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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE PETITION OF WASATCH WIND, LLC FOR APPROVAL OF A CONTRACT FOR THE SALE OF CAPACITY AND ENERGY FROM THEIR PROPOSED QF FACILITIES	Docket No. 06-035-42

PREFILED TESTIMONY OF CHRISTINE WATSON MIKELL

Wasatch Wind hereby submits the Prefiled Testimony of Christine Watson Mikell in this docket.

DATED this 15th day of May, 2006.

Christine Watson Mikell

/s/_____
Christine Watson Mikell
Representing Wasatch Wind, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was sent by United States mail, postage prepaid, or by email this 11 day of, July 2005, to the following:

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PREFILED TESTIMONY

Of

Christine Watson Mikell

Representing Wasatch Wind

IN THE MATTER OF THE PETITION OF WASATCH WIND, LLC FOR APPROVAL OF A CONTRACT FOR THE SALE OF CAPACITY AND ENERGY FROM THEIR PROPOSED QF FACILITIES

Docket No. 06-035-42

May 15, 2006

Q: Please state your name and occupation.

A. My name is Christine Watson Mikell. I am a consultant based at 3658 E Golden Oaks Drive. My clients include or have included: Wasatch Wind, IsoTruss Structures, the Department of Energy, Utah Clean Energy, Brigham City and Utah State University.

Q. On whose behalf are you filing testimony in this Docket?

A. Wasatch Wind, LLC

Q. Have you submitted testimony to this Commission before?

A. No I have not, but I have given testimony at a public hearing in 2005.

Q. Do you have experience in utility regulatory matters?

A. Yes. Prior to this consulting job, I was the an energy engineer with the State of Utah where I assisted Rich Collins and Jeff Burks on increasing the qualifying facility size under schedule 37 from one megawatt to three megawatts for wind resources.

Q: What is your summary recommendation to the Commission that will allow Wasatch Wind to proceed with an 18.9 MW wind farm at Spanish Fork?

A: In the regulatory environment that subsists in Utah, where there is one investor owned utility and thereby only one purchaser of power under the Public Utility Regulatory Policy Act, a monopsony exists. Wasatch Wind's contract negotiations have stalled in large part because of this situation. There is virtually no incentive for the Company to negotiate with a qualifying facility (QF), in fact it appears that their negotiations whether intentional or not has been to extract all the value from the

Spanish Fork Wind Farm Project and thus make it uneconomical.

It is for instances such as these that the Utah Public Service Commission exists. In my view, I believe that the Commission must step in and ensure a fair power purchase agreement for the QF, the Company and the ratepayers. Moreover, this must be done in a timely manner so that the cost of power for this project does not increase any further with time.

Q: What are your specific recommendations?

A: The main crux of my argument is that there is a difference between small (less than 20 megawatts) and large wind farms and for this, there should be distinct contract provisions. The Commission will need to address these differences and create an environment that small wind farms can exist without the barriers that are currently present. Most small developers simply will not have the time nor the resources to fight this contract battle as Wasatch Wind is doing today. My opinion is that there needs to be two distinct contracts or standard offers to address security provisions, availability requirements, liquidated damages, and commercial operation date--one for small wind projects and one for large scale projects.

Q. Does it appear that PacifiCorp makes a distinction between large or small wind farms?

A. Yes. The staff who Wasatch Wind has been working with on the power purchase agreement suggested that we submit a bid under the renewables RFP, even submitting our contact information so we would be alerted of the process. After spending many resources and much time submitting a bid into the RFP process,

Wasatch Wind's bid was turned down based on an eligibility requirement of generating 70,000 MWh per year (~20 MW wind farm). Therefore, it would appear that PacifiCorp makes a distinction between small and large scale wind--PacifiCorp seems to view 20 MW and less as smaller wind farms based on its disallowance for smaller projects in the RFP process.

Recently in Idaho, a 20 MW wind power purchase agreement was approved by the Idaho Public Utilities Commission. Like Wasatch Wind's proposed wind farm, the project is a qualified small power production facility under the Public Utilities Regulatory Politics Act (PURPA). The contract is between Idaho Power (now Rocky Mountain Power) and the Schwendiman's. The contract provisions are vastly different than the 64.5 MW Wolverine project.

Q. Does PacifiCorp's parent company, Mid America view wind projects in varying sizes?

A. It appears so. Iowa had laws that supported community or small wind farms. Recently those were changed so that investor owned utilities could access some of the incentives the laws brought. In December of 2005, MidAmerica asked the Iowa Utilities Board to approve a 545 MW wind farm. The Iowa Farmers Union and others intervened. The result of this intervention is that MidAmerica will purchase up to 40 megawatts of community owned wind. Initially MidAmerica offered to pay the small community owned wind projects LESS than it was paying itself for the wind power. The Iowa Farmers union fought that and now MidAmerica and will pay a 20 year levelized avoided cost rate at which it

purchases electricity and a payment for capacity that MidAmerican receives for its 545 MW wind farm.

The Iowa Farmers Union's next step is to go to the legislature to create a law that will ensure that the contract provisions for these small community owned projects aren't egregious. They have stated that they would like to see contract provisions or standard offers like those seen in Minnesota.

Q. How does the Federal Energy Regulatory Commission (FERC) differentiate between small and large scale wind in its interconnection tariff?

A. FERC was persuaded that different interconnection procedures and agreements were needed for small generators, generators less than 20 MW's, during the process that led to the conclusion in docket RM02-12-000. The docket subsequently severed the small generating facility interconnection process from the large generator interconnection process.1 FERC states in this docket that, "The final rule responds to business and technology changes in the electric industry. Where the electric industry was once primarily the domain of vertically integrated utilities generating power at large centralized plants, advances in technology have created a burgeoning market for small power plants that may offer economic, reliability or environmental benefits."2 Its goal when implementing this new standard was to reduce the time and costs for interconnection customers thereby preserving reliability, increasing energy supply, lowering wholesale prices for customers by increasing the number and types of

1 FERC Docket No. RM02-12-000 p9

new generation that will compete in the wholesale electricity market, facilitating renewable energy sources and helping to remedy undue discrimination. Essentially FERC hoped to remove roadblocks to the interconnection of Small Generating Facilities.3

Q. Are there other institutions like FERC who make a distinction between large and small wind generators?

A. Yes, both the National Association of Regulatory Utility Commissioners and the Midwest ISO do so. In FERC's final rule, it synchronized state and federal practices by "adopting many of the best practices interconnection rules recommended by the National Association of Regulatory Utility Commissioners (NARUC).4

On November 10, 2005, the Midwest ISO filed the compliance to FERC Order 2006 – *Standard Small Interconnection Agreements and Procedures.* This procedure applies to generation interconnection requests that are 20 MW or less and are requesting Energy Resource Interconnection Service (ERIS).5

Q. Is there a reason why Public Service Commissions have pressed for standard contract terms for small wind projects?

A. The reason that these standardized contract provisions exist is to address the barriers that FERC identified; specifically time and money. The interconnection process for small generators was ripe with time and money issues; it meant many

2 FERC Docket No. RM01-12-000 p6
3 Docket No. RN01-12-000 p2
4 Docket No. RM01-12-000 p4

small developers couldn't raise the predevelopment capital to even go through the process. Like the interconnection process, the time and money that it takes a developer to negotiate a contract is lengthy and if attorneys are involved reduces the margins that a QF customer would see thereby suppressing the development of projects or conversely raising the contract prices to ratepayers to maintain the necessary margins. Regardless both outcomes then violate the premise of rate payer neutrality. Wasatch Wind submitted its paperwork for indicative pricing on November 11, 2005. It is not expected that the contract will be finalized before the end of June—more than seven months to negotiate a power purchase agreement! While some of this can be attributed to the relocation of the Wind Park, most of the delay has been due to the inability for the company to concede on any major issue.

Other than length of time, there are other reasons why standard contracts are in place. Commissions realized that the financial security requirements and complexity of the contract process were barriers.

Q. What states have wind contracts that delineate between small and large scale wind?

A. Minnesota has been a pioneer state for small and community wind farms. In 2001, the Minnesota Public Utilities Commission approved a standard power purchase agreement for Excel Energy for 2 MW and under projects. The time that it took Excel Energy to negotiate these small project contract terms led them to agree to a

5 http://www.midwestiso.org/page/Small%20Generator

standard offer. In recent testimony supplied to the MN Public Utilities Commission, Xcel Energy stated, "Power purchase agreements would be different based on the size of projects similar to differences between large and small wind power purchase agreements." In fact, one of the utilities in Minnesota has a specific contract for projects 15 MW's and less and is considering a 20 MW power purchase agreement and less to conform to FERC interconnection standards.

The Ontario Power Authority has a standard offer program for projects 10 MW's and less.6 There is no security provison or an availability provision. A matrix of these different contract provisions is included below. Liquidated damages were not included on this chart; a detailed comparison and contrasting analysis can be provided upon request.

Power Purchase Agreement Matrix				
Utility	Size	Security	Availability	Commercial Operation Date
MidWest Utility-CBED contract	< 20 MW	of $75/kW of the maximum designed output of the Facility	None	negotiable
MidWest Utility Non-Firm resource	< 2 MW	None	None, no generation, no revenues	A not to be sooner than clause, negotiated
Idaho Schwendiman Contract	20 MW	None	90% to 110% energy performance band	July 31, 2007, by July 2006 will give a synopsis of reaching agreed upon milestones
PacifiCorp Proxy Contract	Any Size	Within 10 days of Signing	87.5% after year 3	90 day window
Ontario Power	<10 MW	None-seen as a	None, if there is no	3 years from

6 Ontario Power Authority, March 17, 2006, Joint Report to the Minister of Energy: Recommendation on the Standard Offer Program for small generators connected to a distribution system, page 26-30.

Authority		barrier to smaller wind farms	generation of power, receive no revenue from sale	signing of contract-or contract is null

Q. What was the rationale behind the MN PUC's decision to encourage smaller or community scale wind?

A. Mike Taylor, official form the Minnesota Department of Commerce, said that for each dollar invested in a wind farm in Minnesota under a recent law addressed below known as CBED, 40 cents stays in the community if it is community owned, while only about five cents stays in the community if the wind farm is owned by a large out of state developer with no local interests. 7 Results from a policy brief by the Iowa Policy Project found that locally-owned wind generation creates about 10 times more economic, activity in the local community and state than does wind generation owned by out-of-state companies with no local interests. 8

Q. Should PacifiCorp be more aggressive in its efforts to purchase wind power in Utah?

A. Yes. Utah's Blue Sky Program has the highest participation in all of PacifiCorp's territory, yet has no wind farms located in the state.

Q. Could PacifiCorp be more aggressive in its pursuits to purchase wind power in Utah?

7 Phone conversation between Christine Watson Mikell and Mike Taylor, MN Department of Commerce on May 5, 2006

8 Galluzzo, "Small Packages, Big Benefits: Economic Advantages of Local Wind Projects." Mount Vernon, IO. July 2005

A. Yes. PacifiCorp has about one million dollars to use toward a renewables RFP for the Blue Sky program here in Utah. This money has been in an account since the California Energy crisis occurred causing the Blue Sky Program to make money. It has been two years that PacifiCorp personnel have mentioned that this RFP would be coming out to support wind and solar projects in the state. When Wasatch Wind asks about the upcoming RFP, they state they are waiting for the renewables RFP to be completed.

Q. Utah State University recently released a report on the economic impacts of a 20 MW wind farm in Spanish Fork. What was the conclusion of that report?

A. The conclusion was very compelling--taking into account direct, indirect, and induced impacts, a 20 MW Spanish Fork project is expected create about $4.8 million of economic output during construction, and once operational, an annual economic output of more than $337,000.9 See Exhibit 1.0.

Q. Have there been other economic development studies that have shown the benefits of wind farms in the range of 20 MW's?

A. At the Klondike Wind Project in Sherman, OR, the 24 MW wind development with 16 turbines produced $321,000 in property taxes during its first year in operation (2002-2003), equivalent to 10% of Sherman's tax base. As the county ranked 34th out of 36 counties in terms of economic development, this was a

9 Mongha, N; Hartman, C and Stafford, E. (2006), "An Analysis of the Economic Impact on Utah County, Utah from the Development of Wind Power Plants." Logan, UT. May 2006

substantial amount of growth.[10]

Additional information at the economic development benefits of a 25, 30 and 107 MW wind farm can be found at the National Wind Coordinating Council's website.

Q. What incentives are there in other states that promote community scale wind farms?

A. Minnesota is the leader in community scale wind farms. An official from the Minnesota Department of Commerce, Mike Taylor, stated that, "Economic development is the driver for all policies and incentives for wind power in the state. FPL Energy (the largest developer of wind in the country) has no wind farms in Minnesota; that is in large part because the farmers realize that more economic benefits stay in the community when a considerable portion of the investment for the wind farm comes from the community. When the value is derived by the community there is no NIMBY'ism because either a neighbor or the local school will benefit from the wind farm."

Minnesota wanted to ensure that community scale wind farms were encouraged so in 2005 the MN legislature passed an energy bill which included a new mechanism to support community wind. This is known as C-BED, a statute that requires a tariff to be established to optimize local, regional, and state benefits from wind energy development and to facilitate widespread development of

10 Renewable NorthWest Project, December 2004, Windfall from the Wind Farm, Sherman County, Oregon

community-based wind energy projects throughout Minnesota.11 This tariff is for wind farms greater than 2 MW's

This tariff has two important differences from other tariffs. First, it has to allow for rates with a net present value of up to 2.7 cents per kilowatt hour over the 20-year life of the power purchase agreement. Second, the tariff must provide for a higher rate in the first ten years of the contract than in the second ten years. The higher early rates will make it easier for project to obtain financing, while the use of net present value calculations makes sure that the utility's bottom line is not jeopardized.

11 Minnesota Statute, http://www.revisor.leg.state.mn.us/stats/216B/1612.html **216B.1612 Community-based energy development tariff.**