

BEFORE THE PUBLIC SERVICE COMMISSION

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IN THE MATTER OF THE )  
PETITION OF WASATCH WIND, )  
LLC, FOR APPROVAL OF A )  
CONTRACT FOR THE SALE OF )  
CAPACITY AND ENERGY FROM )  
THEIR PROPOSED QF FACILITIES.) Docket No. 06-035-42

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)

IN THE MATTER OF THE )  
APPLICATION OF PACIFICORP FOR )  
APPROVAL OF POWER PURCHASE )  
AGREEMENT BETWEEN PACIFICORP )  
AND SPANISH FORK WIND )  
PARK II, LLC. ) Docket No. 06-035-76

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July 11, 2006 - 1:30 p.m.

Location: HEBER M. WELLS BUILDING  
160 East 300 South, Room 403  
Salt Lake City, Utah 84114

Reporter: Kathy Morgan, CSR, RPR  
Notary Public in and for the State of Utah

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A P P E A R A N C E S

Members of the

Commission Present: RICHARD M. CAMPBELL, Chair  
TED BOYER, Commissioner  
RON ALLEN, Commissioner

Representing the PATRICIA SCHMID  
Division of Public OFFICE OF THE ATTORNEY  
Utilities: GENERAL  
160 East 300 South  
Fifth Floor  
Salt Lake City, Utah 84114  
(801) 366-0353

Representing DEAN BROCKBANK  
PacifiCorp/Utah Power: PACIFICORP  
201 South Main Street  
Suite 2200  
Salt Lake City, Utah 84111

Representing RICHARD COLLINS  
Wasatch Wind: TRACEY LIVINGSTON  
WASATCH WIND  
357 West 910 South  
Suite A  
Heber City, Utah 84032

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I N D E X

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1 JULY 11, 2006 - 1:30 P.M. - SALT LAKE CITY, UTAH

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P R O C E E D I N G S

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5 CHAIRMAN CAMPBELL: Let's go on the  
6 record in docket number 06-035-42, In the Matter  
7 of the Petition of Wasatch Wind, LLC for Approval  
8 of a Contract for the Sale of Capacity and Energy  
9 from their Proposed QF Facilities, and in docket  
10 number 06-035-76, In the Matter of the Application  
11 of PacifiCorp for Approval of Power Purchase  
12 Agreement Between PacifiCorp and Spanish Fork Wind  
13 Park II, LLC. Let's take appearances for the  
14 record, please.

15 MR. BROCKBANK: Dean Brockbank for  
16 PacifiCorp.

17 MS. SCHMID: Patricia Schmid with the  
18 Attorney General's Office for the Division of  
19 Public Utilities.

20 DR. COLLINS: Rich Collins representing  
21 Wasatch Wind.

22 CHAIRMAN CAMPBELL: Thank you.  
23 Mr. Brockbank?

24 MR. BROCKBANK: Thank you, Mr. Chairman.  
25 PacifiCorp filed, a few week ago, a request in

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1 docket 06-035-76, an application for PacifiCorp  
2 and request for expedited treatment for approval  
3 of a power purchase agreement with Wasatch Wind --  
4 not with Wasatch Wind, with a subsidiary of  
5 Wasatch Wind, Spanish Fork Wind Park II, LLC. And  
6 PacifiCorp has, on just this last Friday, which  
7 would have been July 7th, filed a one-page  
8 replacement, a page 9 replacement, correcting the  
9 date, the scheduled commercial operation date.

10 The Commission should have that, and I believe the  
11 other parties to the proceedings should have that  
12 as well. And PacifiCorp has Mr. Paul Clements as  
13 a witness, who has some live testimony to provide  
14 regarding the contract, and we'd like to present  
15 him whenever the Commission is ready.

16 CHAIRMAN CAMPBELL: Why don't we go  
17 ahead and swear him in.

18 You can go ahead and testify from right  
19 there, but go ahead and stand.

20 (The witness was sworn.)

21 Thank you. Mr. Brockbank?

22 MR. BROCKBANK: And one other matter,  
23 Mr. Chairman, if I could. In speaking with Ms.  
24 Schmid this morning, it occurred to both of us  
25 that in our brief hearing a few weeks ago where we

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1 had scheduled in docket number -- the other  
2 docket. I don't have that. In the Wasatch Wind  
3 docket number, I think it's 42, 035-42, it  
4 occurred to Ms. Schmid and me, after she asked me,  
5 that we had not SPREAD the testimony on the record  
6 at all from the previous docket. And we thought  
7 it would be a good idea, at least, to get that  
8 testimony on the record so that it doesn't fall  
9 into oblivion, if the Commission doesn't have any  
10 objection to that, or any of the parties.

11 CHAIRMAN CAMPBELL: All right. Are  
12 there any objections to the admission of the  
13 testimony that we're going to have today, to  
14 SPREAD that on the record? (Pause) We'll admit  
15 it.

16 MR. BROCKBANK: Thank you, Mr. Chairman.

17 DIRECT EXAMINATION

18 BY MR. BROCKBANK:

19 Q. Mr. Clements, can you please state your  
20 name and business address for the record.

21 A. Paul Clements. Business address is 201  
22 South Main, Suite 2300, Salt Lake City, Utah,  
23 84111.

24 Q. And could you please just briefly  
25 describe your roles and responsibilities for  
26

1 PacifiCorp.

2 A. I work for the Rocky Mountain Power  
3 Business Unit, and I'm in charge of negotiating  
4 and executing all facility power agreements larger  
5 than 3 megawatts.

6 Q. Did you personally negotiate and were  
7 you involved in the negotiations and drafting of  
8 the power purchase agreement with Spanish Fork  
9 Wind Park II, LLC?

10 A. Yes.

11 Q. And are you PacifiCorp's company  
12 representative responsible for that contract?

13 A. Yes, I am.

14 Q. Do you have any live testimony to  
15 provide in support of PacifiCorp's application?

16 A. Yes, I do.

17 Q. Would you please provide a statement in  
18 the form of direct testimony.

19 MR. BROCKBANK: And then, Mr. Chairman,  
20 we would, once Mr. Clements gives a summary, we  
21 would then set him up for cross-examination. I  
22 guess that's not a very good word to say, "set him  
23 up" for cross-examination. Provide him for  
24 cross-examination.

25 CHAIRMAN CAMPBELL: All right.

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1 MR. CLEMENTS: Mr. Chairman, do you  
2 prefer I remain here for live testimony?

3 CHAIRMAN CAMPBELL: Go ahead.

4 MR. CLEMENTS: Thank you.

5 Mr. Chairman, Commissioners, today  
6 PacifiCorp presents for Commission approval a  
7 qualifying facility power purchase agreement  
8 between Spanish Fork Wind Park II, LLC, and  
9 PacifiCorp. Today we'll provide a brief summary  
10 of the seller and their project, the contract  
11 term, pricing structure, significant commercial  
12 terms in the contract, and a single outstanding  
13 contract issue.

14 First, a little about the seller and  
15 their project. Spanish Fork Wind Park II, LLC, is  
16 an 18.9-megawatt wind qualifying facility located  
17 in Spanish Fork, Utah. The project consists of  
18 what is expected to be nine 2.1-megawatt wind  
19 turbine generators and is expected to produce  
20 55,500 megawatts of energy annually. Spanish Fork  
21 Wind Park II, LLC is a wholly-owned subsidiary of  
22 Wasatch Wind, LLC.

23 A little about the contract term. The  
24 power purchase agreement is a 20-year contract  
25 with no renewal options. The scheduled commercial  
26

1 operation date is June 30th of 2008. Spanish Fork  
2 Wind Park II, LLC has elected not to sell  
3 renewable energy credits to PacifiCorp.

4 The pricing structure. The company pays  
5 Spanish Fork Wind Park II, LLC prices consistent  
6 with the Commission order in docket number  
7 03-035-14. In that docket the Commission ordered  
8 that wind QFs are to receive pricing based on the  
9 most recently-executed RFP, the contract for a  
10 wind resource with adjustments being made for  
11 differences in wind profiles.

12 To make the adjustments for differences  
13 in wind profiles, the company utilized the  
14 methodology ordered by the Commission in the  
15 Pioneer Ridge docket, which is docket number  
16 05-035-09. The Company used the peak and off-peak  
17 prices from March 2005 over the price curve, which  
18 is the same curve used to evaluate the wind proxy  
19 that was used for pricing for Spanish Fork Wind  
20 Park II, LLC to make the wind profile adjustments.

21 To do so, the March 2005 forward price  
22 curve was used to extrapolate on-peak and off-peak  
23 monthly prices on the single, flat annual price  
24 that was designated for year 1 delivery in the  
25 proxy contract. The result is 24 separate prices

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1 that occur in the first year, so there is one  
2 on-peak price, one off-peak price for each  
3 calendar month. For years 2 through 20 of the  
4 agreement, these 24 separate prices are applied  
5 against the same annual multipliers that were used  
6 in the proxy contract.

7 For example, to determine the price for  
8 year 2012, the 24 prices used in year 1 are  
9 multiplied by the multiplier for the year 2012, as  
10 found in Exhibit 5.1.2 of the agreement. The  
11 annual multipliers vary slightly from year to  
12 year, but they roughly equate to a 1 percent  
13 increase per year, so the prices escalate at  
14 1 percent, approximately, over the 20-year term of  
15 the agreement. This monthly peak and off-peak  
16 pricing structure appropriately accounts for wind  
17 profile differences, in that the wind QF receives  
18 a different price for deliveries during peak and  
19 off-peak periods as well as during different  
20 delivery months. Furthermore, this structure  
21 protects the ratepayer from changes to the wind  
22 profile in out-years of the agreement.

23 In regard to the significant contract  
24 terms, the company took the position that the  
25 proxy contract commercial terms needed to be met  
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1 or equaled by Spanish Fork Wind Park II, meaning  
2 if Spanish Fork Wind Park II desired a contract  
3 term that was significantly different than what  
4 was in the proxy contract, that term needed to be  
5 equal in risk and benefit to the ratepayer. That  
6 was the theory behind negotiations.

7 In doing so, we came up with an  
8 alternative structure to measure the performance  
9 of this project. As you may have noticed, the  
10 proxy contract calls for a mechanical availability  
11 guarantee, which means that the wind provider must  
12 be mechanically available a certain percentage of  
13 the time throughout the year.

14 Spanish Fork Wind Park II and the  
15 Company have negotiated a slightly different  
16 performance guarantee. It's more of a performance  
17 or delivery band in which Spanish Fork Wind Park  
18 II nominates a certain capacity factor each  
19 quarter. They must then perform within a certain  
20 band around that capacity factor. That band is  
21 set at 85 percent to 115 percent. If they are  
22 outside of this performance band, they receive a  
23 reduced contract price. We feel that this is  
24 equal in risk and benefits to the ratepayer as the  
25 proxy agreement.

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1           Furthermore, if a turbine is moved from  
2 service for an unplanned outage, meaning if one  
3 turbine is removed from its capacity factor  
4 calculation for a quarter, that turbine must be  
5 returned to service within two years or it is  
6 subject to liquidated damages, cost-to-cover  
7 provisions.

8           So in brief, if they remove a turbine  
9 from the forecast for the next quarter, they have  
10 two years to bring that turbine back on line or  
11 that turbine will be subject to liquidated  
12 damages, and that is specific to each individual  
13 turbine. So if they lose a turbine, the clock  
14 starts ticking for that turbine. If they lose  
15 another turbine in six months, that second  
16 turbine, the clock starts ticking for six months  
17 for that turbine.

18           There is one outstanding contract issue  
19 I'd like to point out to the Commission. The  
20 contract language allows for an adjustment to the  
21 price, if necessary, to account for the  
22 Commission's ruling on avoided line losses  
23 specific to this project only. However, this  
24 agreement is considered final and binding,  
25 regardless of the outcome of any future Commission  
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1 ruling regarding the line loss issue.

2 And finally, this agreement meets the  
3 ratepayer difference standards required by PURPA,  
4 and is just and reasonable and in the public  
5 interest.

6 MR. BROCKBANK: Thank you, Mr. Clements.

7 Mr. Chairman, Mr. Clements is available  
8 for cross-examination and for questions from the  
9 Commission.

10 CHAIRMAN CAMPBELL: Any questions?

11 MS. SCHMID: Nothing from the Division.

12 CHAIRMAN CAMPBELL: Any questions? Dr.  
13 Collins?

14 DR. COLLINS: No.

15 CHAIRMAN CAMPBELL: Thank you. Does  
16 anyone else have a witness that's going to speak  
17 to this issue?

18 MS. SCHMID: The Division has a witness.

19 CHAIRMAN CAMPBELL: Or I mean  
20 cross-examination related to Wasatch Wind -- or  
21 Spanish Fork. Do you intend to do that? You  
22 don't have to, but did you intend to make any  
23 comments today?

24 MR. LIVINGSTON: I mean, we concur with  
25 the contract and agree on all of its provisions,

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1 so we don't have any further testimony unless you  
2 have questions for us.

3 CHAIRMAN CAMPBELL: All right, thank  
4 you. Ms. Schmid?

5 MS. SCHMID: Thank you. The Division  
6 would like to call Ms. Andrea Coon as its witness.  
7 Could should please be sworn.

8 CHAIRMAN CAMPBELL: All right.

9 (The witness was sworn.)

10 Thank you. Ms. Schmid?

11 MS. SCHMID: Thank you.

12 DIRECT EXAMINATION

13 BY MS. SCHMID:

14 Q. Ms. Coon, could you please state your  
15 full name and business address for the record.

16 A. Yes. My name is Andrea Coon and my  
17 business address is 160 East 300 South, Salt Lake  
18 City.

19 Q. By whom are you employed and in what  
20 capacity?

21 A. I'm employed by the Division of Public  
22 Utilities as a technical consultant.

23 Q. Have you been and are you involved on  
24 behalf of the Division of Public Utilities in the  
25 two dockets before us today?

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1 A. I have been and am.

2 Q. Do you have any testimony that you would  
3 like to present today?

4 A. I do have a very brief summary to  
5 present before the Commission.

6 Q. Please proceed.

7 A. The Division has examined the Spanish  
8 Fork contract submitted under docket 06-035-76,  
9 and believes it complies with the  
10 Commission-ordered pricing methodologies for wind  
11 QFs as ordered in docket 03-035-14. Although the  
12 pricing under this contract is not identical to  
13 that contained within the Commission-ordered proxy  
14 contract due to its separation of on-peak and  
15 off-peak pricing, the cumulative effect for an  
16 identical project appears to be consistent between  
17 the two.

18 Also, the proxy contract contains  
19 provisions on mechanical availability that are not  
20 included in this contract. The Spanish Fork  
21 contract instead includes a performance band. The  
22 Division believes that although this band was not  
23 contained within the proxy contract, it is a fair  
24 and reasonable method that will ensure production  
25 stability.

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1           The manner in which the pricing is  
2 inflated over the term also varies slightly from  
3 the proxy contract due to a difference in the  
4 contract effective periods. Although the  
5 inflation adjuster is slightly higher in the last  
6 years of the Spanish Fork contract than seen in  
7 the proxy contract, the difference is only .1  
8 percent, or 1.6 percent, as compared to the  
9 highest yearly inflator within the proxy contract  
10 of 1.5 percent.

11           Therefore, the Division finds that the  
12 proposed Spanish Fork contract adequately follows  
13 the avoided cost methodology as ordered by the  
14 Commission in 03-035-14, and is therefore just and  
15 reasonable and in the public interest. The  
16 Division will also plan on addressing the  
17 Commission in this docket further on the avoided  
18 line loss issue as it arises.

19           MS. SCHMID: Ms. Coon is now available  
20 for cross-examination.

21           CHAIRMAN CAMPBELL: Any questions for  
22 Ms. Coon?

23           MR. BROCKBANK: No questions here.

24           CHAIRMAN CAMPBELL: All right. Just a  
25 moment. Any further statements anybody wants to

26

1 make at this point? All right, just a moment.

2 (Pause)

3 CHAIRMAN CAMPBELL: The contract is  
4 approved. Mr. Brockbank, would you provide us a  
5 draft order?

6 MR. BROCKBANK: Yes, Mr. Chairman, I'd  
7 be happy to.

8 CHAIRMAN CAMPBELL: Thank you. We'll  
9 adjourn.

10 (Whereupon, the proceedings were concluded at 1:52  
11 p.m.)

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STATE OF UTAH            )  
                                  )  ss.  
COUNTY OF SALT LAKE)

        This is to certify that the foregoing  
Public Service Commission hearing held before  
Chairman Campbell was held in the State of Utah;

        That the above-named proceedings were  
taken by me in stenotype, and thereafter caused by  
me to be transcribed into typewriting, and that a  
full, true, and correct transcription of said  
testimony so taken and transcribed is set forth in  
the foregoing pages.

        I further certify that I am not of kin or  
otherwise associated with any of the parties to  
said cause of action, and that I am not interested  
in the event thereof.

        Witness my hand and official seal at Salt  
Lake City, Utah, this 15th day of July, 2006.

        My commission expires:  
        May 24, 2007

\_\_\_\_\_  
Kathy H. Morgan, CSR, RPR