BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE PETITION OF PIONEER RIDGE, LLC AND MOUNTAIN WIND, LLC FOR APPROVAL OF A CONTRACT FOR THE SALE OF CAPACITY AND ENERGY FROM THEIR PROPOSED QF FACILITIES	Docket No. 05-035-09
IN THE MATTER OF THE PETITION OF SPRING CANYON FOR APPROVAL OF A CONTRACT FOR THE SALE OF CAPACITY AND ENERGY FROM ITS PROPOSED QF FACILITIES	Docket No. 05-035-08

PREFILED DIRECT SUPPLEMENTAL TESTIMONY OF ROGER J. SWENSON

Pioneer Ridge, LLC and Mountain Wind, LLC hereby submits the prefiled supplemental Direct Testimony of Roger J. Swenson in this Docket.

DATED this 18th day of March, 2005.

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Roger J. Swenson
Consultant for Pioneer Ridge, LLC and Mountain Wind, LLC

PREFILED DIRECT TESTIMONY

Of

ROGER J. SWENSON

On behalf of Pioneer Ridge LLC and Mountain Wind, LLC

IN THE MATTER OF THE PETITION OF PIONEER RIDGE, LLC AND MOUNTAIN WIND, LLC FOR APPROVAL OF A CONTRACT FOR THE SALE OF CAPACITY AND ENERGY FROM ITS PROPOSED WIND GENERATION FACILITIES

Docket No. 05-035-09

March 18, 2005

Background

Q. Please state your name and business address.

A. Roger J. Swenson , 1592 East 3350 South, Salt Lake City, Utah 84106.

Q. By whom are you employed and in what capacity?

A. I am an independent utility and energy consultant.

Q. Have you filed testimony previously in this matter?

A. Yes. I filed testimony on January 28, 2005 and February 28th regarding a request for contract approval regarding the two wind powered projects, Pioneer Ridge, LLC and Mountain Wind, LLC.

Q. What questions you will address with this testimony?

A. I will address capacity allocation, I will also address the basis for the reason why we should encourage renewable development, and finally I will deal with some of the specific pricing issues associated with intermittent generation sources.

Q. What more do you want to say about the allocation capacity under the stipulation cap?

A. The central question is when does capacity get taken. I believe that the capacity is gone, under the stipulation, when a contract becomes effective. Until that time there is no assurance that the project developer can or will want to go forward until there are assurances that all contractual conditions imposed by the regulatory approval process are completely understood.

Q. Can you provide an example of such an instance?

A. Yes, if the green tags associated with the wind projects are deemed to be the property of the utility with no additional consideration provided to the developer it is unlikely that the wind projects will go forward with development. Another example would be a requirement that provided shorter contract term than financing can be arranged. If Spring Canyon needs a 20 year contract to cover financing periods and they are forced to take a 5 year term the project is not likely to be developed.

Q. Why is it in the public interest to provide avoided cost rates for wind?

A. Each MWH generated by wind means that up to 8-10 Dths of natural gas or approximately ½ Ton of coal will be saved for future generations use. With gas prices exceeding $7.00 per Dth and data showing declining output of Utah coal it is more important than ever to promote this resource conserving technology. It is important to actually see developments go forward and break down the contracting barriers and negative perception concerning cost that exist.

Q. What does the Scottish Power Environmental and Social Impact Report state concerning renewable resources?

A. The report states that the IRP process has identified that additional renewable capacity as providing a critical component of the resources that will be needed for the future. In fact the latest IRP talks about the development of 1400 MWs of renewable resources.

Q. Are there issues associated with ratepayers paying too high a price for this power you are offering to sell?

A. On the contrary from the data responses it appears that the fixed cost alternative from the stipulation may be too low. DPU Data Request to Pacificorp 1.2 asked to have the updated QF filing using 100 MW resource rather than a 10 MW resource. As I understand the pricing as shown in that Data Request response from Pacificorp, the levelized 85% capacity factor price is $59.08/MWH or $9.05/MWH higher than the stipulation fixed pricing at 85% capacity factor for the same period.

Q. Are there other issues that have come up looking at the data responses and avoided costs specifically for wind resources?

A. Yes. In Pacificorp's data response to CCS 6.8 in Docket 03-035-14 provided February 14, 2005, there is an admission that renewable resources will have higher costs to rate payers than non-renewable projects. Yet as mentioned above, the IRP has this type of resource as a considerable percentage of new development that the Company will acquire over the next 10 years. The data response states;

> "The Company expects that a winning bid in a renewable RFP will have higher costs to ratepayers, after adjusting for the integration costs of the resource, than a winning bid under a non-renewable RFP. The Company and its ratepayers are willing to incur these incremental costs to obtain the benefits of renewable resources including the ownership rights of having acquired renewable resources…"

Here there is a clear admittance that there are benefits that out way the integration costs. If that wasn't the case the IRP would not be choosing so much of this resources to add.

Q. What can we look at to quantify this value that offsets the integration cost?

A. In my initial testimony I stated that two of the positive benefits of renewable resources are; the value of providing a fixed price for a long period of time and the avoidance of margin costs associated with fixing prices in this manner, and also reduced exposure to environmental costs.

Q. Have you calculated the value of avoiding the margin costs?

A. Yes. The levelized value per MWH of providing a fixed price using the margin cost approach is $2.69/MWH. The calculation is based on the margin cost associated with taking out enough futures contracts to cover the fuel cost associated with a generation plant for the 20-year period. The margin as required on a year by year basis is shown on RJS Supplemental 2 Exhibit 1. The capital required has a cost associated with it and that cost is levelized using the 7.2% levelization factor.

Q. What about the value of emissions?

A. I have used information from the latest IRP to calculate a levelized value for emissions costs for a CCCT that would be avoided with a wind resource. The levelized value that I calculate is $2.37/MWH. The levelized number is derived from emission costs projections and the unit emission costs as called out in the IRP. The calculations are shown on RJS Supp 2 Exhibit 2.

Q. What is the total of benefits value that you have calculated with these 2 benefits?

A. The sum of the hedging value of $2.69/MWH and the emission value of $2.37/MWH is $5.07/MWH value for the benefits provided.

Q. What does Pacificorp say that the integration cost for wind is?

A. The IRP Appendix J, Page 150 says that integration cost is $4.64/MWH for wind projects. That shows that the benefits as calculated are in excess of even the projected Pacificrop integration costs by $.42/MWH.

Q. Do you have any more information concerning the capacity value for wind projects as you suggest in your initial testimony?

A. The IRP in Appendix J page 141 discusses capacity contributions of up to 30% in some instances and goes into detail concerning an approach used at one site to derive a 20% expected capacity contribution. The approach that I suggest using provides a method to track actual contribution of a project. One issue that using a singular site determination falls short is the contribution with a class of suppliers that would have independent contributions that when combined reduce the volatility of output that Pacificorp is modeling.

Q. Do you have any additional information concerning the ownership of green tags?

A. Yes. I have FERC Staff Briefing Paper that discusses the State of Wind Energy in Wholesale Electricity Markets, Docket No. AD-04-13-000. The paper offers up the following finding;

> "…Furthermore, in American Ref-Fuel Co., et al, the Commission granted a petition for a declaratory order finding that PURPA contracts for the sale of capacity do not convey renewable energy credits or similar tradeable certificates to the purchasing utility absent agreement among the Parties."

Therefore unless there is a clear agreement between the Parties that the pricing includes consideration for the green tags there is no presumption as Pacificorp has implied.

Q. Does this conclude your testimony?

A. Yes it does

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was mailed, postage prepaid, this 18th day of March, 2005, to the following

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