

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's) Docket No. 14-035-T02
Proposed Electric Service Schedule No. 32,)
Service from Renewable Energy Facilities) ONI EXHIBIT 1.0

Direct Testimony of
Colin D. Duncan
Ormat Nevada, Inc.

September 9, 2014

1 **Q1. Please state your name, business address and present position with Ormat**
2 **Nevada, Inc. (“Ormat”).**

3 A1. My name is Colin D. Duncan. My business address is 6225 Neil Road, Reno,
4 Nevada 89511. I am employed by Ormat Nevada, Inc. as Manager, Recovered
5 Energy.

6 **Qualifications**

7 **Q2. Please briefly describe your education and business experience.**

8 A2. I received a B.S. in Electrical Engineering from the University of Nevada, Reno in
9 1980. I was employed by NV Energy (its predecessors being Sierra Pacific Power
10 Company and Nevada Power Company) from 1980 to 2006. At NV Energy, I had
11 worked in the Renewables, Engineering, Transmission Planning, Demand Side
12 Management, and Power Contracts departments. In those departments, I was
13 responsible for the evaluation, negotiations and commercialization of renewable
14 energy projects and completing contracts for the purchase of power from of
15 ownership of renewable energy projects including wind, solar, geothermal,
16 biomass, hydroelectric, photovoltaic, and other renewable resources options;
17 performing customer interconnection studies; conducting transmission
18 interconnection evaluations; evaluating various system upgrade and modification
19 analysis; and managing various demand side and energy efficiency programs,
20 among other activities.

21 From 2006 through present, as Manager in Recovered Energy at Ormat, I am
22 responsible for the marketing, sales and commercialization for renewable energy
23 products and projects in North America and completing business arrangements for

24 recovered energy generation projects and all ancillary services and requirements to
25 secure these projects.

26 **Q3. Have you submitted testimony or appeared as a witness in previous regulatory**
27 **proceedings?**

28 A3. Yes. I have submitted testimony and testified on numerous occasions in Nevada
29 and California in utility regulatory cases.

30 **Purpose of Testimony**

31 **Q4. What is the purpose of your testimony?**

32 A4. The purpose of my testimony is to outline general areas in the proposed Electric
33 Service Schedule No. 32, Service from Renewable Energy Facilities (Schedule 32),
34 which Rocky Mountain Power (“RMP”) filed with the Commission on April 25,
35 2014, and describe areas where Ormat has concern with and that appear to be
36 problematic in the implementation of the tariff and cause the pricing of services
37 under the proposed tariff to be overstated, duplicative and/or burdensome.

38 **Q5. Please describe the problematic areas that give Ormat concern in the draft**
39 **Electric Service Schedule No. 32.**

40 A5. Areas in the draft tariff that are problematic for Ormat and for implementation of
41 the tariff are:

- 42 - The Customer Charges and Administrative Fee
- 43 - Accounting for capacity contribution and reserve margin in the tariff
- 44 charges
- 45 - Excessive adjustments for losses for energy deliveries by the renewable
- 46 generator

47 **Q6. What is problematic with the Customer Charges and Administrative Fee as**
48 **currently described in the draft tariff?**

49 A6. Both the Customer Charge and the Administrative Fee are too high and result in
50 overcharging. The customer is already paying a customer charge under their
51 current electric service tariff and will continue to pay that charge even after they
52 begin purchasing energy from a renewable energy project. The Customer Charge
53 as proposed by RMP can be up to 10 times the amount the customer is already
54 paying. This is a burdensome fee and should be reduced to something
55 commensurate with the customer charge in customer's current electric service
56 tariff.

57 The proposed monthly Administrative Fee is not reflective of what the cost should
58 be for billing costs for this type of account. The time estimated to perform manual
59 data collection and billing by RMP as referenced by David Taylor in his testimony,
60 lines 189-191, is significantly over-estimated. Manual efforts for this type of
61 billing should be minimal since all meter reads will already be included into the
62 automated system for customer meter reads. The billing can be accomplished
63 through a combination of some automated billing using the meter reads and some
64 manual management which would be significantly less than the 6 to 8 manhours
65 per agreement per month. Incorporating automation for accumulating meter reads
66 and developing appropriate spreadsheets for calculating billings will eliminate
67 almost all the manual components for performing the billings. Using the estimate
68 provided by RMP creates an extremely high administrative fee cost which is not
69 appropriate for this type of billing methodology.

70 RMP also proposes to require that a customer with multiple metering points be
71 required to execute multiple contracts and also pay the administrative fee and
72 charges for each contract. This is unduly burdensome and will be detrimental
73 for both customers with multiple meter points and small customers and will
74 potentially prevent them from being able to take service under Schedule 32. This
75 does not seem to be the intent under the SB 12 legislation.

76 **Q7. What is problematic with the Adjustment for Losses as current described in**
77 **the draft tariff?**

78 A7. Transmission and/or distribution system losses are already accounted for and
79 included into customers' rates under their current electric service tariffs. The
80 proposed Adjustments for Losses in Schedule 32 should be reduced to reflect these
81 charges or costs that existing customers are already incurring for their electric
82 service.

83 **Q8. How is a credit for a capacity contribution accounted for in the draft tariff?**

84 A8. It currently is not. Because the renewable generator provides capacity as a
85 generation component in the utility grid and resources, it should accordingly be
86 provided a) a credit in the tariff, b) a credit in the demand charges of the tariff, c)
87 provided a capacity contribution or d) be shown as a reserve margin charge
88 reduction in the tariff. This capacity contribution is not addressed in the tariff.

89 **Q9. Are there other areas of concern that are related to the administration,**
90 **implementation or costs associated with the draft tariff?**

91 A9. Yes. RMP anticipates providing a draft of the standard form contract(s) that would
92 be required to be executed between the utility and the renewable project owner and

93 between the utility and the customer (REC) by mid-September to the parties
94 involved in this docket. In this contract they expect to include credit terms and
95 performance guarantees which must be satisfied by the renewable project owner
96 and/or customer, as the case may be depending on the type of business transaction
97 put together between a renewable project owner and the customer. Credit terms
98 and performance guarantee requirements certainly pose an additional cost and
99 performance burden on the renewable project owner and the customer and increase
100 the overall cost to develop and operate a renewable project and take service under
101 the proposed tariff. These could be significant and must be known and taken into
102 consideration when evaluating whether a project will be economically viable for
103 development. Additionally, since costs and energy are supposed to be accounted
104 for as a pass-through for the utility, there should not be additional requirements
105 imposed on the customer or the renewable facility owner for any performance or
106 credit terms. The tariff should address all costs and keep utility ratepayers whole
107 regarding service supplied under the tariff, with no need to create additional
108 requirements for the renewable project owners or customers above the tariff's
109 conditions of service and rates.

110 Confidentiality is also a concern. Prices paid by the customer to the
111 renewable project owner under the Renewable Energy Agreement negotiated
112 between the customer and the renewable project owner ("REA") must be held
113 confidential between the project owner and the customer, as well as other contract
114 terms and conditions which have pricing implications, market sensitive information
115 or customer specific information. As referenced in testimony of David Taylor of

116 RMP, lines 155 to 158, RMP will include and match the pricing, terms, etc. of both
117 the agreement between RMP and the customer and RMP and the renewable project
118 owner. This cannot include the pricing, terms and conditions of the REA contract,
119 since this information must be considered confidential and proprietary because it is
120 sensitive pricing information negotiated between the customer and the renewable
121 project owner. Ormat is concerned with how this information will be addressed and
122 treated, either through this proceeding, in general under the conditions of service in
123 the tariff, or separately as it may tie in with customers accepting service under the
124 draft tariff.

125 **Q 10. Please summarize your testimony.**

126 A 10. I believe the proposed Schedule 32 needs revisions in the following areas as
127 mentioned above:

- 128 - Reduction of Customer Charges
- 129 - Reduction of the Administrative Fee
- 130 - Provide accounting for capacity contribution and reserve margin in the
- 131 tariff charges
- 132 - Reduction in the adjustments for losses for energy deliveries by the
- 133 renewable generator

134 I believe that consideration should be given as to how to maintain confidentiality
135 of contract pricing and terms of the contracts between RMP and the customer and
136 renewable project owner and how to address credit terms and performance
137 guarantees which RMP intends to impose as described in Q&A #9 above.

138 **Q 11. Does this conclude your direct testimony?**

139 A 11. Yes.