

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 : Docket No. 12-035-100
Methodology for Qualifying Facilities :
Projects Larger than Three Megawatts : Motion to Stay

DIRECT TESTIMONY OF

BELA VASTAG

ON BEHALF OF THE

OFFICE OF CONSUMER SERVICES

NOVEMBER 30, 2012

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS??**

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3 A. My name is Béla Vastag. I am a utility analyst in the Office of Consumer Services

4 (Office). The Office is located in the Heber Wells Building at 160 East 300 South, Salt

5 Lake City, Utah.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to address Rocky Mountain Power's (Company) request

8 for a Stay and to provide the Office's recommendations in this matter. As per the Public

9 Service Commission's (Commission) scheduling order in this docket, the remaining issues

10 will be addressed at a later time.

11 **Q. BRIEFLY DESCRIBE THE COMPANY'S REQUEST ONLY AS IT RELATES TO**
12 **THE MOTION FOR A STAY.**

13

14 A. The Company requests a Stay of the Commission's October 31, 2005 Order¹ for wind

15 Qualifying Facilities (QF) indicative pricing under Schedule 38 based on the Market Proxy

16 method. If approved, all wind QFs that request indicative pricing, (including updates to

17 prior pricing requests) after October 9, 2012 through the resolution of this docket would

18 receive pricing based on the Proxy/Partial Displacement Differential Revenue Requirement

19 (PDDRR) Method.

20 **Q. IS THE COMPANY REQUIRED TO ENTER INTO CONTRACTS WITH WIND**
21 **QFS?**

22 A. Yes, the federal Public Utilities Regulatory Policies Act (PURPA) requires electric utilities

23 to purchase energy and capacity from QFs at the utility's avoided cost. Prior to entering

24 into a contract with a QF in Utah, the Company provides indicative pricing based on

25 avoided cost per the requirements of Schedule 38.

¹ Docket No. 03-035-14.

26 **Q. WHY IS THE USE OF A UTILITY'S AVOIDED COST IMPORTANT IN**
27 **ESTABLISHING THE PRICE TO BE PAID TO QFS?**

28 A. The intent of PURPA is to encourage the use of alternate sources of energy but to not
29 burden ratepayers with excessive costs. If avoided costs are set appropriately, ratepayers
30 will be indifferent to the energy source acquired by the utility. Thus, the pricing offered
31 for wind QFs should be set such that ratepayers will pay neither more nor less than they
32 would for other resources the Company may need to acquire. It is important to remember
33 that PURPA compels these purchases and that they are not necessarily based on the
34 utility's need for resources.

35 **Q. ARE THERE WIND QF PROJECTS CURRENTLY UNDER DEVELOPMENT IN**
36 **UTAH THAT MAY BE IMPACTED BY A STAY ON INDICATIVE PRICING**
37 **BASED ON THE MARKET PROXY METHOD?**

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39 A. Yes, according to the Company's response to OCS discovery request 1.2, the Company has
40 received indicative pricing requests in 2012 from five developers for six wind QF projects.
41 One project requested pricing after the Company submitted its Motion to Stay on October
42 9, 2012.

43 **Q. WHICH AVOIDED COST METHOD DID THE COMPANY UTILIZE IN**
44 **PROVIDING THESE DEVELOPERS AVOIDED COST INDICATIVE PRICING?**

45 A. On Lines 157 – 158 of the Direct Testimony of Paul H. Clements, the Company indicated
46 that the five projects submitting requests before October 9, 2012 received indicative
47 pricing based on the PDDRR method. However, one project, Blue Mountain, was
48 subsequently provided revised indicative pricing based on the Market Proxy method per
49 the Commission's September 20, 2012 Order in Docket No. 12-2557-01. It is our
50 understanding that the project which submitted a pricing request after October 9 did not
51 provide all the required information and has not yet been given prices by the Company.

52 **Q. HOW WILL THE COMPANY'S MOTION TO STAY THE APPLICATION OF**
53 **INDICATIVE PRICING BASED ON THE MARKET PROXY METHOD IMPACT**
54 **THESE DEVELOPERS?**

55 A. It is unclear whether the Stay will have any effect on these projects ability to proceed. All
56 of these projects have already received indicative pricing proposals from the Company
57 (prior to when the Motion To Stay was filed). The proposed online dates for these projects
58 range from 12/31/2013 to 01/01/2015. The schedule to resolve "All Other Issues" in this
59 docket sets a hearing for 06/05/2013. Therefore, it is quite possible that the issues will be
60 resolved by the end of June 2013. This is several months before the earliest proposed
61 online date for the impacted projects. Upon the completion of this proceeding, the
62 Commission should allow the projects affected by the Stay to obtain new indicative pricing
63 if they choose to request it.

64 **Q. DOES THE STAY CREATE UNCERTAINTY FOR THESE PROJECTS AND ANY**
65 **NEW PROJECTS YET TO BE DEVELOPED?**

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67 A. On the contrary, the Stay will provide certainty that wind QF projects will receive
68 indicative pricing based on the PDDRR method. The Office believes that the Market
69 Proxy is not the appropriate pricing method to use while the issues in this docket are being
70 resolved.

71 **Q. WHY IS PRICING USING THE MARKET PROXY METHOD NOT**
72 **APPROPRIATE WHILE THE ISSUES IN THIS CASE ARE BEING RESOLVED?**

73 A. The current Market Proxy method is based on a proxy wind resource from 2009. Wind
74 generation capital costs have decreased significantly since 2009. Therefore, avoided cost
75 indicative pricing based on an obsolete Market Proxy for wind is not in the public interest.
76 Ideally, Market Proxy pricing for wind generation should be reflective of current market
77 conditions or in other words, the current avoided cost. Since the current Market Proxy is

78 outdated and likely to be higher than a more current proxy, using this pricing methodology
79 would not result in just and reasonable rates.

80
81 **Q. WHAT IS THE OFFICE'S RECOMMENDATION REGARDING THE**
82 **REQUESTED STAY?**

83 A. The Office recommends that the Commission approve the Company's request for a Stay of
84 the use of the Market Proxy method for determining the avoided cost to be paid to QF
85 wind resources until the outcome of the docket is decided.

86 The Office also recommends that the Commission require the Company to provide,
87 if requested, new indicative pricing to projects affected by the Stay after the issues in this
88 case have been resolved.

89 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

90 A. Yes.

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