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**

Sur-rebuttalTestimony of Rocco Vrba

For Energy of Utah

May 29, 2013

Q. Did you file direct testimony regarding this docket on March 28, 2013?

A. Yes, I did.

Q. Please review your qualifications.

A. I have an MS in Mechanical Engineering and an MBA from the University of Phoenix. I have worked for PacifiCorp Energy as a Project Manager on the development and construction of a number of wind assets in PacifiCorp's portfolio. In addition, I have worked for Wind Capital Group as Director of Construction, overseeing a large wind energy portfolio from development through construction. I represent Energy of Utah LLC and its interests in the development of renewable energy in Utah. I am currently involved in the development of several wind projects in Utah.

Q. What is the purpose of your sur-rebuttal testimony?

A. I am writing to clarify our support of the current Market Proxy method for wind power avoided cost calculation. I believe that the Market Proxy method is a very reliable, transparentand more accurate method for estimating all avoided costs to ratepayers than other methods as proposed by The Company. The Market Proxy method advantage lies in its dependency on renewable markets based on geographic regions and timing.

Q. Please explain why you believe that the Market Proxy method provides a better estimate of the total value of wind power to Utah ratepayers.

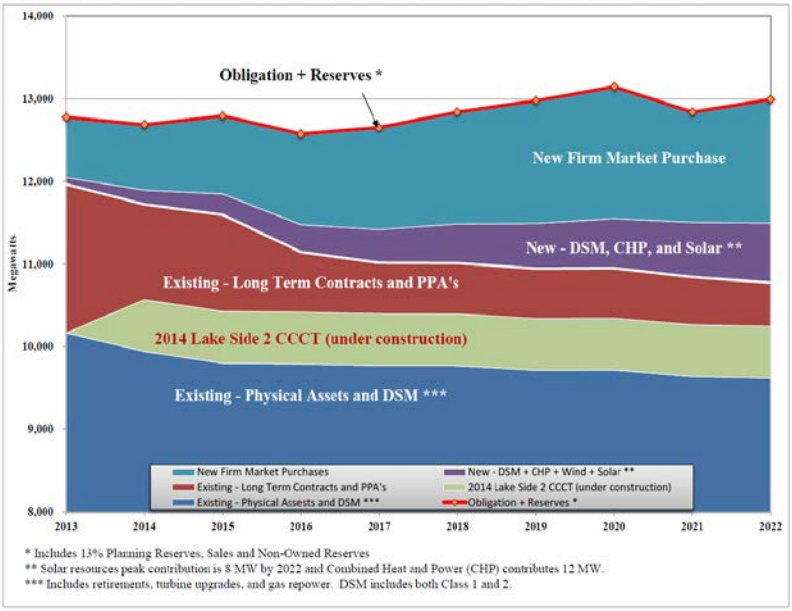
A. The Company derives low-cost power, portfolio diversification and publicity[1] from its wind portfolio. The same will apply to planned projects that are built "only added to meet RPS requirements outside of Utah"[2]. I expect that this diversification is recognized by the Company's sophisticated IRP analysis as it considers the risk of higher fuel prices or a carbon tax, but the Company suggests that we should not be permitted to consider them as Market Proxy resources.

Q. Do you agree with Sarah Wright's assessment of the risks of a future carbon tax?

A. Yes. The avoided resource is either purchased power or the combined cycle plant, neither of which offer protection from the carbon scenarios presented in the Company's 2013 IRP.[3] By counting market purchases as capacity, the preferred portfolio causes generating capacity to actually decrease over the next ten years, as market purchases increase. 2013 IRP figure 8.30[4] shows just how deep the water is getting. Who will be selling us this power? I don't believe that they be inclined to ask us what rates we would like to pay.

[1] Rocky Mountain Power "Our Wind Energy Resources" Resourhttp://www.rockymountainpower.net/content/dam/rocky_mountain_power/doc/About_Us/Newsroom/12-35_RMP_RenewableEnergyFlyer.pdf
[2]Docket 12-035-100, Direct Testimony of Gregory Duvall, p 6
[3]Pacificorp 2013 Integrated Resource Plan Vol. 1 pp 167-170 April 30, 2013
[4]Pacificorp 2013 Integrated Resource Plan Vol. 1 p 12 Fig 8.30 April 30, 2013

Figure ES.6 – Addressing PacifiCorp's Peak Capacity Deficit, 2013 through 2022



Q. What other events might affect the future price of power?

A. We don't really know, do we? As the Company resolutely tries to predict different scenarios, we know for certain that things will happen that could not have been predicted. By analogy, ratepayers currently hold a variable-rate loan. The Company adjusts our paymentsas conditions warrant.To the Company, itis naturally less expensivethan a fixed rate loan, because the Company is protected from many unforeseen adversities. Ratepayers are not.I think that the situation is even more acute with short-term Front Office transactions. Those rates can react quickly, and are entirely out of our control. The rates charged by a QF with no fuel cost are very predictableas these are fixed for 20 year terms. The added predictability has value, for the same reasons that a fixed-rate mortgage helps a homeowner to sleep at night.

Q. On the subject of predictability, please explain why you believe that the Market Proxy method is more reliable than the PDDRR method.

A. The Company has repeatedly demonstrated through the IRP process that it's estimation of the future is bound to change every two years or less.Ratepayers and developers are expected to make decisions based on projections that will be obsolete in less time than it takes to complete a project. Sometimes, the changes are so great that they make the last estimates look like very bad ones. Any reader can easily compare the 2011 preferred portfolio with the 2013 preferred portfolio. How useful is this information to ratepayersor project developers?

There are a number of developers currently attempting to develop wind projects in our state, for the same costs that the Company incurred for the Dunlap project, completed just three years ago. The problem is not that the Dunlap costs are out-of-date, (as confirmed through the first half of this docketvia Commission's order to continue the use of Proxy method). The problem is that the Company's forecasts keep changing in relatively short intervals.The recent deferral into the distant future of a combined cycle resource has eliminated capacity payments to the point that I don't know of any QF that can be constructed in Utah under PDDRR methodology. At the same time, our most easily-measured avoided cost, purchased power, continues to grow.

Q. What is your position on REC ownership for Qualifying Facilities?

A. I believe that the Commission has a firm understanding of the law regarding REC ownership, and I am happy to defer to their judgment.

Q. **Do you have any further thoughts?**

A. Yes.

Mr. Duvall, in his direct testimony, explains that the Company planned to install 900 MW of wind between 2025 and 2030 "in recognition of long-term public policy goals and a potential

green future"[5]. Mr. Clements in his re-buttal testimony mentions Company's desire to utilize REC's to satisfy Utah Code § 54-17-602.

How are these statement reconciled with a strict interpretation of avoided costs?

Predictably, this plan has already changed.

[5] Docket 12-035-100 Direct Testimony of Gregory Duvall, p 13

Table ES.3 – 2013 IRP Preferred Portfolio

Summary Portfolio Capacity by Resource Type and Year, Installed MW																					
	Installed Capacity, MW																				
Resource	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Expansion Options																					
Gas - CCCT	-	645	-	-	-	-	-	-	-	-	-	423	-	-	-	661	-	1,084	-	-	2,813
Gas - Peaking	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	181	-	-	-	181	362
DSM - Energy Efficiency	115	117	103	101	97	92	90	81	80	82	68	70	67	67	69	66	63	54	57	56	1,593
DSM - Load Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85	19	88	-	-	-	193
Renewable - Wind	-	-	-	-	-	-	-	-	-	-	-	432	218	-	-	-	-	-	-	-	650
Renewable - Utility Solar	4	3	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10
Renewable - Distributed Solar	7	11	14	16	18	14	14	14	15	15	15	15	15	15	15	15	15	15	15	15	293
Combined Heat & Power	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	21
Front Office Transactions	650	709	845	983	1,102	1,209	1,323	1,420	1,191	1,333	1,427	1,112	1,304	1,425	1,469	1,464	1,472	1,231	1,281	1,246	n/a
Existing Unit Changes																					
Coal Early Retirement/Conversions	-	-	(502)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(502)
Thermal Plant End-of-life Retirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(760)	-	(701)	(74)	-	(1,535)
Coal Plant Gas Conversion Additions	-	-	338	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	338
Turbine Upgrades	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14
Total	791	1,486	802	1,102	1,218	1,315	1,427	1,515	1,287	1,431	1,511	2,054	1,606	1,509	1,640	1,648	1,639	1,685	1,281	1,500	

Submitted Respectfully,

Rocco Vrba

For Energy of Utah LLC