



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT.
Governor
GREG BELL
Lieutenant Governor

DIVISION'S COMMENTS

To: Public Service Commission

From: Chris Parker, Director
Artie Powell, Energy Section Manager
Joni Zenger, Technical Consultant
Hsienming Liu, Utility Analyst

Date: March 17, 2011

Re: Docket No. 11-035-17, In the Matter of the Application of PacifiCorp for Approval of an Electric Service Agreement for Milford Wind Corridor Phase II, LLC
Docket No. 09-035-55, Motion for Approval of First Amendment to Electric Service Agreement – PacifiCorp and Milford Wind Corridor I, LLC

RECOMMENDATION

The Division recommends approval of the Electric Service Agreement between PacifiCorp (Company) and Milford Wind Corridor Phase II, LLC (Milford II) and Approval of the First Amendment to Electric Service between the Company and Milford Wind Corridor I, LLC (Milford I).

BACKGROUND

On January 24, 2011, the Company filed an Application for Approval of a Master Electric Service Agreement (MESA) between the Company and Milford Wind Corridor Phase II, LLC (Milford II) in Docket No. 11-035-55. The Company had previously filed a Notice of Intent for this filing on January 18, 2011.

On January 24, 2011, Milford II filed a motion with the Commission requesting an Interim Order authorizing the Company to begin provide electric service, pending a final order on the Company's Application for Approval of the MESA (MESA II).

In Docket No. 09-035-55 PacifiCorp (Company) filed a Motion with the Commission for Approval of the First Amendment to the Electric Service Agreement between the Company and Milford Wind Corridor Phase I, LLC (Milford I) on January 24, 2011. On the same date Milford I filed with the Commission a Motion for an Interim Order Authorizing a Change in the Point of Metering contained in the current Milford I Electric Service Agreement (MESA I) pending a final order from the Commission. In the alternative Milford II requested expedited treatment of both of the Company's Applications.

The Commission issued a Notice of Expedited Hearing on January 25, 2011, and the hearing was held on January 27, 2011. At the hearing the Division expressed support for the Company's request for an interim order approving MESA II as well as the amendment to MESA I, while the parties prepare the matter for a final hearing. The Commission issued its Interim Order approving both motions on January 31, 2011 and issued scheduling order on February 9, 2011. A hearing on both of the Company's motions (Milford I and Milford II) is scheduled on April 12, 2011.

DISCUSSION

The Division has reviewed the pleadings and papers on file, the statements from parties at the hearing, and responses to data requests that we sent to both the Company and Milford II. In addition, the Division filed preliminary comments on February 16, 2011 in both related dockets.

Milford II is constructing a 102 MW wind generation project located in the Company's service territory in Millard and Beaver Counties, Utah. An interim order was necessary so that Milford II could begin testing the wind turbines and in order that commissioning would be completed in time for Milford II to begin delivering power to Southern California Public Power Authority (SCPPA) under the terms its wholesale power purchase agreement (PPA) in place with SCPPA.

All output from the Milford II generating facilities will be sold at wholesale to SCPA under the terms of the PPA dated March 1, 2010. None of the power from the Milford II generation facilities will be sold to Utah consumers. Milford II requested retail electric service via a high voltage transmission line that was previously constructed for Milford I that runs from a point of interconnection at Milford I to the Intermountain Power Agency at the busbar of the Intermountain Power Project near Delta, Utah. The alternative choice would have meant that Milford II would have to construct additional facilities to interconnect to the Company's system elsewhere.

The Division reviewed the System Impact Study that was performed for Milford II. The study determined that it would be prudent to allow an exception to the Company's line extension tariff, Electric Service Regulation 12, as there are no facilities nearby to accommodate Milford II's request for 345 kV service. The study recommended that Milford II's load be served similar to the Milford I station service, the most cost-effective method is for the Company to contract with a third-party to provide wholesale electric service to the Company in the exact amount required to meet Milford II's need. LADWP agrees to sell and deliver wholesale electric service to the Company under a wholesale PPA that was entered into on December 6, 2010. Milford II agrees to this means of acquiring wholesale power. Because the power to Milford II would be delivered at the same point that Milford I receives power, this required a change in metering location for both Milford I and Milford II--from the point of interconnection at IPP to the Milford Valley Wind Collector Station South (Collector Station).

The Company filed concurrently with this Application a request for approval of an Amendment to the Milford I Agreement, reflecting the change in metering location change from the point of interconnection at IPP to the Collector Station (Docket No. 09-035-55). The Division reviewed the Amended agreement and recommends that the Amended MESA I be approved by the Commission in order for Milford I and Milford II to be metered separately.

Milford II and the Company executed the Agreement on January 21, 2011. The Division reviewed the terms of the agreement. The initial term of the Agreement begins upon the date the

Commission allows the agreement to take effect. The contract expires 10 years after commencement, but may be renewed from year to year for a maximum of 20 years. Under the agreement the Company will provide Milford II with retail service of electric power and energy to extent available to it under the Wholesale PPA. Milford II will compensate the Company for the full costs of the Wholesale PPA plus an administrative fee. In addition, Milford II will bear the costs of the line losses, which are minimal and are contained in Milford II's confidential response to DPU #1.1. The rates for retail service that Milford II will pay the Company are negotiated rates consistent with those charged by LAPWP. Milford II has agreed to pay these rates for retail electric service in lieu of receiving retail electric service at the applicable standard tariff rates.

The Company will track the costs and revenues for this exchange separately from its other revenues and will book the revenues from any administrative fees to its miscellaneous revenue account. All parties have agreed to the terms and conditions described above. The Division requests that the Commission approve the MESA II and the amendment to Milford I's Master Electric Service Agreement.

There is one issue to note that deals with Milford's request for expedited treatment in both dockets. The Division is aware that Milford has repeatedly requested expedited treatment of its filings. In its current Motion in Docket No. 09-035-55, Milford II describes its delay in seeking approval from the Commission as a result of PacifiCorp's need to obtain engineering studies and to secure a wholesale supply of power to serve Milford II, and due to need of PacifiCorp's wholesale supplier, Los Angeles Department of Water and Power (LADWP), to obtain approval from the City of Los Angeles. However, on February 24, 2010, the Company filed Responsive Comments to correct the implication that the Company was in any way responsible for delays. The Division reviewed the Company's Motion and finds the same. We recommend that consideration and planning should take place on the part of Milford in the future so that expedited hearings and motions do not become problematic.

CONCLUSION AND RECOMMENDATION

With the exception of the Office of Consumer Services and Milford II, no other parties have intervened in this docket, and it does not appear that any party would be prejudiced by approving the Application. Milford II requests that the Commission issue a final order approving the Milford II MESA. Milford I requests that the Commission approve the amended MESA I so that Milford I can be metered separately from Milford II.

The Division finds the terms of the agreements are reasonable and in the public interest and requests that the Commission approve both Application's from the Company—the first one amending Milford I MESA with a change of the metering location (Docket No. 09-035-55) and the second one approving the Agreement with Milford II (Docket No. 11-035-55) and finding that the Agreement and the rates, terms and conditions set forth in both agreements are just, reasonable, and in the public interest.

CC Dave Taylor, Rocky Mountain Power
Barbara Ishimatsu, PacifiCorp
Michele Beck, Office of Consumer Services
Paul Proctor, Office of Consumer Services
William J. Evans, Parsons Behle & Latimer