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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 Costs Methodology for Qualifying Facilities Projects Larger than Three Megawatts

DOCKET NO. 12-035-100

Utah Clean Energy Exhibit 3.0SR

SURREBUTTAL TESTIMONY OF SARAH WRIGHT
ON BEHALF OF
UTAH CLEAN ENERGY

[STAY PROCEEDING]

December 11, 2012

RESPECTFULLY SUBMITTED,
Utah Clean Energy

Sophie Hayes
Attorney for Utah Clean Energy

1 **INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is Sarah Wright. My business address is 1014 2nd Ave, Salt Lake City, Utah
4 84103.

5 **Q: Did you file Direct and Rebuttal Testimony on behalf of Utah Clean Energy in this
6 Docket on November 30, 2012 and December 7, 2012, respectively?**

7 A: Yes.

8 **Q: What is the purpose of your surrebuttal testimony?**

9 A: The purpose of my surrebuttal testimony is to address the rebuttal testimony of Paul H.
10 Clements for Rocky Mountain Power (the Company), Bela Vastag for the Office of Consumer
11 Services (Office), and Charles H. Peterson for the Division of Public Utilities (Division). I will
12 address the following:

- 13 1. The purposes of the two phases of the current proceeding;
- 14 2. Allegations that I support QF prices that exceed avoided costs; and
- 15 3. Criticism for not addressing the ratepayer indifference standard.

16

17 **PURPOSE OF PHASE ONE OF THIS DOCKET**

18 **Q: Mr. Clements, Mr. Vastag, and Mr. Peterson criticize your testimony for raising the
19 issue of the economic benefits of wind QFs, arguing that economic benefits are irrelevant to
20 proper calculation of avoided costs and therefore outside the scope of this proceeding.**

21 **What is your response?**

22 A: My discussion of the economic benefits of wind QFs in my direct testimony in the first
23 phase of this docket was not intended to show that such benefits should be included in avoided

24 cost calculations. My direct testimony *did not address* the merits of different avoided cost
25 calculation methodologies. As Mr. Vastag explains in his testimony, “the issue at hand is simply
26 the Company’s requested stay,” while the “proper calculation of avoided costs will be addressed
27 in the later portion of this docket” (lines 144-45). In this phase of the Docket, we are not tasked
28 with evaluating avoided cost calculation methodologies. In this first phase of the Docket, we are
29 merely tasked with evaluating the appropriateness of interrupting the effectiveness of the current
30 avoided cost methodology for wind QFs. This is a completely separate issue from the merits of
31 different avoided costs calculation methodologies.

32 **Q: What is your understanding of the purposes of the two phases of this Docket?**

33 A: The Scheduling Order in this docket divided the proceeding into two phases: the first
34 phase addresses the motion to stay the 2005 methodology, while the second phase addresses all
35 other issues, including (but not necessarily limited to) the merits of the Company’s application to
36 change the renewable avoided costs methodology. It is my understanding that the merits of
37 specific calculation methodologies will be addressed in the second phase of this docket. It is
38 further my understanding that the current, first phase of the docket is solely for evaluating the
39 proposed motion for a stay of the 2005 methodology.

40 To that end, my direct testimony addressed policy considerations the Commission should
41 take into account in its determination of whether to stay implementation of the current method
42 *before* it evaluates the merits of that method through an evidentiary proceeding. In my direct
43 testimony, I did not address avoided cost calculation components or methodologies. Instead, I
44 argued that the Commission should not grant the preliminary stay of the methodology before it
45 examines that methodology because the Company has not shown that it or ratepayers will be

46 harmed, without the stay, more than ratepayers and wind developers will be harmed with the
47 stay.

48 **Q: Given your understanding of the first phase of this proceeding, do you agree that**
49 **the potential economic benefits of new wind QFs are outside the scope of this phase?**

50 A: No. I believe economic benefits are relevant to this phase. It is my understanding that
51 the Commission will not be making determinations about the merits of renewable QF avoided
52 cost methodologies in this phase of the proceeding; rather, I anticipate that the Commission will
53 evaluate the relative harms and benefits of granting the stay vs. not granting the stay before it
54 examines the methodology.

55 I testified, as well as Wasatch Wind, that granting the stay would effectively stop all wind
56 QF development in Utah, which will, in turn, prevent the state from benefitting from wind QF
57 development. Given the benefits of independent power production, the underlying purposes of
58 PURPA, Utah policies supportive of local energy production and economic development, and the
59 valuable fuel and environmental hedge provided by wind resources, it is my opinion that
60 ratepayers will benefit, more than they will be harmed, by continuing use of the Market Proxy
61 method during the pendency of this docket.

62 Further, given that phase two of this docket (the examination of avoided cost pricing
63 methodologies for renewable QFs) is scheduled to be completed by mid-2013, it is highly
64 unlikely that ratepayers will pay the alleged \$186 million additional costs the Company estimates
65 if all five projects currently in the Company's wind QF queue are provided Market Proxy
66 pricing. For example, I estimate that the chance is very small that all five QF projects will
67 effectuate legally enforceable obligations with the Company by the time the Commission makes
68 a determination on the methodology.

69

70 **AVOIDED COSTS AND RATEPAYER INDIFFERENCE**

71 **Q: In his rebuttal testimony for the Company, Mr. Clements states that material**
72 **changes in underlying assumptions of the Market Proxy method make it no longer**
73 **reflective of current avoided costs (lines 46-49). What is your response?**

74 A: Parties supportive of the stay have not differentiated the question of whether to grant the
75 stay with the question of why it may be appropriate to reexamine the 2005 methodology. Rather,
76 they have conflated the Company's evidence in support of a reconsideration of the methodology
77 with evidence in support of the stay. The Company and Office testify that the Market Proxy
78 method results in avoided costs that exceed avoided costs and that the Proxy/PDDRR method
79 results in appropriate avoided costs.

80 If the Commission justifies approval of the stay in terms of the Company's assertion that
81 the method results in avoided costs that are higher than avoided costs, it will effectively pre-
82 determine the outcome of phase two without an evidentiary basis. Based on my understanding of
83 the phases of this Docket, I provided no evidence regarding appropriate avoided cost calculation
84 methodologies in my testimony for this phase.

85 **Q: Parties site your testimony to argue that you support QF prices for wind QFs that**
86 **are greater than avoided costs. What is your response?**

87 A: I did not argue that avoided cost rates for wind QFs should exceed avoided costs. Rather,
88 I argued that the current, approved avoided cost calculation method for wind QFs should remain
89 in effect while avoided cost calculation methodologies and related issues are evaluated and
90 ultimately ruled upon. There are many ways of calculating avoided costs. Given the purpose of

91 encouraging QF development, I recommend using an approved avoided cost calculation method
92 that facilitates QF development over one that will stop QF development.

93 In 2005, the Commission found that the method resulted in avoided costs after a full
94 evidentiary proceeding. It is my position that this method should remain in effect while parties
95 evaluate the method. To that end, I have provided evidence of the purposes of PURPA and the
96 benefits of wind QFs, including economic benefits, fuel price volatility benefits, and benefits
97 associated with relying less on fossil fuels.

98 **Q: Parties also accuse you of ignoring the ratepayer indifference standard. What is**
99 **your response?**

100 A: I have addressed the issue of ratepayer harm/benefit with regard to the motion for a stay
101 of the 2005 method. I believe that ratepayer indifference bears more directly on the discussion
102 of how to calculate avoided costs, which is the subject of the second phase of this docket.

103 **Q: Mr. Clements says your assertion that it is unlikely that ratepayers will be harmed if**
104 **the stay is denied is inaccurate (Clements Surrebuttal at lines 22-23). What is your**
105 **response?**

106 A: The Company has not shown that my statement is inaccurate. As discussed in my
107 testimony, as well as that of Wasatch Wind and Energy of Utah, it is highly unlikely that wind
108 QF projects can be built in Utah using the Proxy/PDDRR methodology. However, in calculating
109 its \$186 million figure, the Company is relying upon the assumption that all five wind projects
110 currently in the queue can and will be built using Proxy/PDDRR pricing.

111 When using the Proxy/PDDRR method for wind QFs, the Company essentially equates
112 wind QF resources with natural gas resources. Wind and natural gas resources are different in
113 significant ways, however. Natural gas resources bring fuel price and environmental risks while

114 wind resources provide a hedge for ratepayers against these risks. The Company's \$186 million
115 figure does not address these risks or the risk mitigating benefits of wind QFs.

116 When the Commission approved the 2005 wind QF methodology, it recognized that
117 comparing wind projects to other wind projects, up to the IRP target amount, was appropriate
118 because the IRP considers risk-mitigating benefits of wind resources. In its request for a stay of
119 the 2005 method, the Company has not shown that the potential cost to ratepayers under the
120 current Market Proxy method outweighs the benefits of wind QFs. Moreover, the Company's
121 cost estimate is confusing because it assumes that all the currently queued projects could be built
122 with the Proxy/PDDRR method.

123

124 **SUMMARY OF RECOMMENDATIONS**

125 **Q: Please provide a summary of your recommendations in this Docket.**

126 A: I recommend that the Commission deny the motion for a stay of the 2005 methodology
127 pending a full investigation of avoided cost pricing methodologies for renewable resources.

128 Policy considerations underpinning PURPA, in addition to significant benefits from wind QF
129 development, support maintaining the current method through the pendency of this docket.

130 **Q: Does that conclude your surrebuttal testimony?**

131 A: Yes.