

1 **Witness Identification, Qualifications and Purpose of Testimony**

2 **Q. Please state your name, business address and present position with**
3 **PacifiCorp dba Rocky Mountain Power (“the Company”).**

4 A. My name is Paul H. Clements. My business address is 1407 West North Temple
5 Street, Salt Lake City, Utah 84116. My present position is Director, Commercial
6 Services for the Company.

7 **Q. Please briefly describe your education and business experience.**

8 A. I have a Bachelor of Science degree in Business Management from Brigham Young
9 University. I have been employed with PacifiCorp since 2004 in various
10 commercial roles related to wholesale power marketing. I have been responsible
11 for negotiating qualifying facility contracts, negotiating interruptible retail special
12 contracts, and managing wholesale or market-based energy and capacity contracts
13 with other utilities and power marketers. I also worked in the merchant energy
14 sector for approximately six years in pricing and structuring, origination, and
15 trading roles for Duke Energy and Illinova. In my current position, I was integrally
16 involved in negotiation of the Power Supply Agreement (“PSA”) between the
17 Company and the Navajo Tribal Utility Authority (“NTUA”), which is a subject of
18 the current Application.

19 **Q. Have you previously testified before this Commission or other state**
20 **commissions?**

21 A. Yes. I have provided testimony in several dockets before this Commission,
22 including most recently Docket Nos. 15-035-53 and 15-035-61. I have also
23 presented testimony before the Idaho and Wyoming public utility commissions.

24 **Q. What is the purpose of your testimony in this proceeding?**

25 A. The purpose of my testimony is to support approval by the Commission of the
26 Application for Approval of Purchase and Transfer Agreement and Power Supply
27 Agreement and Amendment of Certificate of Public Convenience and Necessity
28 (“Application”) filed with this testimony. In particular, my testimony describes the
29 PSA entered into between the Company and NTUA and explains why approval of
30 the PSA, as amended, is in the public interest. The PSA is Exhibit N to the Purchase
31 and Transfer Agreement (“PTA”) between the Company and NTUA. The PTA is
32 Confidential Exhibit RMP____(LPM-1) to the testimony of Loren P. (“Lucky”)
33 Morse, also filed in support of the Application. The First Amendment to the PSA
34 is Confidential Exhibit RMP____(LPM-4) to Mr. Morse’s testimony.

35 **Summary of Testimony**

36 **Q. Please summarize your testimony.**

37 A. On December 4, 2013, the parties entered into the PSA, subject to approval of the
38 transaction by the Navajo Nation Council and approval of the PSA by the
39 Commission and other necessary approvals. The PSA was amended by agreement
40 of the parties on March 4, 2015, to conform it with a modification to the Resolution
41 of the Navajo Nation Council described in Mr. Morse’s testimony.

42 Approval of the PSA is in the public interest. It is an essential part of the
43 overall transaction represented by the PTA and the PSA. The PSA will provide
44 benefits to customers within the Nation and to the Company’s other customers.
45 Through the PSA, the largest customer of the Company within the Nation, Resolute
46 Natural Resources Company, LLC (“Resolute”), will be assured of the opportunity

47 to have a continued source of power to serve its needs for many years at rates below
48 those that would be charged if the Company continued to provide service after
49 transferring facilities to NTUA, considering necessary wheeling charges that would
50 be imposed for the use of facilities that will be owned by NTUA.

51 **Power Supply Agreement**

52 **Q. Please describe the PSA.**

53 A. The PSA provides that PacifiCorp will provide a firm supply of power to NTUA
54 sufficient to serve the customers being transferred from the Company to NTUA
55 under the PTA on terms essentially equivalent to Schedule 9 of the Company's
56 Utah tariff for a period of 10 years commencing on the Changeover Date as
57 provided in the PSA. It provides a maximum contract demand equal to the current
58 demand of those customers plus reasonably anticipated growth in the number of
59 customers and of Resolute's demand as already planned between the Company and
60 Resolute. It obligates NTUA to pay for any transmission system studies and
61 upgrades needed to accommodate increased demand that are not already being paid
62 for by Resolute.

63 **Q. Why do you say that service to NTUA under the PSA will be essentially**
64 **equivalent to Schedule 9?**

65 A. Because NTUA (and the customers served by NTUA) will not be eligible to
66 participate in the Company's Demand Side Management ("DSM") programs and
67 incentives, NTUA will not be required to pay the DSM surcharge normally included
68 for Schedule 9 customers or any successor or similar charges. Other than that

69 exception, service to NTUA under the PSA will be on the same terms and
70 conditions as service to other Schedule 9 customers.

71 **Q. Will the Company continue to provide service to Resolute at standard retail**
72 **tariff rates under the PSA, or will Resolute take service from NTUA?**

73 A. The PSA will become effective when NTUA takes over service to any customers
74 within the Nation currently served by the Company. However, as explained more
75 fully in Mr. Morse's testimony, customers may be transferred to NTUA in up to
76 three steps. Resolute will not be transferred to NTUA until the last step. Therefore,
77 the Company will continue to provide service to Resolute at standard retail tariff
78 rates until Resolute is transferred to NTUA even though the PSA may be in effect
79 with regard to providing power to NTUA for service to other transferred customers.
80 However, once Resolute is transferred to NTUA, the Company will no longer
81 provide service to Resolute. At that time, NTUA will provide service to Resolute.

82 **Q. What is the current demand and energy requirement of customers that will**
83 **be transferred to NTUA?**

84 A. In 2014, the maximum load of customers served by the Company within the Nation
85 was 40.86 MW and their energy consumption was 286,235 MWh. Resolute
86 accounted for the lions' share of this demand and usage.

87 **Q. What is the anticipated demand?**

88 A. The Company has been in discussions with Resolute over the past few years
89 regarding its plans to significantly increase the scope of its operations in the Aneth
90 Oil Field. Resolute has anticipated that its demand would increase. In addition, the

91 Company has anticipated some modest growth in the demands of other customers
92 within the Nation.

93 **Q. How does the PSA address this anticipated increase in demand?**

94 A. To the extent the increase in demand is associated with increased demand of
95 Resolute during the period before Resolute is transferred to NTUA, the Company
96 will deal directly with Resolute under its existing Master Electric Service
97 Agreements (“MESAs”) with Resolute and applicable regulations. Mr. Morse
98 describes the MESAs in his testimony. To the extent the increase results from other
99 customers or from Resolute after NTUA assumes service to Resolute, the PSA
100 provides that NTUA shall not connect any new large single load with a capacity
101 greater than one MW, other than the transfer of Resolute’s load to NTUA, without
102 PacifiCorp’s prior consent. In addition, NTUA is required to provide PacifiCorp
103 with at least one-year’s advance notice of any increase or decrease in demand
104 greater than one MW. PacifiCorp is not obligated to serve any aggregated load over
105 the present interconnection capacity, except that NTUA may increase the total
106 aggregate load to [REDACTED] subject to completion of all necessary studies, agreements
107 and transmission system improvements at NTUA’s expense pursuant to the terms
108 and conditions of Regulation 12.

109 **Q. Does the Company anticipate that it will have any problem in handling this**
110 **potential increased load?**

111 A. No. The Company has already been working with Resolute with regard to its
112 anticipated increased load and would have been required to provide the increased

113 load associated with Resolute and other customers within the Nation absent the
114 PTA and PSA.

115 **Q.** [REDACTED]

116 [REDACTED] ?

117 **A.** [REDACTED]

118 [REDACTED]

119 [REDACTED]

120 [REDACTED]

121 [REDACTED]

122 [REDACTED]

123 [REDACTED]

124 [REDACTED]

125 [REDACTED]

126 [REDACTED]

127 [REDACTED].

128 **Q.** [REDACTED]

129 [REDACTED] ?

130 **A.** [REDACTED]

131 [REDACTED]

132 [REDACTED]

133 [REDACTED]

134 [REDACTED]

135 [REDACTED]

136 [REDACTED]

137 [REDACTED]

138 [REDACTED].

139 **Q.** [REDACTED]

140 [REDACTED]?

141 **A.** [REDACTED]

142 [REDACTED]

143 [REDACTED]

144 [REDACTED]

145 [REDACTED]

146 [REDACTED]

147 [REDACTED]

148 [REDACTED]

149 [REDACTED]

150 [REDACTED]

151 [REDACTED]

152 [REDACTED]

153 [REDACTED]

154 [REDACTED]

155 [REDACTED].

156 **Q.** **Is the Company obligated to provide power to NTUA beyond the term of the**
157 **PSA?**

158 **A.** No. However, the parties have agreed in the PSA that either of them may

159 commence negotiations for a firm energy contract for a term of up to five years
160 not later than three years prior to expiration of the PSA and three years prior to
161 the proposed effective date of the firm energy contract. If they are successful in
162 negotiating such a contract and if its term commences earlier than expiration of
163 the PSA, the PSA will terminate on the effective date of the firm energy contract.
164 Neither party is obligated to enter into a new agreement.

165 **Q. Please comment on the other terms and conditions in the PSA.**

166 A. The PSA includes other terms and conditions similar to those in the Company's
167 other power supply agreements. These terms and conditions address issues such as
168 delivery points, the parties' obligations with respect to maintenance and operation
169 of facilities and other matters.

170 **Public Interest**

171 **Q. Is the PSA in the public interest?**

172 A. Yes. The PSA assures that the Company's customers within the Nation, including
173 Resolute, will have the opportunity to have a reasonably priced power supply for
174 many years. It also provides a benefit to the Company and its other customers by
175 allowing the Company to retain the load that has partially justified its investment
176 in facilities in the area for a reasonable period of time.

177 **Conclusion**

178 **Q. What do you conclude?**

179 A. The PSA was the product of extensive and difficult negotiations between the
180 Company and NTUA. It represents part of a carefully balanced compromise of

181 complex issues that must be viewed in its entirety. Approval of the PSA is in the
182 public interest for the reasons stated above.

183 **Q. What do you recommend?**

184 A. The Company recommends that the Commission approve the PSA as part of the
185 transaction agreed upon between the Company and NTUA.

186 **Q. Does this conclude your direct testimony?**

187 A. Yes.