December 31, 2012

Julie Orchard, Secretary
Public Service Commission of Utah
400 Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84111

Re: Docket 03-035-14

Dear Julie:

Please find Wasatch Wind's Comments on PacifiCorp's Response to Exhibit Public Witness 1 and Exhibit Public Witness 2 admitted in the above-reference proceeding. Given that Wasatch Wind did not receive these submissions by the Company until October 5, 2005, please allow these comments to be included in the record.
Thank you for your consideration of the attached Comments

Yours truly,

Richard Collins
Representing Wasatch Wind, LLC

Wasatch Wind's Comments to Responses made by PacifiCorp to Exhibit Public Witness 1 and Exhibit Public Witness 2

Wasatch Wind asks to the Commission to disregard PacifiCorp's response to Public Witness 1, Ms Christine Watson-Mikell and to Public Witness 2. The Company's response misinterprets Ms Watson-Mikell's testimony and misrepresents the evidence on the record, particularly in reference to the Company-build option model. This model measures avoided costs by determining the price per kWh for wind power that the **Company** would require in order to recover its costs of building a particular wind resource. The Company's rebuttal of Mr. Milligan's research should also be discounted as it provides little evidence to discredit it.

Comments on Public Witness 1: Ms. Watson-Mikell

Ms. Watson-Mikell testimony provides realistic illustrations of the avoided costs of wind projects that are under current consideration of wind developers. They should be used by the Commission as illustrations of what avoided costs would be **if** these were viable Company-build options. Her testimony provides realistic examples of wind projects that will allow the Commission to evaluate its decisions on the critical inputs of the Company-build option model.

The Company criticizes Ms. Watson-Mikell for including transmission costs in the calculation of avoided costs. The inclusion of these transmission costs has been discussed by parties in this case. A consensus on how best to treat these costs has not been reached. However, there is evidence on the record that transmission costs must be included in the model in order to effectively measure the cost that the Company would bear to deliver wind power to its customers. These costs are avoidable and must be accounted for. The Company wants to calculate avoided transmission costs on a case by case basis. This could subvert the Company-build option model if the analyzed transmission costs are the QFs transmission requirements not

the avoided transmission costs of the Company's option. Just like a QF's capital costs of its generating plant are irrelevant to the calculation of avoided costs, so is the cost of a QF's transmission requirements. What is relevant is the cost of transmission that is avoided by purchasing from a QF.

The Company is unclear in its response as to whether the case by case analysis will include these avoided transmission costs of the Company-build option. Without such assurance from the Company, the Commission must include such costs in its calculation of avoided costs using this method. Furthermore, it is of the utmost importance that transmission costs be linked directly to the project that the Company could build itself. We can not use the capacity factor of a remote Wyoming Company-build option and combine it with the transmission costs of a Utah based-wind project.

The Company's written response to Christine Watson Mikell's implies that her testimony is illogical and should be disregarded. It cites in that a lower capacity QF facility would get higher payments than a higher capacity QF facility.

> "Assume, for example, two 100 MW wind resources have identical profiles and fixed costs, but Windplant A has a 35% capacity factor and Windplant B has a 30% capacity factor. Even though Windplant A delivers more power to the Company than Windplant B, the value of the power to the Company is the same on a unit cost basis, since each project delivers power to the Company in the same pattern. Using the capacity factor adjustment proposed in Exhibit Public Witness 1, however, the avoided cost for Windplant A would be $48.90 / kWh and the avoided cost for Windplant B would be $57.05 / kWh.[1] This is an inappropriate adjustment that results in Windplant B, the windplant with the lower capacity factor, receiving prices that are 114% of the prices paid to Windplant A even though the value of the power to the Company is the same from each facility on a unit cost basis."[2]

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[2] Taken from the page 2 of the Company's October 5, 2005 Response to Exhibit Public Witness 1.

This misconstrues the testimony and shows a lack of understanding by the Company of the Company-build option model. If Windplant A is the **Company's** best build option, then a 35% capacity factor will require a price of $48.90/kWh to recover the costs of the Company's project. This calculation, if Windplant A is the appropriate Company-build option, would determine the payment to a QF wind project. However, if the Company's best build option is Windplant B with a 20% capacity factor then the avoided cost calculation would be $57.05. [3] The capacity factor of the QF facility is irrelevant to the calculation of avoided costs. This exact issue was brought up by the Commission Chairman and answered by Wasatch Wind's witnesses. The capacity factor that is important is the Company-build option. It should be noted that the Commission should make adjustments to this capacity factor if actual capacity factors are different than the assumed capacity factors. What are the actual capacity factors of Company owned or contractual resources? The only evidence on the record to judge realistic capacity factors and make adjustments to the Company-build option model's assumptions is the average capacity factor of the two existing wind resources on PacifiCorp's system. Appendix J of the 2004 IRP indicates that this capacity factor is 29.8%. (See page 142) The Company filed late a data request to Wasatch Wind which indicates that the capacity factor of the latest signed contact with a Idaho wind developer is 31%. This is a far cry from the Company proposed 35% capacity factor that it advocates for the Company-build option model. Adjustments to assumed capacity factors are warranted given the evidence on the record.

The Company questions the underlying data of Christine Watson-Mikell stating that it is dated, unsupported or misapplied. It argues that she uses 2003 IRP data and such data is outdated. Although the Company pledges to update this information by November, the 2003 IRP, in many cases, provides the best disaggregated data that is currently available. The

[3] Note these calculations are taken from the Company's responses and may not be accurate estimates of avoided costs

Company's allegation that her data is unsupported lacks proof relies on standards that the Company failed to achieve. in its testimony. The Company's testimony does not provide the level of detail that it expects from a public witness. The Commission should take note of the witness's background; she was the State of Utah's lead person on evaluation of Utah wind resources during her tenure at the Utah State Energy Office. She is eminently qualified to testify and the Commission should give substantial weight to her testimony.

Comments on Public Witness 2: Mr. Milligan

The Company criticizes Mr. Milligan's thesis that multiple months should be used in the analysis of a wind resources contribution to capacity. They go on to say that he does not understand PacifiCorp's system. However, the Commission and it staff have extensive knowledge of PacifiCorp's system and are fully aware that the winter peak is just below the summer peak on a system wide basis. Furthermore, capacity is valuable in the shoulder periods when traditionally PacifiCorp has taken down baseload plants for maintenance. The basic thrust of Mr. Milligan's thesis is correct. The Commission should take note of the Company reference to historical evidence that its existing wind facilities have a capacity factor of 29.8%. This bolsters the need to adjust assumed capacity factors used by other parties in the Company-build option model.