



State of Utah
 Department of Commerce
 Division of Public Utilities

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(REDACTED VERSION)

MEMORANDUM

To: Public Service Commission

From: Division of Public Utilities
 Philip Powlick, Director *PP*
 Artie Powell, Manager, Energy Section *AP*
 Joni Zenger, Technical Consultant *JZ*
 Doug Wheelwright, Utility Analyst *DW/AS*

Date: August 20, 2009

Re: Docket No. 09-035-55, Application for Approval of Master Electric Service Agreement between Rocky Mountain Power and First Wind.

RECOMMENDATION: Approve the Application and the negotiated contract between Rocky Mountain Power and First Wind (collectively, the Parties), including the proposed terms and conditions.

BACKGROUND

On August 5, 2009, Rocky Mountain Power filed an Application with the Commission for Approval of an Electric Service Agreement (ESA) between Rocky Mountain Power (the Company) and Milford Wind Corridor I, LLC (First Wind) dated July 29, 2009. Accompanying the Application, the Company submitted a copy of the contract that was negotiated and agreed to by the Parties as well as a copy of the Company's Power Purchase Agreement (Wholesale PPA) between the Company and the Los Angeles Department of Water and Power (LADWP). The Company requests that the Commission issue an order approving the ESA and finding the terms and conditions of the ESA to be just and reasonable and in the public interest.

DISCUSSION

First Wind is constructing, and intends to operate, a wind generation project located in Rocky Mountain Power's service territory in Beaver County, Utah. As part of the wind project, First Wind is constructing a high voltage transmission line from the project site near Milford, Utah to a point of interconnection with Intermountain Power Agency at the busbar of the Intermountain Power Project near Delta, Utah. First Wind will use this line to deliver power to LADWP. Additionally, under the terms of the ESA, First Wind is requesting to receive retail electric service via this high voltage transmission line. The retail electric service is required to supply the station service needs of the wind project when the power generated on site is insufficient for the station's needs.

After considering several options, the Parties jointly determined that the most cost-effective and prudent method to provide retail electric service to the First Wind project was for the Company to contract with a third party to provide wholesale electric service to the Company in the exact amounts required to meet First Wind's needs. Accordingly, the Company has arranged to purchase wholesale electric service from LADWP in order to provide retail electric service to First Wind. Under this arrangement, the wholesale electric service procured by the Company from LADWP will apply specifically to the First Wind project and will not be used by the Company to meet any other customer's needs.

Rocky Mountain Power and First Wind executed the ESA on July 29, 2009. The initial term of the ESA begins no more than [REDACTED] subsequent to approval by the Commission and expires [REDACTED] after commencement. The Agreement [REDACTED] with a maximum total term of [REDACTED]. Under the ESA, Rocky Mountain Power will provide First Wind with retail service of electric power and energy to the extent available to the Company under the Wholesale PPA and First Wind will compensate Rocky Mountain Power for the full costs of the Wholesale PPA plus an administrative fee. LADWP has agreed to sell and deliver wholesale electric service to the Company pursuant to the Wholesale PPA. The rates for retail service that

First Wind will pay Rocky Mountain Power the negotiated rates [REDACTED]. First Wind has agreed to pay these rates for retail electric service in lieu of receiving retail electric service at the applicable standard tariff rates. Copies of both contracts were included with the Company's application.

FINDINGS

The Division reviewed the Company's Application and the negotiated contracts signed by the Parties. In addition, the Division hosted a meeting where Rocky Mountain Power described the terms of the agreements and First Wind was also available to answer questions. The ESA between the Company and First Wind states that the Parties desire to enter into an agreement to purchase retail electric service [REDACTED]. While many of the terms and conditions of these two contracts are similar, there are differences and items that should be noted.

- The LADWP Wholesale PPA has an initial term of 3 years with no reference to renewal or extension (Section 5). This agreement will allow for early termination if the First Wind ESA is terminated.
- The ESA has an initial term of [REDACTED] are subject to the same terms and conditions contained in the ESA, unless either Party submits written termination notice in accordance with section 2.02, except that the term shall not exceed an aggregate maximum of [REDACTED]. While the maturity dates are different, section 3.01 states,

[REDACTED]

This ESA could potentially continue for the estimated [REDACTED] life of the project provided that the LADWP Wholesale PPA can be extended in future years.

- The LADWP Wholesale PPA identifies its Billing Rate in Attachment A of the PPA. On January 1st of each year the capacity and power factor charges will increase or decrease according to the Consumer Price Index for the City of Los Angeles. Payment is due in 30 days.
- The ESA identifies its billing information as Exhibit A. The body of the document addresses the information The Company will receive from LADWP. Within 5 days of the receipt of this information, Rocky Mountain Power will provide identical information to First Wind. [REDACTED] Payment from First Wind is due within 25 days.
- Both contracts allow for either Party to terminate the agreement by providing one (1) year written notice to the other party.
- First Wind is obligated to bear the cost of any additional interconnection facilities needed to serve the retail load via the Intermountain Power Project (IPP) substation. First Wind is also required to pay for the construction and maintenance of a Backfeed Revenue Meter to be located at the point of delivery. Upon completion, this meter will be owned by Intermountain Power Agency (IPA).
- First Wind may submit a written request for additional power and energy above the contract demands. Rocky Mountain Power will use commercially reasonable efforts to attempt to supply additional power under terms and conditions acceptable to both parties. First Wind is prohibited from reselling any electric power and energy delivered under this Agreement to any other person or entity.

The Division believes all of the terms described above are reasonable and understand that they have been mutually agreed to by the Parties. The Company's Application and request for Commission approval includes copies of both contracts and calculations for billing purposes.

ADDITIONAL COMMENTS

The arrangements surrounding the ESA between The Company and First Wind include some unique circumstances. First, other than the cost of administering the ESA and the Wholesale PPA, there are little if any costs to the Company or its customers arising from the contracts. Under the terms of the ESA, First Wind agrees [REDACTED]. Second, although First Wind is in Rocky Mountain Power's franchised territory, the interconnection is not with the Company's system. Rather, the interconnection is with LADWP's system and, therefore, is in LADWP's control area. Third, the Company will not use the power delivered under the LADWP Wholesale PPA in any manner other than to provide station service for First Wind. Fourth, the Company does not have any transmission facilities in the area that are capable of serving First Wind's needs. The cost to First Wind of building the necessary interconnection to the Company's system would be significant and prohibitive to the project. Fifth, LADWP is the major purchaser of the entire output from Phase I of the First Wind project. Finally, the purchase takes place through the First Wind Transmission line and the DC line from the Intermountain Power Plant to LADWP. None of the power to be purchased and then resold ever touches any Company-owned equipment. Thus, the only costs incurred by the Company are for purchase of the power from LADWP, which is netted out by its subsequent sale to First Wind, and administration of the two contract accounts.

CONCLUSION AND RECOMMENDATION

After reviewing the Company's filing and accompanying documents, and given the unique circumstances surrounding the arrangement, the Division finds that the ESA between the Company and First Wind for retail electric is reasonable and should be approved. Additionally, the Division recommends that any modifications to the ESA or additional capacity under the terms of the ESA should be submitted to the Commission for approval. Similarly, any expansion of the ESA to Phase 2 of the First Wind project should be submitted to the Commission for approval. With these recommendations, the Division requests that the Commission accept the action request as being closed.

cc:

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