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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Applicationof Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Long Ridge Wind I, LLC	**DOCKET NO. 13-035-117**
In the Matter of the Applicationof Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Long Ridge Wind II, LLC	**DOCKET NO. 13-035-118** **Initial Comments of Utah Clean Energy**

Utah Clean Energy hereby submits the following general comments in support of Rocky Mountain Power's ("the Company") applications for approval of power purchase agreements with Long Ridge Wind I, LLC and Long Ridge Wind II, LLC ("Long Ridge I" and "Long Ridge II," respectively, and "Long Ridge I and II" collectively).

BACKGROUND

In 2005, in Docket No. 03-035-14, the Commission established an avoided cost method for pricing electricity from wind Qualifying Facilities ("QF"), pursuant to the Public Utilities Regulatory Policy Act of 1978 ("PURPA") and in conformance with Utah Code Title 54, Chapter 12. In its Order establishing a pricing method for wind QFs, the Commission concluded,

> We approve a market price proxy for determination of avoided costs from Wind QFs up to the Company's IRP target megawatt level of wind resources. The Company's most recent executed wind contract from its Renewable RFP will serve as the proxy against

> which project specific adjustments are made to produce an indicative price for wind QFs in Utah… For wind resources exceeding the IRP target, wind QF indicative pricing will be based, as it is for non-wind QFs, on the Proxy and PDDRR methods.[1]

In 2012, in Docket No. 12-2557-01, in response to a request from Blue Mountain Wind, LLC ("Blue Mountain"), the Commission affirmed that the market price proxy ("Market Proxy method") was the currently effective method for pricing electricity for wind QF resources up to the IRP target, and clarified that the IRP target represented the cumulative amount of wind called for in the PacifiCorp IRP—then around 2,100 MW, based on the 2011 IRP.[2] The Commission ordered Rocky Mountain Power to provide indicative pricing to the Blue Mountain QF project based on its most recently executed wind contract (the Dunlap I contract), and invited any party wishing to reexamine the 2005 pricing method to request agency action.[3]

In response to this Order, Rocky Mountain Power filed a request with the Commission for approval of changes to the "renewable avoided cost methodology" and a motion for an immediate stay of the application of the 2005 Order (excluding the Blue Mountain wind project that was the subject of Docket No. 12-2557-01).[4] After testimony and a hearing in Phase One of Docket No. 12-035-100 (the "avoided costs docket"), the Commission denied the Company's motion to stay the 2005 Order during the pendency of Phase Two:

> We find RMP's concerns regarding the continuing suitability of the Market Proxy method warrant a reexamination of avoided cost calculations for large wind QFs… The record before us, however, does not warrant the additional extraordinary step of suspending application of the Market Proxy method. Indeed, we do not find sufficient

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[1] Docket No. 03-035-14, In the Matter of the Application of PacifiCorp for Approval of an IRP-Based Avoided Cost Methodology for QF Projects Larger than One Megawatt, *Report and Order* (Issued October 31, 2005), page 33.
[2] Docket No. 12-2557-01, In the Matter of Blue Mountain Power Partners, LLC Request that the Public Service Commission of Utah Require PacifiCorp to Provide the Approved Price for Wind Power for the Blue Mountain Project, *Report and Order* (Issued September 20, 2012), pages 9-11.
[3] *Id.* at 11.
[4] *Rocky Mountain Power'sRequest for Approval of Changes to Renewable Avoided Cost Methodology and Motion to Stay Agency Action*(October 9 2012), Docket No. 12-035-100, page 1.

evidence on which to conclude the Market Proxy method is currently producing prices in excess of avoided cost.[5]

The Commission cited evidence showing that current capacity-weighted pricing for wind projects in the West was "consistent with RMP's calculation of the current Market Proxy method price of $59.68 per megawatt hour for a typical wind QF project."[6]

Additionally, the Commission concluded,

> Under the current schedule in this docket, we will issue a new order on large wind QF project avoided cost methodology by mid-summer, 2013… We acknowledge the possibility the outcome of the Phase Two hearings and the interests of ratepayers may requirethe application of new avoided cost calculations for all large wind QF projects *not in possession of executed power purchase agreements when the Phase Two order is issued*.[7]

On July 3, 2013, Long Ridge I and II and PacifiCorp signed 20-year power purchase agreements (PPAs).[8] On July 9, 2013, Rocky Mountain Power applied to the Commission for approval of the signed power purchase agreements, certifying that the purchase prices contained therein were calculated using the methodology approved in Docket No. 03-035-14.[9]

On August 16, 2013, the Commission issued its order on Phase Two of the avoided costs docket (Phase Two order), discontinuing use of the Market Proxy method for renewable resources and approving use of the Proxy/PDDRR method for both renewable and non-renewable QFs.

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[5] Docket No. 12-035-100, 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, *Report and Order* (Issued December 20, 2013), pages 14-15.
[6] *Id.* at 15.
[7] *Id.* at17-18(emphasis added).
[8] Application of RMP for approval of Long Ridge I, page 1; application of RMP for approval of Long Ridge II, page 1.
[9] Application of RMP for approval of Long Ridge I, page 3; application of RMP for approval of Long Ridge II, page 3.

COMMENTS IN SUPPORT OF THE COMPANY'S APPLICATIONS

The PPAs between PacifiCorp and Long Ridge Wind I and II, based on the market proxy avoided cost pricing method in effect at the time of contract execution, are in the public interest for the following reasons.

1. **It is in the public interest and consistent with state policy to protect the contractual abilities of parties by maintaining a period of regulatory certainty during a transition from one avoided cost pricing method to another.**

In Phase One of the avoided costs docket, the Commission provided a window of regulatory certainty for QF projectsto negotiate PPAs pursuant to the market proxy method, while putting them on notice that the pricing method might change upon issuance of the Phase Two order. The Long Ridge I and II PPAs must be evaluated in terms of their compliance with the methodology in place at the time of their execution, not based on the newly approved avoided cost method. Consistent with Commission direction to utilize the Market Proxy method based on the wind targets identified in the 2011 IRP, the Long Ridge I and II PPAs were negotiated and signed before the Phase Two order was issued. The Commission upheld the Market Proxy method during the pendency of Phase Two of the avoided costs docket based on evidence that, although several years old, the Dunlap I proxy price (around $60/MWh) was consistent with other, current wind projects in the West.[10]

The Commission's decision to provide a window of regulatory certainty amidst a potentially significant shift in avoided cost pricing methodologies is important for the economic well-being of the state, and is also consistent with Utah state policy. It is the explicit policy of the state of Utah to be business friendly. In *Utah's Economic Development Plan*, Governor Herbert lays out his vision for the state ("Utah will lead the nation as the best performing economy and

[10]*See supra*, note 6.

be recognized as a premier global business destination") and the mission statement toward achieving his vision: "Utah will excel in job creation, innovation, entrepreneurship, global business, and quality workforce and have *a stable and sustainable business friendly environment*."[11] Regulatory stability (certainty, predictability) is a critical component of a business-friendly environment.

Not allowing for a period of regulatory certainty pending a significant change in pricing methodology would significantly impair the rights of parties and harm Utah's ability to attract investment in Utah. It is likely that Long Ridge I and II invested significant time and money in pursuit of these Utah QF projects specifically in reliance upon the Commission's ruling in Phase One to maintain the then effective avoided cost pricing methodology. Without the window of regulatory predictability provided by the Commission's Phase One ruling, QF developers would not have had the certainty necessary to continue investing in QF development in Utah and engaging in the contract negotiation process.

2. **20-year PPAs for electricity from wind QFs at around $60/MWhrepresent resources that will provide significant benefits to Utah ratepayers both in terms of economics and risk mitigation over the long term.**

A long term, flat rate power purchase agreement with a fuel-free resource, like a wind QF, insulates ratepayers from risks associated with fuel price volatility. Fuel-free renewable resources are unique among electricity generation resources, in that the utility can lock in long-term rates for 20 years or more. Rates for electricity from these wind QF projects will not increase for the next 20 years. In the meantime, gas prices will continue to fluctuate and rise over the same 20-year period. In addition to mitigating fuel price risk, these wind QFs will reduce ratepayers' vulnerabilities to emissions-related regulations and externality costs. Carbon regulation, for example, could start impacting fossil-fueled plants as soon as 2016, according to a

[11] *Utah's Economic Development Plan*, page 3 (Fall 2010), available at http://business.utah.gov/start/econ-plan/.

recent memo from President Obama to the Environmental Protection Agency.[12] These additional costs will not impact wind resources; indeed, approving these PPAs will reduce ratepayers' risk exposure and reliance on fossil-fueled resources.

These QF resources provide ratepayers an extraordinary opportunity to diversify their resource mix and lock in prices that are not subject to fluctuation or environmental regulation. Furthermore, approval of these PPAs will allow ratepayers to acquire clean, non-polluting energy resources in Utah, without additional investments in transmission infrastructure, and while taking advantage of the production tax credit (set to expire at the end of the year). These PPAs, in short, are a good, long term investment for Utah ratepayers.

Furthermore, approving these QF PPAs will bring jobs and economic benefits to the state.Utah Clean Energy utilized NREL's Jobs and Economic Development Impacts (JEDI) model[13] to estimate economic impacts of developing an 80 MW windproject in Utah, using PacifiCorp's 2013 IRP supply-side resource cost assumptions for Utah wind resources and JEDI's default values. Impacts (including induced impacts) include the following:

- over $184 million invested in Utah;
- almost $900,000 in property taxes and $240,000 in land lease payments;
- 437 full-time equivalent jobs (FTEs) during the construction period;
- 20 FTEs annually during the plant's operating years;
- earnings impacts of $20,680,000 during the construction period; and
- $900,000 in annual earnings impacts during operating years.[14]

CONCLUSION

Utah Clean Energy urges the Commission to approve these wind QF PPAs as just and reasonable and in the public interest. These PPAs will mitigate risk for ratepayers: not only will

[12]Exhibit A: Memo from President Obama to the Administrator of the Environmental Protection Agency regarding Power Sector Carbon Pollution Standards (June 25, 2013).
[13]All of NREL's JEDI models are available for download at http://www.nrel.gov/analysis/jedi/download.html.
[14] Exhibit B: On-shore wind JEDI model output for an 80 MW wind facility in Utah (August 21, 2013).

they diversify ratepayers' resource mix, they will lock in reasonable prices for 20 years, in the face of volatile and rising fuel prices and increasing environmental compliance costs.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 9th day of August, 2013, on the following:

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