH		40.32	59.52	61.38	39.60	41.46	51.67