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February 14, 2013

VIA ELECTRONIC MAIL AND CERTIFIED MAIL

Utah Division of Public Utilities
Dr. Artie Powell - Manager, Energy Section
160 East 300 South
Salt Lake City, Utah 84114

Re: Informal Complaint by Energy of Utah

Dear Dr. Powell:

The purpose of this letter is to respond to the informal complaint from Energy of Utah dated February 8, 2013 filed with the Utah Public Service Commission ("Commission"). Based on the information provided to PacifiCorp, Energy of Utah appears to raise two complaints. First, they complain that PacifiCorp is requiring an executed generation interconnection agreement ("GIA") prior to executing a power purchase agreement ("PPA"). Second, Energy of Utah appears to complain about the time that has elapsed since it requested indicative pricing. This letter responds to each of these complaints.

Requiring a GIA Prior to Executing a PPA is Consistent With Schedule 38

I will first address the issue relating to the timing associated with the execution of a GIA. It is correct that PacifiCorp informed Energy of Utah that PacifiCorp will require an executed GIA prior to entering into a PPA pursuant to Schedule 38 of the Rocky Mountain Power Utah Electric Service Tariff ("Schedule 38"). This requirement is grounded in Schedule 38 and is further supported by good policy. Schedule 38 (which is applicable to the proposed Energy of Utah wind generation facility) states:

In addition to negotiating a power purchase agreement, QFs intending to make sales to the Company are also required to enter into an interconnection agreement that governs the physical interconnection of the project to the Company's transmission or distribution system. The Company's obligation to make purchases from a QF is conditioned upon all necessary interconnection arrangements being consummated. (emphasis added)

Schedule 38 clearly grants PacifiCorp the authority to condition purchases from a QF on the prior execution of the necessary interconnection arrangements. In fact, the complaint filed by Energy of Utah acknowledges that the Company has the "privilege" of requiring an interconnection agreement prior to executing a power purchase agreement. In an effort to put QFs on notice of the length of time it potentially takes to obtain a GIA Schedule 38 encourages QFs to "initiate its request for interconnection as early in the planning process as possible, to ensure that necessary interconnection arrangements proceed in a timely manner on a parallel track with negotiation of the power purchase agreement." If a QF fails to act on the directives offered in Schedule 38, the QF, and not the utility, should be responsible for any associated delay in obtaining a PPA. Further, based on information publically available from PacifiCorp transmission the process to get to a GIA can take more than a year.¹

¹ See <http://www.pacifiCorp.com/tran/ts/gip.html>. Click on the link labeled "Standard Study Process and Timelines" for information relating to the GIA timeline.

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Energy of Utah cites to a limited number of instances where PacifiCorp has previously allowed a QF to enter into a power purchase agreement prior to consummating all necessary interconnection arrangements. While such occurrences may have occurred in the past, due to circumstances specifically experienced in connection with some of these prior PPAs and other recent PPAs in other states, PacifiCorp is making efforts to fully implement the processes contained in Schedule 38. PacifiCorp has in the recent past experienced examples where a QF has represented to PacifiCorp, in its merchant capacity, that the QF could achieve a certain commercial operation date for purposes of the PPA. In these cases PacifiCorp proceeded with negotiating and executing a power purchase agreement based on the milestone dates leading up to and including the commercial operation date provided by the QF. However, after signing the PPA, PacifiCorp learned that the QF could not in fact achieve the commercial operation date and other milestone dates contained in the PPA because of certain requirements that had to be completed in the later negotiated GIA. Further, PacifiCorp learned in these cases that the QF had not properly described the interconnection facilities in the PPA (because they had not yet finalized those facilities with the transmission provider). It is important to keep in mind that pursuant to Federal Energy Regulatory Commission requirements, PacifiCorp strictly maintains separate transmission (GIA) and merchant (PPA) functions. These two functions, while both within PacifiCorp, operate entirely separate from one another and communications between the functions are strictly controlled. As a result, the two functions do not coordinate various operational dates or other contractual terms contained in a PPA or GIA for a QF.

Based on the above experiences, PacifiCorp is concerned about the risks to its customers that could arise if QFs are allowed to enter into a PPA without previously executing a GIA. Examples of risks could include (1) an increased litigation risk for PacifiCorp as a result of QFs alleging that PacifiCorp set an interconnection date in the GIA after the Commercial Operation date in the PPA to purposefully interfere with the QF's performance of the PPA; (2) a potential reduction in realized benefits for customers if the PPA is terminated as a result of the QF's inability to timely perform and the need for PacifiCorp to make market purchases to cover for the energy and capacity anticipated from the QF. These potential risks can all be mitigated in large measure by simply requiring the QF to obtain an executed GIA prior to executing a PPA.

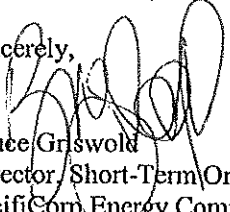
PacifiCorp has Acted in Good Faith in Negotiating With Energy of Utah

While not explicitly stated, Energy of Utah seems to infer that there has been some delay on the part of PacifiCorp. PacifiCorp denies that it has taken any action to delay Energy of Utah from moving forward with its proposed QF. Energy of Utah fails to acknowledge that there was a legal dispute over the correct avoided costs methodology to apply to their (and a number of other) indicative pricing requests. To resolve that dispute a contested hearing was held before the Commission. Contested matters always take time. Since the Commission has ruled on the contested proceeding, PacifiCorp has timely provided corrected indicative pricing. PacifiCorp also timely provided a draft PPA to Energy of Utah January 25, 2013. Further, as recently as February 8, 2013, representatives of PacifiCorp continue to actively negotiate with Energy of Utah. Thus, PacifiCorp continues to act in good faith and consistent with Commission directives in attempting to reach a mutually acceptable PPA with Energy of Utah.

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If you have any questions please feel free to contact me.

Sincerely,


Bruce Griswold
Director, Short-Term Origination
PacifiCorp Energy Commercial & Trading



cc: Autumn Braithwaite
Stacey Kusters
Jeff Larsen
Dave Taylor
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