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

PREFILED DIRECT TESTIMONY OF ROGER J. SWENSON

Pioneer Ridge, LLC hereby submits the Prefiled Direct Testimony of Roger J. Swenson in this Docket.

DATED this 10th[th] day of March, 2006.

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Roger J. Swenson
Vice President of Regulatory Affairs

PREFILED DIRECT TESTIMONY

Of

ROGER J. SWENSON

On behalf of Pioneer Ridge 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 10, 2006

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 the Vice President of Regulatory Affairs for Pioneer Ridge LLC.

Q. Have you provided testimony previously in this docket?

A. Yes, I filled testimony on January 28, 2005 concerning a request to approve a QF contract for sales of electric energy and capacity to PacifiCorp.

Q. What occurred in the proceedings concerning that docket?

A. Other entities including Spring Canyon also filed to assert their rights to obtain pricing based on the stipulation methodology. The Commission combined those dockets and held hearings on the matter to decide which Parties had the right to obtain pricing under the stipulation. The order in that matter issued April 1, 2005 stated that Spring Canyon would have the rights to the stipulation pricing that remained under the cap and stated in regards to Pioneer that PacifiCorp was to enter into good faith negotiations for a contract.

Q. What is the purpose of your supplemental testimony now?

A. My testimony is to again offer a contract for approval now based on the order that resulted from the pricing methodology derived from the Docket 03-035-14 order provided on October 31, 2005 and clarified on February 2, 2006. The contract pricing submitted with this filing was provided by PacifiCorp and was created using the proxy wind project cost and the DRR Grid based methodology to make adjustments based on the wind production profile. The Commission Clarification order filed on February2, 2005 provided guidance to use the Pioneer method for approval in this proceeding. Pioneer has been unable to obtain information from PacifiCorp to make an accurate adjustment to the proxy wind project cost and until it receives the information that it has requested it cannot use anything but the most accurate determination of the adjustment, that of the DRR adjusted price. My testimony here will describe the culmination of the negotiations between PacifiCorp and Pioneer Ridge LLC (Pioneer). I will clearly describe the basis of the Pioneer Methodology and what calculations should take place once the needed information is provided to Pioneer. I will also lay out any contract issues between Pioneer and PacifiCorp that remain unresolved and try to elaborate on those differences.

Q. Why are you bringing this request for contract approval forward now?

A. We have gone through months and months of technical conferences leading to months and months of hearings that involved many rounds of testimony. We have established a methodology by order of this commission and now we are moving forward to use the methodology to provide pricing for the contract. We also are moving forward at this time because we feel that in order to have this project on line in 2007 we need to be starting the contract approval process so that financing and turbine acquisition can take place on a timely basis. In that light we would ask that this matter be heard on an expedited schedule.

Q. What was the methodology for wind contracts pricing as approved by the commission?

A. The methodology used the last wind contract entered as a proxy for establishing a contract price and that price was to be adjusted based on the production profile of the QF as compared to the proxy wind source. The adjustment method to be used is the Pioneer method. That method used the on peak and off peak production profiles for the proxy and the wind QF along with the avoided system on peak and system off peak price from the avoided costs methodology to make the adjustment algebraically. The flat price from the wind proxy was converted into an equivalent on peak and off peak price using the ratio of avoided cost on peak and avoided cost off peak prices to establish the pricing. The pricing derived should be such that at the wind proxy operating profile the same yearly cost would occur from the project providing power at the flat price or billed out at the on peak and off peak price. Then the process is reversed for the wind QF seeking a price. The on peak and off peak price derived from the proxy would be applied to the QF wind project operating profile during on peak periods and off peak periods. When that annual total cost is then divided by the total projected annual production a flat adjusted price would be derived. This is the Pioneer adjustment methodology.

Q. What will happen if the wind QF has an operating profile that has more production in off peak hours or less production in on peak hours?

A. The adjustment will cause the wind QF price to be reduced from the wind proxy price.

Q. What will happen if the wind QF has less production in the off peak hours or more production in on peak hours?

A. The adjustment will cause the wind QF price to be increased above the wind proxy price.

Q. Could the DRR model be used to do this adjustment?

A. Yes it could, and that was the basis for the price that PacifiCorp provided to Pioneer initially believing that that was the best approach to make the adjustment after the commission order of October 31, 2005. Pioneer argues that if the correct information is used to determine the adjustment it should provide essentially the same result as the DRR model but that it would not take a model that runs for 8 hours to determine a result. This occurs because the DRR model will make the same adjustment as the ratio of on peak to off peak does. The DRR model just does this for every hour based on the value difference to the system and I believe that the most important factor for the adjustment determination is that off peak pricing value as established by the DRR model as the system off peak avoided cost.

Q. Why haven't you made the determination of pricing based on the Pioneer method as ordered by the Commission?

A. I have asked PacifiCorp in informal and formal data request for the off peak pricing that the approved avoided cost methodology provides and they have refused to provide the information. The last response from PacifiCorp was as follows;

"For purposes of negotiating a contract for a wind resource, the avoided cost prices of a thermal cogen resource are not relevant. The Utah Commission in their order dated February 2, 2006 specifically provided that RFP prices would apply and that the Commission had not approved the GRID model for wind profile adjustments. As such, the wind prices provided in response to Rodger Swenson Informal Request 1.1 are the prices that should apply to a wind QF resources delivering power within the state of Utah."

Q. Do you understand the resistance of PacifiCorp to allow you to make the adjustment based on the Pioneer methodology?

A. No, I do not understand why they will not even allow me to have the information to make the Pioneer method adjustments. The only explanation that has been provided has been that PacifiCorp has decided how to make the Pioneer based adjustment based on market prices that existed during the negotiation timeframe for the proxy contract. I believe that this is an incorrect interpretation of the order. I expect that I will be required by this commission to provide the adjustment based on the Pioneer methodology using my calculations once the correct information is provided to Pioneer.

Q. Can you use a market based pricing to make the adjustment as was done in the Pioneer method?

A. I could but the adjustment then does not take into account the value to the system that using the avoided cost off peak on peak methodology provides. The market value as provided for off peak pricing was called into question during the QF methodology proceedings and it was determined that the off peak value to the system was tied to coal plants that were turned down at night. It is suspect to now cry out that the value to make adjustments should somehow be based on market price differences when so much testimony was provided in the methodology hearings to discredit using market prices in the QF rate determinations. The ratio of off peak prices of production cost to on peak power production cost are much lower than the ratio of off peak market prices to on peak market prices.

Q. How would you expect that PacifiCorp should make determinations between

competing wind projects in its choosing a winning bid for an RFP wind project based on various production profiles?

A. I expect that the best approach to chose among various wind projects with varied profiles bid prices would be to run the projects through the grid based model to show which of the projects would provide the lowest net power cost to the system. So it is hard to understand PacifiCorp's reluctance to use the results from the same model to make adjustment as was ordered.

Q. How can you demonstrate the shortcomings of using market prices as the basis of the adjustment using the same method as Pioneer uses based on system avoided cost?

A. You can see the difference amplified by choosing an example of a wind generation QF that **only** provides output in the off peak hours. If we look at market prices at this time, the off peak to on peak ratio today is roughly 80%. For my example I will assume that the off peak to on peak avoided cost value to the system ratio is 20%. I can then compare the results of the adjustment with an illustrative (not actual) proxy wind project price of $60/MWH with a 35% on peak and 30% off peak production profile to demonstrate the skewed results that using the market based adjustment provides. If we use the market based adjustment method the QF would be paid roughly $52/MWH for its production in the off peak hours. If we use the Pioneer methodology the price that would be paid to the wind QF would be $17/MWH. I believe that the Pioneer method clearly represents a truer picture of the value to the PacifiCorp system than the PacifiCorp Market based adjustment method.

Q. What about moving to additional granularity in the Pioneer method using more time periods as you proposed in the testimony that was withdrawn a few weeks ago in the 03-035-14 Docket?

A. I expect that the time and effort required to move forward with any modification will not be worth the difference in accuracy. If the Parties want the most accurate picture of the actual adjustment we should just use the DRR method of adjustment that takes into account all hours for the 20 year period and be done with it.

Q. Are you proposing for this commission to approve the contract with the prices that you have provided?

A. This is the only accurate set of prices that I have been able to obtain. If PacifiCorp is not willing to provide the off peak pricing I have no choice but to provide the commission with the most accurate price that can be derived with the information available. I would prefer to follow the commission's order explicitly but I cannot do that at this time with the information that I have.

Q. Are there other contractual issues that there are disagreement on?

A. Yes. There are a few issues that PacifiCorp and Pioneer have not been able to come to agreement on. They are the date for posting development security, and the related timing for specific commitments that can lead to delay damages. Also, Pioneer believes that Force Majeure should include lack of wind or excess wind to the extent that such wind condition will delay dates for testing to meet critical online dates.

Q. What are you proposing for the date to post development security?

A. We are proposing to use the 180 days from the effective date of the contract as was used in the Desert Power contract. PacifiCorp proposed to us that we use 30 days and we feel that is unreasonable. A shorter time frame makes it less likely that Pioneer will be able to comply with the requirement and will default under the contract. Pioneer understands that there have been shorter lead times to provide development security such as three months in the Spring Canyon order issued August 19, 2005, but that involved a project that was to provide critical system deliveries and the company had to know whether Spring Canyon could perform or not. This is a contract for an intermittent resource and while there is a commitment for 1300 MWs of wind resources to be built the deadline for meeting that commitment is many years off.

Q. **You state that there is an issue between critical timing dates in the contract you propose and PacifiCorp. Can you elaborate?**

A. What we expect is that there is a likely band of time for which the project will reach Commercial Operations. Our best estimate of that band is plus or minus 90 days from our expected on line date. If all goes well and we have no issues with equipment or installation or interconnection we may be on line 90 days ahead of our projected Commercial On Line date of December 31, 2007. If we have more issues than we expect we could be delayed to 90 days past the on line date. We have set the Guaranteed Commercial On Line date at that 90 days past the expected date. That is the date under the contract terms we would begin to pay delay damages. The contract we propose could be terminated by PacifiCorp 90 days after the Guaranteed Commercial Operation Date if the project has not met the commercial operation tests. Under PacifiCorp's proposal we would pay delay damages after the expected commercial on line date and they could terminate the Agreement if we do not make the Guaranteed Commercial Operation Date for operations.

Q. Why should lack or excess wind be a Force Majeure event?

A. If we have reached a critical date, such as the Guaranteed Commercial Operation Date and cannot meet a testing requirement to prove commercial operations we would ask that such dates be extended because of the extreme wind condition only until such time as the turbines can be safely run and those tests can be completed.

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 sent electronically, this 10h day of March, 2006, to the following

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