

In the Matter of the Petition of Pioneer Ridge, LLC and Mountain Wind, LLC for
Approval of a Contract for the Sale of Capacity and Energy from their Proposed Facilities

Docket No. 05-035-09

DPU Exhibit 1.0R

Rebuttal Testimony of Andrea Coon
Division of Public Utilities

April 27, 2006

1 **Q. Please state your name and the party that you represent in this**
2 **proceeding.**

3 A. My name is Andrea Coon. I am representing the Division of Public Utilities in
4 this proceeding.

5 **Q. What is the purpose of this testimony?**

6 A. The purpose of this testimony is to give the Division’s recommendations on
7 the contract issues that are in dispute in this docket as described by the
8 testimony of Mr. Roger Swenson for Pioneer Ridge, LLC, and by Mr. Bruce
9 Griswold and Mr. Paul Clements for PacifiCorp. I will also be responding to
10 testimony submitted by Dr. Richard Collins for Wasatch Wind.

11 **Q. Please describe the issues that you will be addressing.**

12 A. In his original testimony, Mr. Swenson outlined four issues that his client and
13 the Company had been unable to reach agreement on. According to testimony
14 filed by Mr. Clements, two of these issues have since been resolved.
15 Therefore, the two issues that the Division will be addressing at this time are
16 wind profile pricing adjustments and the timing of development security
17 posting.

18 **Q. Has the Division examined the pricing issue and come to a conclusion?**

19 A. Yes. The Division examined all of the testimony, transcripts, and Commission
20 orders in the generic large QF docket, Docket No. 03-035-14, in an attempt to
21 ascertain whether the Commission has already accepted, as implied by Mr.
22 Swenson, the methodology outlined in Mr. Swenson’s testimony dated March
23 10, 2006. After examining all of the documents on the record in that case,

24 which would be the documentation upon which the Commission would make
25 a decision, the Division was unable to find any specific reference that would
26 have alerted the Commission to the fact that Mr. Swenson's wind profile
27 adjustment method as outlined in Docket 03-035-14 would be based upon
28 information obtained from GRID. On the contrary, the Division found a
29 specific reference in the Commission Order on Clarification in Docket 03-
30 035-14 dated February 2, 2006, in which the Commission states that "Neither
31 did we approve use of the GRID model for wind profile adjustments. Pioneer
32 Ridge's testimony on adjustments is a reasonable starting point for wind
33 profile adjustments..." (at pages 13-14). This leads the Division to believe
34 that the Commission did not connect Mr. Swenson's "Pioneer Method" with a
35 GRID run. The Division, therefore, interprets the Commission order to mean
36 that the wind profile adjustment should be based on some other means of on-
37 peak, off-peak pricing. The Division feels that the method used to set the price
38 for the original proxy plant, which used a market curve, is a reasonable
39 beginning assumption for determining on-peak, off-peak pricing.

40 **Q. Besides the Division's interpretation of the Commission's order, what**
41 **other reason does the Division have for supporting a market based**
42 **adjustment rather than one based upon a GRID run?**

43 A. The other major reason that the Division supports use of a market based
44 adjustment for wind profiles has to do with keeping the methodology
45 consistent. Basically, the Division believes that since the methodology for
46 wind QFs is a market proxy, it is only appropriate to keep the methodology

47 consistent and to have any sort of adjustments also be market based. Although
48 the Division does understand the idea that on-peak power is more valuable to
49 the system than off-peak and that a GRID run will demonstrate the difference,
50 it is logically inconsistent to the Division to base the initial price on a market
51 valuation rather than a system one and then base adjustments on a system
52 valuation rather than a market one. Consistency would demand that the
53 methodology use either system values or market values for both initial pricing
54 and pricing adjustments. Therefore, since the Commission has ordered that
55 pricing for wind QFs be based upon market valuation, not system valuation,
56 the Division believes that all adjustments to the market price should be based
57 upon market pricing and indicators.

58 **Q. The other issue discussed by the parties in this docket is the timing of**
59 **development security posting. Does the Division have a position on this**
60 **issue?**

61 A. Yes. While the Division does understand the positions of both PacifiCorp and
62 Pioneer Ridge, we do not agree with either of them. PacifiCorp feels that 10
63 days after the effective date of the contract is sufficient to allow for the
64 posting of development security while Pioneer Ridge believes that it should be
65 allowed an additional 180 days in which to post the security. The Division
66 believes that there is a reasonable middle ground where neither PacifiCorp nor
67 its ratepayers will bear an undue development risk, while allowing Pioneer
68 Ridge sufficient time to pull together what must be very complex financing
69 arrangements. In a recent Commission order, the Commission determined that

70 a reasonable solution to the timing of development security would be half of
71 the required amount on the contract effective date with the other half due in
72 three months.¹ Since the Commission ordered this as a reasonable
73 compromise in a recent QF proceeding, the Division recommends that this
74 provision be adopted as a reasonable compromise in this proceeding as well.

75 **Q. To what pieces of Dr. Collins testimony will you be responding?**

76 A. Starting on page 9, line 3 and continuing through line 15 of page 10, Dr.
77 Collins discusses several contract issues which have not been identified as
78 problems by the two parties actually negotiating the contract in question in
79 this docket. These issues are apparently among those that Dr. Collins would
80 like decided for use in the Wasatch Wind Docket, 06-035-42. The Division
81 believes that since these issues have not been raised by parties to the contract
82 in question in this docket, Docket No. 05-035-09, that the issues should be
83 reserved to be discussed in a more appropriate docket, such as Docket No. 06-
84 035-42.

85 **Q. Does the Division have a position on the issues raised by Mr. Swenson in**
86 **his supplemental direct testimony?**

87 A. The Division is aware that PacifiCorp has filed a motion with the Commission
88 to have the aforementioned testimony stricken and a responsive motion from
89 Pioneer Ridge requesting that it be allowed. With this in mind, the Division
90 will reserve comments on this testimony until the hearing or until such time as
91 the Commission decides whether or not the testimony should be stricken.

¹ Commission Report and Order for Docket No. 05-035-08, dated August 19, 2005, at page 5-6 section entitled "Development Security-Timing."

92 **Q. Does this conclude your testimony at this time?**

93 A. It does.