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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of Rocky Mountain Power for Approval of Power Purchase Agreement Between PacifiCorp and Long Ridge Wind I, LLC	<b>Docket No. 13-035-117</b>  SETTLEMENT STIPULATION
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Long Ridge Wind I LLC and the Utah Division of Public Utilities (collectively referred to herein as the “Parties” and individually as a “Party”) have entered into this Settlement Stipulation (“Stipulation”) in support of a Commission Order approving the Long Ridge I Power Purchase Agreement (“PPA”).

**BACKGROUND**

1. On July 9, 2013, PacifiCorp, dba Rocky Mountain Power (“RMP” or “Company”) filed an application for approval of the Long Ridge I PPA executed by RMP and Long Ridge Wind I, LLC.

2. The Commission issued a notice of filing and comment period for this docket on July 10, 2013, requesting interested parties to submit comments on the application on or before August 8, 2013, with reply comments due on or before August 23, 2013. Pursuant to an action request dated July 10, 2013, the Utah Division of Public Utilities (the “Division”), filed a recommendation in this docket on July 11, 2013, requesting the Commission hold a scheduling conference to facilitate the process and resolution of this case.

3. The Commission convened a duly-noticed scheduling conference in this docket on July 23, 2013, at which the parties agreed to a schedule providing for comments from all parties on August 22, 2013, reply comments on September 5, 2013 and a hearing on September 10, 2013, which schedule was adopted by the Commission in an order dated July 25, 2013.

#### QUALIFYING FACILITY PRICING HISTORY

4. On May 27, 2003, RMP filed with the Commission an application for approval of an IRP-based method for determining avoided cost for qualifying facilities (“QFs”) larger than one megawatt. After an examination of avoided cost methodology, the Commission issued an order in 2005 adopting a QF pricing method referred to as the Partial Displacement Differential Revenue Requirement method (“PDDRR”) for avoided energy cost and a “Proxy” method for avoided capacity cost (collectively, the “Proxy/PDDRR method”).

5. The Commission’s 2005 Order also adopted an alternative method for determining avoided cost pricing for certain large wind resources, referred to as the “Market Proxy” method, which relies upon prices paid to the winning bid in RMP’s most recent request

for proposal for wind resources. RMP's most recent winning bid is currently the Dunlap 1 wind facility located in Wyoming with a PPA dated in 2009.

6. On October 9, 2012, in Docket 12-035-100, RMP requested approval of various changes to the QF avoided cost methodology (the "QF Pricing Reexamination"). RMP's filing contended that indicative pricing for large wind QFs based on the Market Proxy method overstates RMP's current avoided cost. RMP also requested a stay of the use of the Market Proxy method for large wind QFs pending completion of that docket (the "Requested Stay").

7. The Division supported the QF Pricing Reexamination, arguing that significant changes have occurred since the Market Proxy method was implemented that support a reexamination of the wind QF pricing methodology. The Division supported the Requested Stay, except with respect to QF wind projects that had signed a power purchase agreement with RMP by September 1, 2013, and that had applied for an interconnection agreement with RMP as of October 9, 2012.

8. The Office of Consumer Services (the "Office") supported the QF Pricing Reexamination, arguing that the Market Proxy method was outdated and produced prices that were too high. The Office supported RMP's Requested Stay.

9. Other parties to the QF Pricing Docket continued to support the Market Proxy methodology under certain circumstances, and opposed the Requested Stay on various grounds.

10. In an order dated December 20, 2012, the Commission found that the concerns of RMP, the Division and the Office regarding the continuing suitability of the Market Proxy

method warranted re-examination of the avoided cost methodologies for large wind QFs. The Commission held, however, that the record before it “[did] not warrant the additional extraordinary step of suspending application of the Market Proxy method.” [Order page 14]. The Commission therefore denied the Requested Stay. The Market Proxy methodology therefore, applies to any PPA executed prior to issuance of the Commission order in connection with the QF Pricing Reexamination in Phase II of Docket 12-035-100.

11. The Long Ridge I PPA was executed prior to the issuance of the Commission’s Phase II order in connection with the QF Pricing Reexamination, and its pricing is based upon the Market Proxy methodology.

#### SETTLEMENT

12. Based upon the Parties’ review of the terms and conditions of the Long Ridge I PPA, and in light of and in reliance upon the Commission’s December 20, 2012 Order denying the Requested Stay, the Parties hereby agree and stipulate that the Long Ridge I PPA properly reflects the Market Proxy methodology and should be approved as in the public interest.

13. The Office has authorized the Parties to represent that the Office has not signed this Stipulation in light of its opposition to the prices resulting from the Market Proxy Method and therefore cannot recommend approval of the Stipulation or the PPA. The Office does not intend to ask the Commission to disapprove this Stipulation or the PPA, or to ask for a hearing on approval of the PPA. However, the Office intends to file comments in this docket explaining its opposition to the prices resulting from the Market Proxy methodology. RMP has

not signed this Stipulation, but as the Applicant in this proceeding, it is requesting approval of the PPA, and therefore does not oppose this Stipulation.

#### GENERAL TERMS AND CONDITIONS

14. Not all Parties agree that each aspect of this Stipulation is warranted or supportable in isolation. Utah Code Ann. § 54-7-1 authorizes the Commission to approve a settlement so long as the settlement is just and reasonable in result. While the Parties are not able to agree that each specific component of this Stipulation is just and reasonable in isolation, all of the Parties agree that this Stipulation as a whole is just and reasonable in result and in the public interest.

15. All negotiations related to this Stipulation are confidential, and no Party shall be bound by any position asserted in negotiations. Except as expressly provided in this Stipulation, and in accordance with Utah Admin. Code R746-100-10.F.5, neither the execution of this Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of regulatory accounting or ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Stipulation.

16. The Parties agree that no part of this Stipulation or the formulae and methodologies used in developing the same or a Commission order approving the same shall in any manner be argued or considered as precedential in any future case except with regard to issues

expressly called-out and resolved by this Stipulation. This Stipulation does not resolve and does not provide any inferences regarding, and the Parties are free to take any position with respect to any issues not specifically called-out and settled herein.

17. To the extent required or desired by the Commission, the Parties request that the Commission hold a hearing on this Stipulation at which the Parties will make one or more witnesses available to explain and offer further support for this Stipulation. The Parties shall support the Commission's approval of this Stipulation. As applied to the Division, the explanation and support shall be consistent with its statutory authority and responsibility.

18. The Parties agree that if any person challenges the approval of this Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Stipulation, each Party will use its best efforts to support the terms and conditions of this Stipulation. As applied to the Division, the phrase "use its best efforts" means that it shall do so in a manner consistent with its statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Stipulation, no Party shall take a position in that judicial review proceeding in opposition to the Stipulation.

19. Except with regard to the obligations of the Parties under the four immediately preceding paragraphs of this Stipulation, this Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission.

20. This Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commission or if the

Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Stipulation or imposes any material change or condition on approval of this Stipulation or if the Commission's approval of this Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Stipulation consistent with the order. No Party shall withdraw from the Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Stipulation, and no party shall be bound or prejudiced by the terms and conditions of the Stipulation.

21. This Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

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DATED this 22<sup>th</sup> day of August 2012.

Long Ridge Wind I, LLC

By: /s/ \_\_\_\_\_  
Gary A. Dodge  
Its: Counsel

Division of Public Utilities

By: /s/ \_\_\_\_\_  
Its: \_\_\_\_\_

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 22<sup>nd</sup> day of August, 2013, on the following:

Rocky Mountain Power:

Mark Moench	mark.moench@pacificorp.com
Daniel. E. Solander	daniel.solander@pacificom.com
David L. Taylor	dave.taylor@pacificorp.com

Division of Public Utilities:

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/s/ \_\_\_\_\_