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

A. My name is Gregory N. Duvall. My business address is 825 NE Multnomah Street, Suite 600, Portland, Oregon 97232. My present position is Director, Net Power Costs.

Q. Are you the same Gregory N. Duvall who submitted direct testimony on behalf of the Company in this proceeding?

A. Yes.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. My rebuttal testimony addresses issues raised by Ms. Sarah Wright on behalf of Utah Clean Energy ("UCE"). Specifically I respond to her recommendations to exclude integration costs for solar and wind, include carbon costs consistent with the Company's Integrated Resource Plan ("IRP"), include a capacity payment in the resource sufficiency period based on the cost of a simple cycle combustion turbine, and continue to include the option of having rates paid as a fixed capacity payment plus a flat energy rate in addition to the option of offering rates on a volumetric basis (i.e. dollars-per-megawatt-hour, or $/MWh). I would note that Ms. Wright accepted the Company's recommendation that the avoided capacity costs should be adjusted for the capacity contribution of intermittent Qualifying Facility ("QF") resources.

Q. Do you have a general response to UCE's recommendations?

A. Yes. In the face of the decisions reached in Docket No. 12-035-100, maintaining the status quo for Schedule 37 is not in the public interest. UCE's opposition to the Company's proposed modifications to the calculation of avoided cost prices under Schedule 37 is intended solely to maintain artificially high rates for small QF purchases at the expense of the Company's customers. UCE's recommendations disregard many of the avoided cost principles recently adopted by the Commission for larger QFs, but UCE provides no evidence justifying preferential treatment due to a QF's smaller size. The Company has demonstrated that without the proposed changes to Schedule 37 retail customers will pay prices for QFs that are higher than the avoided cost of energy and capacity from other sources and higher than the avoided costs paid under Schedule 38. Adopting UCE's recommendations will result in financial harm to retail customers because prices would not reflect the Company's actual avoided cost.

INTEGRATION COSTS FOR WIND AND SOLAR QFs

Q. What does Ms. Wright recommend regarding integration costs for wind and solar QFs?

A. Ms. Wright recommends that Schedule 37 pricing should not include integration costs for wind or solar QFs.

Q. What is the basis of Ms. Wright's objection?

A. Ms. Wright claims that including integration costs without including an allowance for transmission system benefits oversimplifies and is inconsistent with Schedule 38.

Q. Are integration costs linked with transmission system benefits in Schedule 38?

A. No. They are completely independent considerations under Schedule 38. Integration costs apply to all wind and solar QFs on Schedule 38 regardless of whether they provide transmission benefits.

Q. What transmission benefits are considered with respect to QFs on Schedule 38?

A. As noted by Ms. Wright, these could include avoided transmission losses and/or avoided transmission capital costs and are determined on a case-by-case basis.[1]

Q. What does the Company consider when determining whether to provide a credit for avoided transmission losses to a QF on Schedule 38?

A. The primary consideration is the facility's proximity to the Company's primary load area, which in Utah is the Wasatch Front. If the QF is remote from load, it is not able to provide any benefit with respect to transmission losses vis-à-vis the avoided resource which is also remote from load.

Q. Is it your experience that QFs requesting service on Schedule 37 are located in the Wasatch Front?

A. No. The vast majority if not all of the QFs requesting service on Schedule 37 in the recent past have been solar facilities located in southern Utah.

Q. Do QFs requesting service on Schedule 38 that are located in southern Utah receive a credit for avoided transmission losses?

A. No.

Q. What does the Company consider when determining whether to provide a

[1] Direct testimony of Sarah Wright, lines 110-112 and footnote 2.

credit for avoided transmission capital costs?

A. The Company would look to see if any transmission in its transmission plan could be avoided by a QF requesting service on Schedule 38. As noted above, this is done on a case-by-case basis.

Q. Do QFs requesting service on Schedule 38 that are located anywhere in Utah currently receive a credit for avoided transmission capital?

A. No.

Q. Does Ms. Wright raise additional issues supporting her objection to including integration costs in the pricing of QFs requesting service on Schedule 37?

A. Yes. Ms. Wright asserts there is no evidence on the record to support including integration costs in Schedule 37 avoided cost prices for wind and solar QFs. With respect to wind QFs, she asserts that no analysis has been performed or presented showing that the integration costs for Schedule 37 QFs are the same as integration costs for Schedule 38 QFs.[2] With respect to solar QFs, she asserts there has been no analysis of solar integration costs at all and that the numbers the Commission adopted for Schedule 38 QFs are speculative and interim.

Q. How do you respond to Ms. Wright's assertion that the study the Commission relied upon to support applying integration costs to wind and solar QFs under Schedule 38 does not apply to wind and solar QFs under Schedule 37?

A. There is no reason to apply different standards to wind and solar QFs under Schedules 37 and 38. The Company has recently executed approximately 45 megawatts ("MW") of Schedule 37 contracts, or the equivalent of one 45 MW

[2] Direct testimony of Sarah Wright, lines 123-125.

Schedule 38 contract. In addition, under Ms. Wright's proposal a 3.1 MW wind or solar QF on Schedule 38 would pay integration costs, but a 3.0 MW wind or solar QF on Schedule 37 would not. This is not a reasonable outcome.

Q. How do you respond to Ms. Wright's assertion that solar integration costs are not based on a study and are therefore speculative and interim?

A. In Docket No. 12-035-100 the Commission knew there was no solar integration study, but required the Company to include integration costs when pricing solar QFs under Schedule 38. The facts have not changed.

<u>CARBON COSTS</u>

Q. What does Ms. Wright recommend with regard to carbon costs?

A. Ms. Wright recommends that avoided cost pricing should include carbon costs consistent with the Company's IRP.

Q. How do you respond?

A. As I noted in my direct testimony, it is my understanding that the Company has been directed to include an assessment of environmental risk in the IRP, but the Commission has not approved the inclusion of an estimate of the cost of complying with assumed future carbon legislation in the avoided cost calculation. In its IRP, the Company assessed environmental policy risk using a carbon tax as an estimate for potential future legislation that might impute a direct cost on carbon emissions. Because the IRP risk assessment is only an estimate of potential future costs, imposed as a direct cost on emissions, it should not be included in avoided cost calculations. QF contracts result in customers paying real dollars. Until carbon costs are better defined and the impact on the Company can be reasonably measured based on a specific regulation, an estimate of the cost of complying with future carbon legislation should not be included in a QF contract.

<u>CAPACITY COSTS DURING THE SUFFICIENCY PERIOD</u>

Q. What does Ms. Wright recommend with regard to capacity costs during the sufficiency period?

A. Ms. Wright recommends that Schedule 37 pricing should include capacity payments in the resource sufficiency period based on the cost of a simple cycle combustion turbine.

Q. How do you respond?

A. The Company cannot avoid the cost of a simple cycle combustion turbine during the sufficiency period and therefore the cost proposed by Ms. Wright should not be included in Schedule 37 avoided costs.

<u>CAPACITY AND ENERGY PAYMENT OPTION</u>

Q. What does Ms. Wright recommend regarding continuation of a capacity and energy payment option in addition to volumetric pricing?

A. Ms. Wright recommends that Schedule 37 should continue to include the capacity and energy payment option, modified to reflect the capacity value of renewable resources.

Q. How do you respond?

A. Ms. Wright's recommendation does nothing to remedy the concerns raised in my direct testimony over having two options that result in different avoided costs. Her recommendation would continue the option to pay capacity costs to QFs on Schedule 37 based on the highest 15 minute output during a month. Her proposal should be rejected.

Q. Does this conclude your rebuttal testimony?

A. Yes.