

COTTONWOOD HYDRO, LLC

9950 South Power Plant Lane, Sandy, UT 84092

1 August 2012

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84111

Attention: Gary Widerburg

Re: REQUEST FOR AGENCY ACTION - Power Purchase Agreement between Cottonwood Hydro, LLC & PacifiCorp, dated December 14, 2011

Dear Mr. Widerburg:

I write to request that the Public Service Commission of Utah take immediate action to settle a dispute between Cottonwood Hydro, LLC ("Cottonwood Hydro") and PacifiCorp regarding two power purchase agreements that were signed in 2011.

Cottonwood Hydro is a small, family-owned hydroelectric plant located in Little Cottonwood Canyon. After significantly rehabilitating the hydroelectric facility, in December 2009, Cottonwood Hydro interconnected a hydroelectric generator to PacifiCorp's grid as a Qualifying Facility and signed a two-year Power Purchase Agreement ("PPA"). At the time Cottonwood Hydro and PacifiCorp signed the PPA, PacifiCorp accepted the Qualifying Facility FERC self-certify number from the deceased owner as evidence of Cottonwood Hydro's jurisdictional status.

In 2011, Cottonwood Hydro began rehabilitating a second hydroelectric generator, up the canyon from the first facility, connected by private electrical and penstock lines. During the system rehabilitation, Cottonwood Hydro separated the two facilities and created a second interconnection point to PacifiCorp's grid. The second interconnection was necessary to improve the safety and efficiency of the 1918 system, as well as to eliminate the unsafe overhead transmission lines in Little Cottonwood Canyon, reducing fire danger. Thus, in December 2011, PacifiCorp and Cottonwood Hydro renewed their first "main" PPA and signed a second "upper facility" PPA requiring Cottonwood Hydro to provide a license or exemption from the Federal Energy Regulatory Commission ("FERC") for Cottonwood Hydro's two hydroelectric power plants by June 14, 2012. The PPAs also contain a provision allowing PacifiCorp to extend the deadline by which Cottonwood Hydro must secure a license or exemption by six months, until December 14, 2012, provided Cottonwood Hydro is working diligently to resolve its jurisdictional status.

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In July 2011, Cottonwood Hydro filed a declaratory order with FERC requesting that FERC declare Cottonwood Hydro's projects to be non-jurisdictional, and therefore not required to obtain a license or exemption from FERC. Nearly a year after Cottonwood Hydro filed the declaratory order, in May 2012, FERC denied the declaratory order and ordered Cottonwood Hydro to begin the licensing process. Cottonwood Hydro filed a timely request for rehearing with FERC in June 2012. The request for rehearing is still pending and is expected to be considered in October 2012.

As soon as Cottonwood Hydro received the order from FERC denying its declaratory order, Cottonwood Hydro contacted PacifiCorp to request that PacifiCorp extend the June 14, 2012 deadline contained in the PPAs. In response, PacifiCorp granted Cottonwood Hydro a six-month extension, until December 14, 2012, to produce a license or exemption from FERC. PacifiCorp further stated that if Cottonwood Hydro does not produce a license or exemption by that date, PacifiCorp will declare Cottonwood Hydro to be in default and has indicated that they may terminate the PPAs and stop purchasing our power, which will cause an undue burden for Cottonwood Hydro.

Subsequent to filing the request for rehearing, Cottonwood Hydro learned that FERC will not reconsider the case until October 2012. In the event that FERC does not declare Cottonwood Hydro non-jurisdictional, this will leave, at most, two months to complete a process that often takes years and costs hundreds of thousands of dollars. Promptly upon learning of this situation, Cottonwood Hydro contacted PacifiCorp and requested that PacifiCorp further extend the deadline for Cottonwood Hydro to obtain a license or exemption by one year—to December 14, 2013. PacifiCorp denied Cottonwood Hydro's request.

Cottonwood Hydro respectfully submits that PacifiCorp is acting unfairly in its refusal to extend the deadline by which Cottonwood Hydro must produce a license or exemption from FERC. FERC processes are complicated, expensive and time consuming, and requiring Cottonwood Hydro to obtain a license in such a short time frame is not in conformity with known standards in the electric industry in the American west. Cottonwood Hydro is a very small, family-owned business. For the past year, Cottonwood Hydro has worked diligently to obtain a determination regarding its jurisdictional status and has been forthcoming with PacifiCorp about the situation with FERC. In turn, without any compelling reason for so doing, PacifiCorp has unreasonably denied Cottonwood Hydro's request for additional time to resolve its jurisdictional status. PacifiCorp will not be harmed in any way by allowing Cottonwood Hydro additional time to resolve its jurisdictional status with FERC. Conversely, Cottonwood Hydro, and the family that owns the business, will be financially devastated if PacifiCorp places Cottonwood Hydro in default and terminates the PPAs.

Though Cottonwood Hydro initially requested a one year extension from PacifiCorp, Cottonwood Hydro now believes it may take two, or even three years to obtain a license or

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exemption, per discussions with FERC. Accordingly, Cottonwood Hydro hereby respectfully requests that the Public Service Commission of Utah resolve the foregoing dispute by amending the PPAs to allow Cottonwood Hydro an additional three years — until December 14, 2015 — to obtain a license or exemption from FERC.

It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

By E-mail: susannah@cottonwoodhydro.com

By Phone: (801) 440-9650

By Mail: Susannah Williams
Cottonwood Hydro
9072 Greenhills Drive
Cottonwood Heights, UT 84093

Respectfully Submitted,

Susannah Williams

Susannah Williams
Cottonwood Hydro, LLC

cc: John Younie, PacifiCorp