EXHIBIT 29

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November 16, 2012

Public Service Commission of Utah
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Secretary

RE: In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts – Docket No. 12-035-100

Dear Mr. Widerburg:

Rocky Mountain Power ("Company") hereby submits for filing its Direct Testimony in the above referenced matter. An original and twelve (12) copies of this filing will be provided via hand delivery. The Company will also provide electronic versions of this filing to psc@utah.gov.

The Company respectfully requests that all formal correspondence and requests for additional information regarding this filing be addressed to the following:

By E-mail (preferred):	datarequest@pacificorp.com dave.taylor@pacificorp.com
By regular mail:	Data Request Response Center PacifiCorp 825 NE Multnomah, Suite 2000 Portland, OR 97232

Informal inquiries may be directed to Dave Taylor at (801) 220-2923.

Sincerely,

Yvonne R. Hogle
Senior Counsel

Enclosures
Cc: Service List

CERTIFICATE OF SERVICE

I hereby certify that on this 16th day of November, 2012, a true copy of the foregoing was sent via email to the following:

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts	**DOCKET NO. 12-035-100**

DIRECT TESTIMONY OF PAUL H. CLEMENTS

November 16, 2012

Q. Please state your name, business address and position with PacifiCorp dba Rocky Mountain Power (the Company).

A. My name is Paul H. Clements. My business address is 201 S. Main, Suite 2300, Salt Lake City, Utah 84111. My present position is Senior Originator/Power Marketer for PacifiCorp Energy. PacifiCorp Energy and Rocky Mountain Power are divisions of PacifiCorp.

QUALIFICATIONS

Q. Please briefly describe your education and business experience.

A. I have a B.S. in Business Management from Brigham Young University. I worked in the merchant energy sector for approximately seven years in pricing and structuring, origination, and trading roles for Illinova and Duke Energy. I have been employed by the Company since 2004 as an originator/power marketer responsible for negotiating interruptible retail special contracts, negotiating qualifying facility contracts, and managing wholesale or market-based energy and capacity contracts with other utilities and power marketers. I am the Company representative who negotiates large qualifying facility contracts in Utah.

TESTIMONY

Q. What is the purpose of your testimony?

A. My testimony will demonstrate that the Commission should approve the Company's October 9, 2012 Request for Agency Action Motion to Stay given current circumstances. My testimony is limited to evidence supporting the Company's request that "the Commission immediately stay the application of the 2005 Order, as defined below, for indicative pricing based on the Market Proxy method to any wind qualifying facilities (QF) in excess of three (3) megawatts, with the exception of Blue Mountain[1], on or after the filing date of this Request, pending conclusion of this docket."[2]

Q. Please summarize the Company's request for a Motion to Stay.

A. The Company is requesting that the Commission stay the application of the October 31, 2005 Order in Docket No. 03-035-14 (2005 Order) for indicative pricing based on the Market Proxy method to any wind QF in excess of three (3) megawatts pending final resolution of this docket. Wind QFs that request indicative pricing (either new requests or updates to previous requests), after October 9, 2012, the date the Company filed its Request for Motion to Stay Agency Action, but prior to the resolution of this docket, will receive indicative pricing based on the Proxy/Partial Displacement Differential Revenue Requirement (PDDRR) Method.[3]

Q. What is the difference between the Market Proxy method and the PDDRR method?

A. The Market Proxy method requires pricing for a wind QF resource based on the winning bid in the most recently executed renewable request for proposal (RFP). To derive avoided cost prices using the Market Proxy method, the Commission required the use of the Company's "most recently executed RFP contract … against which project specific adjustments are made to produce an indicative price

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[1] See *In the Matter of Blue Mountain Power Partners, LLC's Request that the Public Service Commission of Utah Require PacifiCorp to Provide the Approved Price for Wind Power for the Blue Mountain Project,* Docket No. 12-2557-01, Order on Request for Agency Action, September 20, 2012.

[2] Rocky Mountain Power October 9, 2012 Request for Agency Action Motion to Stay, page 10.

[3] In the 2005 Order, the Commission established two separate methodologies for calculating avoided cost prices for large wind QF resources between three (3) and 100 megawatts. The first, the Market Proxy method, is applicable to wind QF resources up to an "IRP target" level of megawatts. The second, the PDDRR method, is applicable to wind QF resources in excess of the IRP target.

for wind QFs in Utah."[4] The last RFP issued by the Company was the 2009R RFP on July 8, 2009. The 2009R RFP resulted in the selection of the Company's utility benchmark, the Dunlap wind facility. The Dunlap wind facility is the resource currently used to set the Market Proxy avoided cost price method.

For wind resources exceeding the 2011 IRP and 2011 IRP update target, the PDDRR method is used. Under the PDDRR method, the Company performs two energy simulations to determine the system energy value of adding a QF resource, taking into account its specific operating characteristics and point of delivery on the Company's system. The PDDRR method also provides a capacity payment based on the IRP cost of the "next deferrable resource." In applying the capacity payment, the method accounts for the difference between the capacity contribution value provided by QF resources and the next deferrable resource.

Q. Why is the Company requesting the Market Proxy method no longer be used to provide indicative pricing to wind QFs?

A. The Market Proxy method results in paying a QF an outdated price that is based on costs that no longer reflect the current market price for wind resources. Furthermore, the Market Proxy method does not account for the Company's need or timing for future wind resources. The result is that retail customers will pay the QF avoided cost prices that are too high. Since the PURPA standard for avoided cost pricing is that customers remain indifferent as to whether the energy is purchased from the QF or from other resources, customers should not be required to pay inflated prices that do not reflect the Company's current avoided

[4] 2005 Order, p. 21.

costs. Therefore, a stay is required since the Market Proxy method does not result in prices reflective of current avoided costs.

Q. Please summarize why the Market Proxy method no longer reflects the Company's avoided costs.

A. The Market Proxy method no longer reflects the Company's current avoided costs for two primary reasons:

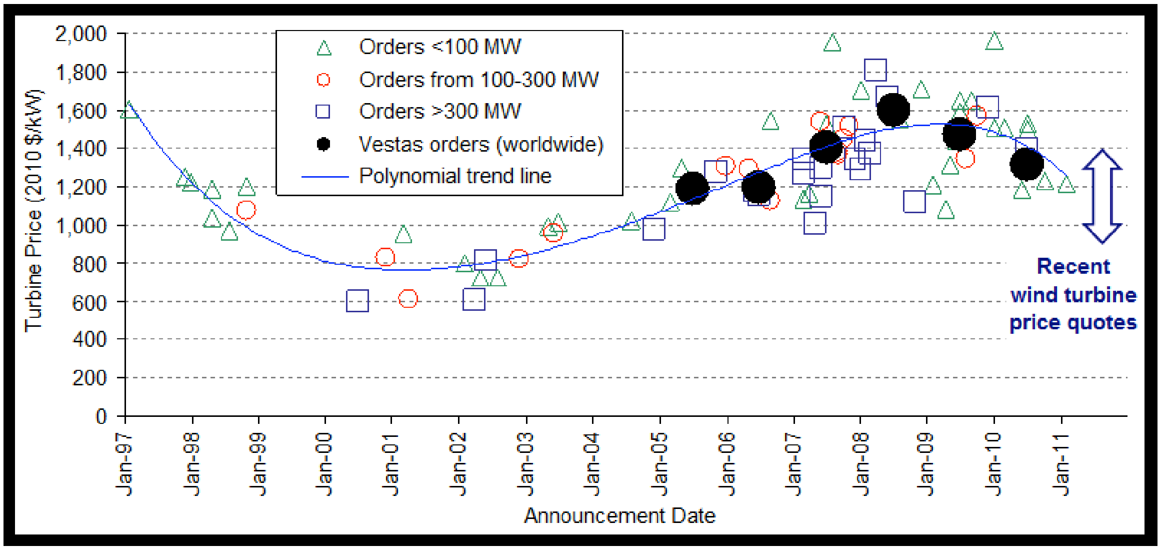
1. The Market Proxy method is based on a price that is at least three years old and is no longer reflective of current wind resource pricing.
2. The Market Proxy method does not take into account the Company's timing and need of future wind resources.

Under the Market Proxy method, the Commission required the Company to apply the most recently executed contract from a renewable RFP. Currently, that is the 2009R RFP which resulted in the development of the Dunlap wind facility. While the Company routinely issued renewable RFPs between 2005 and 2009, a system-wide RFP has not been issued since 2009 for renewable resources nor does the Company expect to issue a system-wide renewable RFP in the near future because the renewable resources in the IRP are solely to meet renewable compliance requirements in Oregon, Washington and California. As a result, the most recent renewable RFP used in the Market Proxy method is approximately three years out of date and will not be updated because there is no renewable resource need in Utah identified in the 2011 IRP or 2011 IRP update.

Q. What factors have affected the avoided cost of wind since the Company's 2009 renewable RFP?

A. First, the price of wind turbines has declined significantly. In a February 2012 joint report by the Lawrence Berkley National Laboratory and the National Renewable Energy Laboratory titled "Recent Developments in the Levelized Cost of Energy from U.S. Wind Power Projects"[5], the authors determined wind turbine prices have softened since their highs in 2008. Berkeley Lab gathered price data on 81 U.S. wind turbine transactions totaling 23,850 MW announced from 1997 through early 2011. The chart below depicts these reported wind turbine transaction prices (along with the associated trend line), broken out by the size of the transaction in MW. The chart also includes the average (global) turbine prices reported by a wind turbine manufacturer, Vestas, for the years 2005 through 2010, as well as a range of reported pricing (among various turbine manufacturers) for transactions signed in 2010 and in early 2011, the most recent data available at the time.

[5] A copy of the report can be accessed at http://emp.lbl.gov/publications/recent-developments-levelized- cost-energy-us-wind-power-projects.



The chart demonstrates that turbine prices have declined since the Dunlap wind project was selected through a market solicitation in 2009. Continued use of the Market Proxy method, which relies entirely on this outdated Dunlap price, does not reflect the current market conditions and construction costs for wind projects.

Second, the Company has no near-term system resource need for wind or other renewables. In the 2011 IRP Update, the Company's most recently completed plan, there are no wind additions for the state of Utah. The only wind additions in the preferred resource expansion portfolio, scheduled to first come online in November 2018, are included to meet renewable portfolio standards (RPS) in Oregon, Washington and California. Not only does the Company's 2011 IRP Update action plan not contemplate issuance of another renewable RFP for several years, but the next renewable RFP the Company plans to issue will be to acquire renewable resources that are mandated by other states' requirements. Therefore, the Market Proxy method does not take into account the Company's current need, or lack thereof, for wind resources in Utah. Setting prices for a Utah wind QF based on the assumption that it will be used to satisfy another state's

RPS requirement presents issues that were not contemplated when the Market Proxy method was adopted including inter-jurisdictional cost allocation, environmental attribute ownership, and uncertainty regarding future RPS compliance obligations, among others.

Q. What is the result of using the Dunlap wind project as the Market Proxy to set avoided costs for Utah wind QFs?

A. The result is that retail customers must pay wind QF prices that exceed current avoided costs and thus do not leave customers indifferent.

Q. Please explain the impact to customers of using the Market Proxy method instead of the PDDRR method.

A. The Company has prepared a comparison of the price under the PDDRR method and the price under the Market Proxy method for a typical Utah wind QF project. Using a recent pricing request as an example, for a wind project with a 33.9 percent capacity factor, the avoided cost price levelized over 20 years would be $59.68 per MWh using the Market Proxy method but only $52.25 per MWh using the PDDRR method. This difference results in additional costs to the Company's customers of $35.3[6] million nominal over the 20 years, assuming an 80 MW nameplate wind project. Furthermore, the additional costs to customers of continuing to use the Market Proxy method will increase once the PDDRR method reflects the "Resource Needs Assessment Update for the All-Source Request for Proposals for a 2016 Resource" which was filed with the Commission on September 28, 2012.

[6] ($59.68 - $52.25) x 80 megawatts x 33.9% capacity factor x 8760 hours x 20 years.

Q. Will the stay prohibit developers from moving forward with wind QFs in Utah?

A. No. The Company has a PURPA obligation to purchase the net output from QF projects. Potential wind QFs will receive pricing based on the PDDRR method until Docket No. 12-035-100 is completed and the Commission has issued an order addressing a permanent methodology for determining avoided costs for wind projects. Wind QFs are able to obtain power purchase agreements pursuant to Utah Schedule 38, and the Company will continue to negotiate power purchase agreements during this time.

Q. Please summarize the Utah wind QF indicative pricing requests the Company has received in 2012 <u>prior</u> to requesting the stay.

A. The Company received five formal requests for indicative pricing for Utah wind QFs in 2012 prior to requesting the stay on October 9, 2012. The requests are summarized in the table below:

Project	Location	Proposed Online Date	Proposed Size	Indicative Pricing Delivered
Project 1	Monticello, UT	01/01/15	80.0	5/21/2012
Project 2	Beaver, UT	12/31/15	70.4	6/20/2012
Project	Monticello, UT	12/31/13	59.2	6/20/2012

<u>All five projects received indicative pricing based on the PDDRR method on the dates listed in the table. On October 9, 2012, Project 1 was provided revised indicative pricing based on the Market Proxy method in response to the Commission's September 20, 2012 Order in Docket No. 12-2557-01.</u>

Q. Please summarize the impact to customers if the Market Proxy method is used instead of the PDDRR method for each of the five wind projects.

A. The chart below illustrates the impact to customers of using the Market Proxy method instead of the PDDRR method for each of the five proposed projects. The total impact to customers is ($186.2) million nominal. As previously noted, the impact to customers will increase once the Company reflects its most current resource need in the PDDRR calculation.

Project	Proposed Size	MWhs Over 20 Years	Price Difference Between PDDRR and Market Proxy	Total $ Impact to Customers Over 20 Year Contract Term
Project 1	80.0	4,754,028	($7.43)	($35,322,424)
Project 2	70.4	4,442,702	($6.39)	($28,384,507)
Project 3	59.2	3,302,707	($10.62)	($35,080,096)
Project 4	80.0	4,908,288	($8.67)	($42,564,357)
Project 5	80.0	4,908,288	($9.13)	($44,803,177)

Total for All Five Projects ($186,154,563)

Q. Please summarize the Utah wind QF indicative pricing requests the Company has received in 2012 after requesting the stay.

A. The Company has received one formal request for indicative pricing since filing its Request for Agency Action Motion to Stay on October 9, 2012. The request was not complete and did not include all of the required information under Utah Schedule 38. The Company requested the developer provide the missing required information prior to calculating indicative pricing. As of the date of this filing,

<u>the missing information has not yet been provided.</u>

Q. Based on the information received in the pricing requests, how would you describe the status of these projects in terms of where they are in the development process?

A. I would describe these projects as being in the early stages of project development. Only one of the projects has an executed Large Generator Interconnection Agreement, and that agreement is currently in suspended mode. The other projects are either in the early stages of the interconnection process or have not yet begun the interconnection process.

Q. Will the stay prohibit or delay the QF project development process?

A. No. Typically the QF's interconnection process is significantly longer than the power purchase agreement negotiation process.

Q. What are the stages of the interconnection process, and how long does each stage take to complete?

A. Based on information from PacifiCorp Transmission's website[7], the stages of the generation interconnection process can be described as follows:

1. Application/validation
2. Scoping meeting
3. Feasibility Study (optional)
4. System Impact Study
5. Facilities Study
6. Interconnection agreement
7. Engineering, procurement and construction

<u>As noted on PacifiCorp Transmission's website, stages 1-6 identify the upgrades and investments required to reliably interconnect the projects. These steps also determine the cost of the interconnection upgrades and the timeline to complete the work. The study steps can require up to one year or more. Stage 7 is initiated</u>

[7] http://www.pacificorp.com/tran/ts/gip.html

after an agreement is signed and can require 6 to 18 months with the timing dependent upon the actual upgrades required.

Q. In what stage are most of the QFs who have requested indicative pricing?

A. All but one of the QFs are in stages 1-5. One QF has an executed Large Generator Interconnection Agreement that is stage 6, but is in suspended mode. All of the QFs will require at least 6 to 18 months to complete step 7 (engineering, procurement and construction) prior to coming online. And all but one QF will require completion of studies and an executed Large Generator Interconnection Agreement, which could take up to one year, prior to executing a QF power purchase agreement.

Q. Based on the foregoing, what do you recommend?

A. I recommend that the Commission immediately stay the application of the 2005 Order for indicative pricing based on the Market Proxy method to any wind QF in excess of three (3) megawatts, with the exception of Blue Mountain[8], pending conclusion of this docket. I further recommend that the Commission order that Wind QFs that request indicative pricing (either new requests or updates to previous requests), after October 9, 2012, the date the Company filed its Request for Motion to Stay Agency Action, but prior to the resolution of this docket, receive indicative pricing based on the PDDRR Method. Lastly, consistent with Utah Schedule No. 38, prices are only final and binding to the extent contained in a power purchase agreement executed by both parties and approved by the

[8] See *In the Matter of Blue Mountain Power Partners, LLC's Request that the Public Service Commission of Utah Require PacifiCorp to Provide the Approved Price for Wind Power for the Blue Mountain Project,* Docket No. 12-2557-01, Order on Request for Agency Action, September

20, 2012.

Commission[9], and the Company will update pricing at appropriate intervals to accommodate any changes to the Company's avoided costs calculations[10].

Q. Does this conclude your testimony?

A. Yes.

[9] Rocky Mountain Power Electric Service Schedule No. 38, State of Utah, Sheet No. 38.3.
[10] Rocky Mountain Power Electric Service Schedule No. 38, State of Utah, Sheet No. 38.5.