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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Long Ridge Wind I, LLC	DOCKET NO. 13-035-117
In the Matter of the Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Long Ridge Wind II, LLC	DOCKET NO. 13-035-118 Reply Comments of Utah Clean Energy

Utah Clean Energy hereby submits the following comments in reply to the initial comments of the Office of Consumer Services (“the Office”) regarding Rocky Mountain Power’s (“the Company”) applications for approval of power purchase agreements with Long Ridge Wind I, LLC and Long Ridge Wind II, LLC (“Long Ridge I” and “Long Ridge II,” respectively, and “Long Ridge I and II” collectively). Utah Clean Energy supports the Settlement Stipulations in the above-mentioned dockets, signed by Long Ridge I and II and the Division of Public Utilities (“the Division”) and unopposed by the Company and the Office.

According to the settlement agreements signed by Long Ridge I and II and the Division, “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.”¹ In its Comments, the Office explained that, although pricing for the Long Ridge I and II Qualifying Facility (“QF”) Power Purchase Agreements (“PPAs”) complies with Commission order, the Office does not recommend approval of the contracts, based on its opposition to the market proxy pricing method.² However, consistent with the settlement agreement, the Office did not recommend disapproval of the contracts.

As explained in Utah Clean Energy’s initial comments as well as the settlement stipulation filed in this docket, the Market Proxy method was utilized consistent with Commission order to establish QF PPA pricing for the Long Ridge I and II PPAs, which were executed prior to the issuance of Commission order in Phase II of Docket No. 12-035-100.³ All parties agree that the QF PPAs were executed in compliance with then effective avoided cost pricing procedures.⁴ The fact that avoided cost pricing methods have been reevaluated and adjusted in a subsequent Commission order cannot retroactively change the standards applied to QF contracts negotiated in reliance upon prior Commission order.

Although it did not recommend disapproval of the Long Ridge I and II QF PPAs, the Office reiterated its position from Docket No. 12-035-100 that the market proxy method produces out-of-date pricing. The Office also cited the title of a press release from the Department of Energy’s Lawrence Berkeley National Lab (“LBNL”) in support of its contention that the Long Ridge I and II PPA prices are not just and reasonable. Although the press release indicates that wind prices have decreased, the substance of the actual report lends support to the reasonableness of the Long Ridge QF PPA prices. Specifically, the report indicates that recent

¹ Docket No. 13-035-117, *Settlement Stipulation* (filed August 22, 2013), paragraph 13; Docket No. 13-035-118, *Settlement Stipulation* (filed August 22, 2013), paragraph 13.

² Docket No. 13-035-117, *Office of Consumer Services Comments* (filed August 22, 2013), page 4; Docket No. 13-035-118, *Office of Consumer Services Comments* (filed August 22, 2013), page 4.

³ Docket Nos. 13-035-117 and -118, *Initial Comments of Utah Clean Energy* (filed August 22, 2013), page 3; *see also supra*, note 1, paragraph 11.

⁴ *Supra*, notes 2 and 3; Docket No. 13-035-117, *Application of Rocky Mountain Power* (filed July 9, 2013), page 3; Docket No. 13-035-118, *Application of Rocky Mountain Power* (filed July 9, 2013), page 3.

(2011/2012) levelized long-term wind PPA prices in the West ranged between \$50 and \$90/MWh.⁵ Although the national average PPA price is around \$40/MWh, that average is based on a majority of projects built in the Interior region (with the nation’s lowest prices and best wind resources): the report’s wind project sample included PPA prices from 28 projects from the Interior region, four projects from the Great Lakes region, three projects from the Northeast region, and seven projects from the West.⁶

\$60/MWh is well within the (lower) range of recent PPA prices in the West, casting doubt on the Office’s assertion that the market proxy pricing for the Long Ridge I and II QFs is out of date. Furthermore, the LBNL- reported PPA pricing does *not* include costs associated with integration, resource adequacy, or transmission costs.⁷ Pricing for the Long Ridge QFs has been adjusted to include integration costs and therefore represents the cost of firm power. (Pricing for the QFs also includes a price for Renewable Energy Credits.) The LBNL report further emphasizes that “wind prices—once established—are fixed and known, whereas wholesale electricity prices are short term and therefore subject to change over time (EIA and others project natural gas prices to rise, and therefore wholesale electricity prices to also increase, over time).”⁸

Because wind PPAs are long term, fuel-free, fixed-price resources, they are categorically different from natural gas resources or market purchases (which are volatile and rising variable costs) and cannot be easily compared prospectively on a long term basis. It is inaccurate and an oversimplification to say that a long term, fixed price power purchase agreement with a wind resource is not just and reasonable compared to a one-time snapshot *prediction* of natural gas and

⁵ Ryan Wiser and Mark Bolinger, *2012 Wind Technologies Market Report* (Department of Energy 2013), page 52, available at <http://emp.lbl.gov/reports/re>; see *Exhibit A* for Chapter 6 of the report, “Wind Power Price Trends.”

⁶ *Id.* at 53.

⁷ *Id.*

⁸ *Id.*

wholesale market prices, particularly when ratepayers bear the brunt of fuel price risk because of Rocky Mountain Power's energy balancing account.

In conclusion, Utah Clean Energy supports the Settlement Stipulations in the above-mentioned dockets, signed by Long Ridge I and II and the Division and unopposed by the Company and the Office. Utah Clean Energy recommends that the Commission approve the Long Ridge I and II QF PPAs as just and reasonable and in the public interest.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 5th day of September, 2013, on the following:

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