

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of PacifiCorp)
for Approval of an Electric Service) DOCKET NO. 09-035-55
Agreement for Milford Wind Corridor) REPORT AND ORDER APPROVING
Phase I) ELECTRIC SERVICE AGREEMENT
)

ISSUED: August 27, 2009

SYNOPSIS

By this Order, the Commission approves an Electric Service Agreement between PacifiCorp and Milford Wind Corridor Phase I, LLC. The Electric Service Agreement specifies the rates, terms and conditions under which PacifiCorp will provide electric service to Milford Wind for a term commencing upon the date of this order and continuing for a period of 10 years. The Agreement allows for year to year renewal not to exceed the maximum of 20 years.

By The Commission:

1. On August 5, 2009, PacifiCorp, d/b/a Rocky Mountain Power ("PacifiCorp" or "Company") filed an Application for Approval of a Retail Electric Service Agreement ("Agreement") with Milford Wind Corridor Phase I, LLC ("Milford Wind"), dated July 29, 2009. Milford Wind is constructing and intends to operate a wind generation project located in Rocky Mountain Power's service territory in Millard County and Beaver County, Utah. The Agreement is required to supply the station service needs of the wind project.

2. The Division of Public Utilities ("Division") and the Office of Consumer Services ("OCS") each filed the results of their reviews and analyses of the Agreement. After notice, the Commission held a hearing concerning the Agreement on August 27, 2009. At the hearing, PacifiCorp, the Division, and the OCS appeared in support of approval of the Agreement, subject to the recommendations made by the Division and the OCS. PacifiCorp and the Division

presented witnesses in support of approval of the Agreement, subject to the recommendations made by the Division and the OCS. A representative of Milford Wind appeared by telephone to respond to questions from the parties and the Commission. No party appeared in opposition to approval of the Agreement.

3. Milford Wind is constructing a high voltage transmission line from the project site near Milford, Utah to a point of interconnection with Intermountain Power Project Agency at the busbar of the Intermountain Power Project (“IPP”) near Delta, Utah. Milford Wind will use this line to deliver power generated by its wind generation facilities to Southern California Public Power Authority (“SCPPA”). Under the proposed Agreement, Milford Wind will receive retail electric service via this same high voltage transmission line in lieu of constructing a second high voltage transmission line to interconnect with the Company.

4. PacifiCorp states that although the point of interconnection at the IPP busbar is within PacifiCorp’s service area, it is outside PacifiCorp’s control area, and that the power passing through the point of interconnection will involve no PacifiCorp facilities. PacifiCorp states that it investigated several options to provide retail electric service to the Milford Wind project, and determined that the most cost-effective and prudent method was to contract with a third party to provide wholesale electric service to PacifiCorp in the exact amount required to meet Milford Wind’s needs at the point of interconnection at IPP.

5. PacifiCorp has arranged to purchase wholesale electric service from the Los Angeles Department of Water and Power (“LADWP”) in order to provide retail electric service to Milford Wind. This arrangement was agreed to by Milford Wind, subject to regulatory

approval, in lieu of being required to construct the costly improvements needed to interconnect directly to Rocky Mountain Power and take service under Rocky Mountain Power's standard applicable tariff rates. The wholesale power purchase agreement ("Wholesale PPA") was submitted as a confidential exhibit to the Application. It will apply specifically to the Milford Wind project and will not be used by PacifiCorp to meet any other customer's needs.

6. PacifiCorp and Milford Wind executed their Agreement on July 29, 2009, a copy of which was attached to the Application as confidential Exhibit 1. The initial term of the Agreement begins no later than 35 days subsequent to approval by the Commission and expires 10 years after commencement. The Agreement will automatically be renewed from year to year subject to the same terms and conditions, unless either party submits a written termination notice. This Agreement shall not exceed a maximum total term of 20 years.

7. Under the Agreement, PacifiCorp will provide Milford Wind with retail service of electric power and energy to the extent available to PacifiCorp under the Wholesale PPA and Milford Wind will compensate PacifiCorp for the full costs of the Wholesale PPA plus an administrative fee. The rates for retail service that Milford Wind will pay PacifiCorp are negotiated rates and are based upon the rates charged by LADWP. Milford Wind has agreed to pay these rates for retail electric service in lieu of receiving retail electric service at the applicable standard tariff rates. PacifiCorp will account for the cost of the wholesale PPA and the revenue received from Milford Wind under the retail Agreement separately from PacifiCorp's other revenues and purchased power costs, and will book the revenue from the administrative fee to its miscellaneous revenue account.

8. Both the Division and the OCS conclude that the overall terms of the Agreement are reasonable and the Agreement may be approved by the Commission as just and reasonable. Both believe that the rate to be paid by Milford Wind represents appropriate compensation for the costs PacifiCorp will incur to serve the customer.

9. The Division and the OCS also recommend that, as a condition to approval of the Agreement, the Company submit for Commission approval any change in the resource used to service Milford Wind under the Agreement and also any material amendment to the Agreement.

10. The Company states, and the Division and OCS concur that there are little if any costs to the Company or its customers arising from the PPA or the retail Agreement. The only costs incurred by the Company are for the purchase of the power from LADWP, which will be netted out by its subsequent sale to Milford Wind, and the administration of the PPA and retail Agreement accounts. The monthly service charge appears to be adequate to cover these administrative and incidental expenses.

11. The Company states, and the Division and OCS also concur that the Company does not have transmission facilities in the area that are capable of serving Milford Wind's needs and that the cost to Milford Wind of building the necessary interconnection to the Company's system would be a significant burden on the economic viability of the wind generation project.

12. LADWP is the major purchaser of the entire output from the project; and the purchase takes place through the Milford Wind interconnection line and the DC line from IPP to LADWP. None of the power to be purchased and then resold ever utilizes any Company-owned facilities or equipment.

13. In considering the information presented and the recommendations made, we agree with the parties' positions supporting approval of the Agreement. Based upon the foregoing, we find and conclude that the rates, terms and conditions of the Agreement are just and reasonable and it is in the public interest to approve the Agreement.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED:

1. The Electric Service Agreement between PacifiCorp and Milford Wind, submitted August 5, 2006, is hereby approved;
2. PacifiCorp will seek Commission approval of any material change in the Agreement and of any change in the resource used to provide service to Milford Wind under the Agreement.

DATED at Salt Lake City, Utah, this 27th day of August, 2009.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard,
Commission Secretary
G#63369