

**BEFORE THE
PUBLIC SERVICE COMMISSION OF UTAH**

**IN THE MATTER OF THE APPLICATION
OF MILFORD WIND CORRIDOR PHASE I,
LLC AND MILFORD WIND CORRIDOR
PHASE II, LLC FOR CERTIFICATES OF
CONVENIENCE AND NECESSITY FOR
THE MILFORD PHASE I AND PHASE II
WIND POWER PROJECT**

Docket No. 08-2490-01

Sur-Rebuttal Testimony of

Paul Gaynor

Exhibit MWC 1.0 SR

On behalf of

**Milford Wind Corridor Phase I, LLC and
Milford Wind Corridor Phase II, LLC**

September 22, 2008



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TESTIMONY OF PAUL GAYNOR

1

2 **Q Please state your name and business address.**

3 A Paul Gaynor. My business address is 85 Wells Avenue, Suite 305, Newton,
4 Massachusetts 02459.

5 **Q What is your occupation?**

6 A I am currently the President and CEO for First Wind.

7 **Q. How long have you held that position?**

8 A Since 2004.

9 **Q Please describe your background.**

10 A My resume is attached as Exhibit MWC 1.1 SR. Prior to joining First Wind's
11 predecessor, UPC, in 2004, I served as chief financial officer of Noble Power
12 Assets, LLC, a private equity backed power plant acquisition company. Before
13 that, beginning in 2000, I worked with the Singapore Power Group, and held the
14 positions of senior vice president, chief financial officer and chief development
15 officer, as well as chief operating officer of Singapore Power International, an

16 unregulated international subsidiary. I also worked for GE Capital and GE Power
17 Systems for nearly 10 years in a variety of positions.

18 **Q What is the purpose of your testimony?**

19 A I will adopt some of the statements of Evelyn Lim and associated exhibits that
20 were made in Milford Wind's Application, and respond to the testimonies of Dr.
21 Joni Zenger offered for the Division of Public Utilities, and Mike Velarde offered
22 for UAMPS, regarding the company and its technical and financial ability to build
23 the generator lead line.

24 **Q. Which statements and exhibits from the application are you adopting?**

25 A I am adopting the statements in paragraphs 1 through 4, 14 through 16, and
26 paragraph 25 the Application and the exhibits associated with those paragraphs.
27 A copy of these statements as they appeared in the Application are attached to
28 my testimony as Appendix 1.

29 **Q Do you have personal knowledge of the statements contained in those
30 paragraphs, and do you adopt those as your own statements?**

31 A Yes. Since the time those statements were made, however, Milford Wind has
32 made progress toward development of the Project. To the extent the statements
33 in the Application require updating, I have address them in my testimony below.

34 **Q Please describe the organization of First Wind, LLC.**

35 A First Wind is an independent North American wind energy company focused
36 exclusively on the development, ownership and operation of wind energy

37 projects. We are currently privately-owned company based in Massachusetts
38 and have corporate offices in California, Hawaii and Maine.

39 **Q Did the change from UPC to First Wind have any impact on the company's**
40 **structure or day-to-day operations?**

41 A No. First Wind's predecessor, UPC Wind Partners, LLC (UPC Wind), is the
42 entity that filed the Application in this docket. On May 1, 2008, UPC Wind
43 changed its name to First Wind.

44 **Q What is the relationship between First Wind and Milford Wind Corridor**
45 **Phase I, LLC?**

46 A Milford Wind Corridor Phase I, LLC, ("Milford I") is a wholly owned subsidiary of
47 Milford Wind Corridor, LLC, which is a limited liability company, the majority of
48 which is owned by First Wind. The interconnection line that is the subject of the
49 Application for a Certificate will be developed, constructed, owned and operated
50 by Milford Wind, through its wholly-owned subsidiary Milford I.

51 **Q Which entity will construct the line?**

52 A Milford Wind's Application for a Certificate did not specify whether Milford I or
53 Milford Wind Corridor Phase II, LLC, would construct and operate the
54 interconnection line, since both entities had applied for identical certificates. Now
55 that the Commission has determined that a certificate is not necessary for the
56 Wind Farm, it should be clarified that Milford I will construct the line.

57 **Q. Have you reviewed Dr. Joni Zenger's testimony filed on behalf of the**
58 **Division of Public Utilities?**

59 A Yes.

60 **Q Dr. Zenger states that Milford Wind relies on the experience of First Wind**
61 **for developing, constructing and operating the interconnection line. Is that**
62 **correct?**

63 A. Yes. First Wind, the ultimate parent of Milford I, has significant experience in
64 developing, financing, constructing wind generation facilities. Summaries of the
65 qualifications of First Wind personnel that will be involved in this Project are
66 included in Exhibit MWC 1.1 SR.

67 **Q Please describe First Wind's experience in constructing similar projects.**

68 A First Wind developed, financed, constructed, and now owns and operates
69 completed wind power projects in Maui, Hawaii, with 30 MW; Mars Hill, Maine,
70 with 42 MW; and Lackawanna, New York with 20 MW. First Wind also is
71 currently in the process of constructing or developing several other projects in the
72 United States.

73 **Q At p. 5 of his testimony Mr. Velarde questions whether the statements in**
74 **the Application indicate sufficient experience to construct a 90-mile**
75 **interconnection line. How do you respond?**

76 A Although First Wind's other projects are smaller than the Milford Wind Project as
77 measured by their output capacity and their distance from a transmission
78 provider, the development and construction of smaller projects involves the same
79 expertise as larger projects. The difference between constructing a 9 mile line
80 and a 90 mile line is one of magnitude only. The experience First Wind

81 personnel have gained in developing its past projects is almost entirely
82 applicable to the development of the Milford Wind Project.

83 **Q Has Milford Wind selected a contractor to construct the interconnection**
84 **line?**

85 A Yes. Milford has engaged Sturgeon Electric as the constructors of the
86 interconnection line. Sturgeon Electric has built thousands of miles of
87 transmission and distribution lines around the country, and is generally regarded
88 as one of the largest and most reliable national contractors of electric
89 transmission and distribution facilities.

90 **Q Mr. Velarde finds "scant detail" in the Application indicating Milford Wind's**
91 **experience in obtaining financing for the construction of its projects. Can**
92 **you explain generally the financing for this project?**

93 A Milford Wind has executed a power purchase agreement with the Southern
94 California Public Power Authority ("SCPPA") for the output of the first two phases
95 of the project. That commitment will enable First Wind to raise construction
96 financing for a portion of the project's costs. First Wind is backed by affiliates of
97 the D.E. Shaw Group and Madison Dearborn Capital Partners that will be able to
98 support First Wind's equity requirements. In addition, First Wind is working with
99 a number of financial institutions that can utilize the project's tax attributes
100 (production tax credits and accelerated depreciation of certain project assets)
101 which is known in the wind industry as "Tax Equity." These financial institutions
102 would fund into the project following commercial operations, along with the

103 SCPPA prepayment for electricity, to repay a significant portion of the
104 construction financing

105 **Q Has Milford Wind used a similar financing mechanism strategy for its other**
106 **projects?**

107 A Yes. In the case of First Wind's previous projects, First Wind raised more than
108 \$600 million in limited recourse project financing and tax equity to build the wind
109 projects in Hawaii, Maine and New York that I mentioned earlier. While those
110 projects did not have the same pre-pay power purchase agreement, they were all
111 financed with a combination of debt, equity and tax equity.

112 **Q Do you agree with Dr. Zenger that First Wind could be described as a start-**
113 **up or development company?**

114 A Yes, and like many start up companies, First Wind has experienced some
115 operating losses. But First Wind has strong financial sponsors that have made
116 significant capital commitments to the company.

117 **Q Does this conclude your testimony?**

118 A Yes.

119

120 **APPENDIX I**

121 **STATEMENTS FROM MILFORD WIND'S APPLICATION**
122 **ADOPTED BY PAUL GAYNOR**

123 1. Milford Wind Corridor, LLC, ("Milford Wind") is a limited liability company, the
124 majority of which is owned by UPC Wind Partners, LLC ("UPC Wind"). UPC Wind is an
125 American, privately-owned company with its principal place of business in Delaware and with
126 office locations in Massachusetts, New York, Maine, Vermont, California and Hawaii. The
127 generation and transmission facilities constructed during the phases of the Project relevant to this
128 Application will be developed, constructed, owned and operated by Milford Wind through its
129 wholly-owned subsidiaries Milford I and Milford II.

130 2. UPC Wind, the ultimate parent company, has followed a business plan to develop,
131 finance, construct, own and operate wind power projects in the North American market. To that
132 end, the principals of UPC Wind have raised in excess of \$600 million in limited recourse
133 project financing and tax equity to construct 92 megawatts of wind projects in the United States.
134 UPC Wind is striving to develop a portfolio of 4,000 MW of wind projects across North
135 America.

136 3. UPC Wind is strictly a wind energy company. UPC Wind actively manages its
137 projects and has deep experience in all phases of wind farm development, financing, construction
138 and operation of wind energy facilities. Through its subsidiaries Milford I and II, it will manage
139 operational control of the Milford Project, and intends to do so over the Project's life.

140 4. Through similarly structured transactions, UPC Wind completed the 30 MW
141 Kaheawa Wind Power Project in Maui, Hawaii which commenced commercial operation in the
142 second quarter of 2006, the 42 MW Mars Hill Project in Maine which commenced commercial

143 operation in the first quarter of 2007, and the 20 MW Steel Winds Project in Lackawanna, New
144 York, which commenced commercial operation in the second quarter of 2007. UPC Wind's
145 involvement with these projects, and with several other projects in the construction, development
146 and pre-development stages in various U.S. locations, has given it significant experience in the
147 development, construction, ownership, operation and maintenance of wind energy projects.
148 More information about UPC Wind's projects may be found at www.upcwind.com/index.cfm.

149

150 14. of the power from Phase I of the Project (i.e., the power generated by the first
151 203.5 MW of installed turbine capacity¹) will be sold wholesale from Milford I to the Southern
152 California Public Power Authority ("SCPPA") pursuant to a power purchase agreement ("PPA")
153 with SCPPA. The PPA was approved by SCPPA on February 15, 2007. It was subsequently
154 approved by the three SCPPA member cities who will receive the power, i.e., Burbank (August
155 21, 2007), Pasadena (October 1, 2007) and Los Angeles (December 19, 2007). *See* Exhibit 3
156 (Approval by SCPPA) [This Exhibit is attached to the Testimony of Paul Gaynor at Exhibit
157 MWC 1.2 SR], Exhibit 4 (Approval by Burbank) [Exhibit MWC 1.3 SR], Exhibit 5 (Approval
158 by Pasadena) [Exhibit MWC 1.4 SR] and Exhibit 6 (Approval by Los Angeles) [Exhibit MWC
159 1.5 SR].

160 15. There is currently no definitive agreement for the sale of the power from the
161 Phase II facilities. Milford II is in discussions with several power buyers for the sale of the
162 output from Phase II. All Phase II sales will be wholesale transactions.

¹ The PPA is for 200 MW of capacity at the point of delivery at the IPP substation. The additional 3.5 MW of installed capacity is to offset potential line losses between the wind farm and the substation.

163 16. and Phase II, Milford Wind hopes to develop as much as 700 MW of additional
164 capacity through new phases or expansions of the Project. The potential for further development
165 is still in the early planning stages, but Milford Wind has engaged in preliminary discussions
166 with a number of interested wholesale power purchasers, among them some Utah entities, for the
167 power from future capacity additions. Milford I and II, by the present Application, do not seek a
168 certificate to construct any of these future facilities, but mention them here for informational
169 purposes.

170

171 25. Milford I and II do not believe their ratios of debt to equity, as specified in Utah
172 Code Ann. § 54-4-25(5)(D), are relevant to the Application. For informational purposes,
173 however, Milford I notes that under the PPA for Phase I of the Project, SCPPA will prepay for
174 the energy to be delivered during the 20 year term of the contract with the proceeds of a bond
175 sale, which will form the basis of the Phase I project financing. See Exhibit 3 (SCPPA approval
176 of revenue bonds) and Exhibit 9 (press releases from SCPPA and Los Angeles) [Exhibit MWC
177 1.6 SR] of this Application.