BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PacifiCorp for Approval of Power Purchase Agreement Between PacifiCorp and Spanish Fork Wind Park 2, LLC	)	Docket No. 06-035-76
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

DIRECT TESTIMONY OF PAUL H. CLEMENTS

January 12, 2007

Q. Please state your name, business address and position with PacifiCorp dba Rocky Mountain Power.

A. My name is Paul H. Clements. My business address is 201 S. Main, Suite 2300, Salt Lake City, Utah 84111. I am an originator for PacifiCorp Energy, responsible for qualifying facilities ("QF") and retail special contracts.

QUALIFICATIONS

Q. Please briefly describe your education and business experience.

A. I have a B.S. in Business Management from Brigham Young University. I have been employed with PacifiCorp for over two years as an originator/power marketer responsible for negotiating retail special contracts and non-standard QF contracts. I also worked in the merchant energy sector for nine years in pricing and structuring, origination, and trading roles for Duke Energy and Illinova. I currently have responsibility for QF contracts within Rocky Mountain Power's service territory.

Q. Have you previously submitted testimony in these dockets?

A. Yes. I submitted rebuttal testimony in Docket No. 06-034-42 on numerous contract issues.

TESTIMONY

Q. What is the purpose of your testimony?

A. I will be representing PacifiCorp's position regarding any potential adjustments to the contract price in the Spanish Fork Wind Park 2, LLC ("Spanish Fork Wind Park") QF power purchase agreement to account for avoided line losses.

Q. Can you summarize the issue?

A. Yes. Parties filed testimony regarding the calculation of avoided line losses as part of Docket No. 03-035-14. In the Public Service Commission of Utah ("Commission") Order dated April 19, 2006 (at pages 12-13) and the Commission Order dated May 26, 2007 (at page 1), the Commission did not approve any specific method for calculation of avoided line losses, citing insufficient evidence on the record to prove ratepayer neutrality. This decision left the issue of avoided line losses to be decided on a contract-by-contract basis. The Commission-approved contract between Spanish Fork Wind Park and PacifiCorp has a clause that allows for an adjustment to the price following a Commission ruling on the issue of avoided line loses.

Q. What is PacifiCorp's position in regards to avoided line loss adjustments for Spanish Fork Wind Park?

A. PacifiCorp takes the position that no adjustment should be made to the contract prices in the Spanish Fork Wind Park agreement to account for avoided line losses.

Q. Will you attempt to set forth a method for calculating avoided line losses for all Utah wind QFs?

A. No. My analysis is specific to the Spanish Fork Wind Park contract and is not meant to be a proposal for a definitive methodology for calculating avoided line losses for all QFs. This is consistent with the Commission's direction that avoided line losses be determined on a contract-by-contract basis.

Q. How did PacifiCorp determine that no adjustment for avoided line losses is required for the Spanish Fork Wind Park contract?

A. PacifiCorp began by reviewing the Commission Orders in Docket No. 03-035-014. In those Orders, the Commission determined that a proxy method was to be used for pricing for Utah wind QFs, and that the price for the proxy contract was to be adjusted to reflect project specific differences. Avoided line losses fall into this category of project-specific differences. Therefore, the price should be adjusted to the extent that the QF project has a meaningful and quantifiable difference in line losses when compared to the proxy contract. Through analysis described later in my testimony, PacifiCorp determined that the Spanish Fork Wind Park project does not have a meaningful and quantifiable difference in line losses when compared to the proxy contract.

Q. Should the Spanish Fork Wind Park project line losses be compared to any other PacifiCorp resources besides the proxy contract?

A. No. The Commission's October 31, 2005 Order (at page 21) states "the most recently executed RFP contract, prior to the QF's request for indicative pricing, will serve as the proxy against which project specific adjustments are made to produce an indicative price for wind QFs in Utah." The specific adjustments are to be made against the proxy price and not against the "price" or characteristics of other resources.

Q. Should GRID be used to determine any adjustment to the price for avoided line losses for Spanish Fork Wind Park?

A. No. As previously stated, the Commission has approved a proxy contract pricing method for Utah wind QFs, with adjustments made against the proxy price only. The use of GRID to determine any adjustments would not be consistent in that it compares the Spanish Fork Wind Park project to other PacifiCorp resources and not solely to the proxy contract. Also, GRID does not measure line losses but instead line losses are included in the load forecast that is used as an input to GRID. Furthermore, adjustments using GRID outputs would not pass the ratepayer indifference test, in that the underlying price for Spanish Fork Wind Park was not based on GRID runs, so any adjustments for line losses should not be as well. Since avoided line losses are essentially a pricing issue, the method used to make any adjustments to the price should be referent to the method that was used to determine the underlying price.

Q. How do you propose evaluating whether a project-specific adjustment for line losses is required for Spanish Fork Wind Park?

A. The methodology is fairly simple. To determine if an adjustment is necessary, you calculate the distance between the delivery point of the proxy contract and the load (demand) required to "absorb" the output of the proxy contract. Then, you compare that distance to the distance between the delivery point of the Spanish Fork Wind Park project and the load (demand) required to "absorb" the output of that project. If the distances are not significantly different, no adjustment is necessary. If the distances are significantly different, an adjustment may be necessary.

Q. Please provide an example of this calculation/analysis as it relates to the proxy contract referent for pricing and the Spanish Fork Wind Park project.

A. The proxy contract referent for pricing for Spanish Fork Wind Park is the 64.5 MW Wolverine Creek project located southeast of Idaho Falls, Idaho. The proxy contract delivery point is located within PacifiCorp's Goshen substation. The delivery voltage at the point of delivery is 161 kV. The Goshen substation is a 345-161-115-69-46 kV substation that provides a source to the Bonneville Power Administration, Idaho Power Company, and local PacifiCorp loads. PacifiCorp area loads served by the Goshen substation (either through distribution or transmission circuits) total approximately 300 MW. There is one 12.5 kV distribution transformer rated at 22.4 MVA located in the Goshen substation. Since the proxy contract has a nameplate of 64.5 MW, the entire output of the

proxy contract can easily be absorbed by the 300 MWs of PacifiCorp load served from the Goshen substation, thus making the distance between the delivery point and the load zero. The Spanish Fork Wind Park project is expected to interconnect to a PacifiCorp-owned 46 kV radial line at a point 2.2 miles in distance from the Spanish Fork substation. The Spanish Fork substation is a 345-138-46 kV substation that serves as a source for PacifiCorp loads and the loads of other utilities in the area. Total PacifiCorp load served by this substation is approximately 200 MWs. There are no PacifiCorp distribution circuits originating in the Spanish Fork substation. The nearest PacifiCorp distribution circuits originate in the Mapleton and Santaquin substations, which are approximately 5-10 miles in distance from the Spanish Fork substation. Those two substations serve approximately 20-30 MW of PacifiCorp load. Therefore, the 18.9 MW nameplate Spanish Fork Wind Park project output could likely be absorbed by the load on the Spanish Fork substation, making the distance between the delivery point and the load about 2.2 miles. It is important to note that, as of this filing, PacifiCorp's merchant function has not yet seen a final interconnection design and in fact has not been informed by Spanish Fork Wind Park as to the status of their interconnection request.

Q. Why do you propose using the load measured at the substation level as opposed to attempting to trace the load all the way to the point of consumption, such as a distribution circuit?

A. A substation's primary purpose is to serve as a transfer station between a source, such as a generator or other transmission line, and load. In an integrated transmission system with built-in loops and redundancies for reliability, it is not possible to isolate exactly which generator is the source for a specific load on a lower voltage distribution circuit. A substation is a measurable and meaningful level at which evaluations of loads and resources can be made.

Q. Based on the results of the calculations/analysis described in previous questions, should an adjustment be made to the pricing in the Spanish Fork Wind Park contract to account for line losses?

A. No. As the calculations clearly illustrate, the proxy contract delivery point is located in a substation that serves approximately five times the amount of load as the nameplate output of the proxy contract. Therefore, no losses are actually incurred between the delivery point of the proxy contract and the absorption of the output to serve load. Since no line losses occur, there are no line losses for Spanish Fork Wind Park to "avoid" when compared to the proxy contract and thus no adder, or credit, should be applied to the pricing. That leaves the question as to whether a deduction should be made from the contract price to account for additional line losses, if any, incurred by the Spanish Fork Wind Park project as compared to the line losses incurred by the proxy project. Since the Spanish Fork Wind Park project delivery point is located 2.2 miles further from a substation that is large enough to absorb the output of the project than the proxy contract is, an argument could be made that the project should receive a slightly lower price

to account for losses that occur over this 2.2 mile distance. However, PacifiCorp does not believe the distance of 2.2 miles is significant enough in this situation to be relevant and measurable and therefore does not propose a deduction be made from the contract price to account for this difference.

Q. Are there additional facts or analyses that support your conclusion?

A. Yes. On July 14, 2006, PacifiCorp executed a 20 year QF power purchase agreement with Pioneer Ridge, LLC, a 70 MW wind project located in Tooele, Utah. Although the interconnection study is not yet final, it is expected that this project will interconnect directly to PacifiCorp's Tooele substation. The Tooele substation is part of a 138 kW transmission circuit which serves a load of more than 100 MW in the Tooele, Utah area. As part of the Pioneer Ridge power purchase agreement, the parties agreed that no adjustment to the proxy contract pricing is necessary to account for avoided line losses since the distance from the Pioneer Ridge delivery point to load sufficient to absorb the project output is the same as the distance from the proxy contract delivery point to load sufficient to absorb the proxy project output. That distance is essentially "zero" since both projects' points of delivery are within substations of sufficient size load to absorb the output of the projects.

Q. Does this conclude your testimony?

A. Yes.