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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts	)))))))))	DOCKET NO. 12-035-100 **REPLY TO OBJECTION TO REQUEST FOR APPROVAL OF CHANGES TO RENEWABLE AVOIDED COST METHODOLOGY AND MOTION TO STAY AGENCY ACTION**

Pursuant to Utah Admin. Code R746-100-4(D), Rocky Mountain Power ("Rocky Mountain Power" or "Company") hereby replies to the Objection to Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action of Energy of Utah LLC ("Long Ridge Wind") filed with the Public Service Commission of Utah ("Commission") October 15, 2012 ("Objection").

The Commission should deny the Objection because the current procedure for determining wind avoided costs is not in the public interest and may cause the Company's customers to incur costs that exceed avoided costs. Providing pricing based on the methodology recently ordered by the Commission for Blue Mountain Power Partners, LLC ("Blue Mountain") in Docket No. 12-2557-01 ("Blue Mountain docket") will cost customers significantly more than it would cost if the pricing methodology took into account current avoided costs for wind projects. Because the pricing methodology the Commission recently ordered in the Blue Mountain docket is outdated and results in prices that exceed the avoided cost reflected in current market conditions, the Company determined that it was in the best interests of its customers to file a motion to stay application of that methodology. For this and other reasons, the Commission should deny the Objection and immediately issue a motion to stay, as requested in the Company's Request for Agency Action in this docket filed October 9, 2012.

1. On August 31, 2012, prior to the Commission's decision in *In the Matter of Blue Mountain Power Partners, LLC's Request that the Public Service Commission of Utah Require PacifiCorp to Provide the Approved Price for Wind Power for the Blue Mountain Project*, Docket No. 12-2557-01 ("Blue Mountain docket"), the Company provided indicative pricing to Long Ridge Wind based on the Proxy/Partial Displacement Differential Revenue Requirement ("PDDRR") method consistent with the Company's interpretation of the Commission's order in Docket No. 03-035-14 ("2005 Order").

2. On September 20, 2012, the Commission issued its decision in the Blue Mountain docket clarifying that the PDDRR method is not applicable for purposes of indicative pricing until the wind resource seeking indicative avoided cost pricing exceeds the Integrated Resource Plant wind resource target level. Instead, the Commission ordered the Company to provide pricing to Blue Mountain Power Partners, LLC based on the market proxy ("Market Proxy") method.

3. On September 24, 2012, the Company had discussions with Long Ridge Wind related to the Commission's order in Blue Mountain docket as stated in the Objection. In that meeting the Company indicated that it was still analyzing the Commission's order in the Blue

Mountain docket and its potential impact on prices if applied to Long Ridge Wind's project. The Company indicated it would get back to Long Ridge Wind.

4. On October 8, 2012, the Company informed Long Ridge Wind of its decision to file a request for agency action and motion to stay.

5. The Company determined that, because the pricing methodology the Commission ordered in the Blue Mountain docket was outdated, did not account for current market conditions and, as a result, yields pricing that exceeds current avoided costs, it was in the best interests of its customers to file a motion to stay application of such a methodology rather than provide updated pricing to Long Ridge Wind.

6. On October 9, 2012, the Company filed its Request for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Action with the Commission.

7. The Company will not reiterate its reasons for why changes to the avoided cost methodology are necessary and justified. Instead, the Company includes a comparison of the price under the PDDRR method and the Market Proxy method. Using a recent pricing request as an example, for a wind project with a 33.9 percent capacity factor, the avoided cost price levelized over 20 years would be \$59.68 per MWh using the Market Proxy method but only \$52.25 per MWh using the PDDRR method. This difference results in additional costs to the Company's customers of \$35.3[1] million nominal over the 20 years, assuming an 80 MW nameplate wind project.

In conclusion, it is clear that customers will pay significantly more if the Commission orders the Company to update the pricing for Long Ridge Wind based on the Market Proxy method. The Company never provided pricing to Long Ridge Wind based on the Market Proxy method; thus, there was no reliance or expectation that Long Ridge Wind would ever receive that

[1] $20yrs \times (\$59.68 - \$52.25) \times 33.9\%CF \times 80MW \times 8760hrs$

pricing. The Company has shown that the Market Proxy method is outdated, does not account for current market conditions and, as a result, yields artificially inflated avoided costs, to our customers' detriment. Based on the foregoing, the Company respectfully requests that the Commission deny Long Ridge Wind's Objection and requests again that the Commission immediately stay application of the 2005 Order pending the conclusion of this docket.

DATED: October 25th, 2012.

RESPECTFULLY SUBMITTED,

ROCKY MOUNTAIN POWER

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Yvonne R. Hogle

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CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of October, 2012, a true copy of the foregoing document was sent via email to the following:

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