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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities	Docket No. 15-035-53 **REBUTTAL TESTIMONY OF NATHAN RICH**

The Renewable Energy Coalition, (the "**Coalition**") hereby submits the attached Rebuttal Testimony of Nathan Rich on behalf of the Coalition.

Respectfully submitted this 13th day of October, 2015.

SMITH HARTVIGSEN, PLLC

/s/ Adam S. Long
J. Craig Smith
Adam S. Long
Attorneys for Renewable Energy Coalition

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on this 13th day of October, 2015 upon the following as indicated below:

Via hand delivery and email to:

UTAH PUBLIC SERVICE COMMISSION
c/o Gary Widerburg, Commission Secretary
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Salt Lake City, Utah 84111
psc@utah.gov

Via e-mail to:

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/s/ Adam S. Long

REBUTTAL

TESTIMONY

OF

NATHAN RICH

FOR

RENEWABLE ENERGY COALITION

October 14, 2015
Docket No. 15-035-53

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Nathan Rich. I am the Executive Director of the Wasatch Integrated Waste Management District (**"Wasatch"**), which is a member of the Renewable Energy Coalition (the "**Coalition**"). My business address is P.O. Box 900, 1997 East 3500 North, Layton, Utah 84014.

Q. Please describe your background and experience.

A. I am a registered Professional Engineer in the State of Utah. I hold a Master of Science degree in Civil and Environmental Engineering, a Master of Science degree in Mining Engineering, and a Bachelor of Science degree in Mining Engineering. I am currently the Executive Director of Wasatch, which operates a municipal solid waste incinerator that produces renewable base load power which is sold to PacifiCorp as a qualifying facility ("QF").

Q. On behalf of who are you appearing in this proceeding?

A. I am testifying on behalf of the Coalition.

Q. What is the purpose of your testimony?

A. I am providing this testimony as rebuttal to direct testimony provided by other parties in this docket, including Charles Peterson on behalf of the Division of Public Utilities and Paul Clements on behalf of Rocky Mountain Power.

Q. What topics will your testimony address?

A. My testimony will address the negative impact a reduction of contract length would have on the economic viability and ability to finance a new QF project or maintain an existing QF.

II. WASATCH INTEGRATED WASTE MANAGEMENT

Q. Please describe Wasatch.

A. Wasatch is a Special Service District established in 1984 to provide solid waste management services for the municipalities in Davis County (other than the City of Bountiful), the unincorporated areas of Davis County, Morgan City and the unincorporated areas of Morgan County, Utah. Wasatch constitutes a separate body politic and corporate and a quasi-municipal public corporation distinct from each county or municipality in which the District is located. Wasatch is goverened by an Administrative Control Board composed of nineteen members; including the three Davis County Commissioners and one member from each of the sixteen other political subdivisions of the State of Utah that are included within the District.

Q. Please describe your QF project.

A. The Davis Energy Recovery Facility is a 420 ton per day municipal solid waste combustor. The facility produces approximately 105,000 pounds per hour of high pressure steam which is directed through a 1.6 megawatt back pressure turbine generator. Low pressure steam exiting the generator is sold and shipped to Hill Air Force Base where it is used primarily for heating buildings on the east side of the installation. Electrical power generated on site is primarily used for facility operations and the excess power, around 300 kilowatts during normal operation, is sold to PacifiCorp. The facility came online in 1987 and has been selling excess power to PacifiCorp since 1994. Power generated by the facility is considered renewable by the State of Utah and the Federal Government.

Q. Please describe your current contract with PacifiCorp.

A. Wasatch is currently selling firm net output surplus power to PacifiCorp under an eleven (11) year Power Purchase Agreement (PPA) effective January 1, 2013. Pricing of the current PPA in accordance with Schedule 37 and Wasatch is being compensated for capacity and energy under the contract.

Q. Is Watatch planning on developing additional QF projects?

A. Yes. Wasatch is currently considering and expansion of the electrical output of the ERF which would make additional energy available for sale.

Q. Please describe the new QF project Watasatch is planning on developing.

A. The Davis Energy Recovery Facility was constructed to provide energy in the form of steam to HAFB. During the winter months, output from the Energy Recovery Facility can meet about 60 percent of HAFB's peak steam demand and all steam generated at the facility, approximately 90,000 pounds per hour net of the parasitic load, is sold and shipped to HAFB. In the summer and during warm weather the demand at HAFB drops to a low of approximately 15,000 pounds per hour during which time the execss steam is simply condensed and the energy is lost.

Wasatch is studying the installation of a new condensing turbine which would utilize the currently unused steam to generate additional electrical power when the demand for steam at HAFB is less than the facility's output. The new condensing turbine would generate a net export capacity of 5.4 megawatts of electrical power. The output of the project would be greatest during summer months, when the demand for steam from HAFB is low. PacifiCorp is currently

completing a Small Generator Interconnection Level 3 System Impact Study. The current engineering cost estimate for the project is 9.5 million dollars.

III. CONTRACT TERMS SHOULD NOT BE REDUCED

Q. Do you support Rocky Mountain Power's proposal to reduce the contract term for all QFs to three years?

A. No. I support maintaining long term contracts because reducing the term of the contract increases project uncertainty and risk and will make project financing more expensive and more difficult, if not impossible.

Q. The Division of Public Utilities supports Rocky Mountain Power's proposal on the grounds that QFs no longer need long term contracts to obtain financing. Do you agree?

A. No. The most likely mechanism to provide financing for these type of projects will be revenue bonds. Without a long term contract, a project developer will not be able to demonstrate with any certainty the projected revenue a proposed project will generate. Higher uncertainty equals higher risk which increases the cost of capital. Also, these type of projects tend to be very expensive resulting in long payback periods, typically much longer than 3 years. The risk of investing in a project which has a payback longer than the term of guaranteed sales will not be received favorably by potential investors.

Q. Please explain how the three year contract terms would impact your current QF project's needs for continued operation, and additional investments.

A. Our current QF project provides consistent base load power to the grid. As a firm power supplier we guarantee that the power will be delivered and are a resource for Rocky Mountain Power as they plan to meet future demand. If and when replacement and repairs to the existing facility are required the investment will be

difficult to justify. When we entered into our current contract with PacifiCorp, the negotiation period lasted about one year. Entering into a new contract every three years would mean that we would be involved with contract negotations about 1/3 of the time making the simple task of keeping under contract unnecessarily burdensome.

Q. Please explain how the three year contract terms would impact your potential new QF projects.

A. It is my opinion that our potential new QF project could not be completed if a PPA were limited to a three year contract period. Any new QF project, not just Wasatch's, will need to find an end user of the energy other than PacifiCorp if the project is have the ability to attract financing. I do not believe this approach is good public policy that we need to encourage diversification of our power supply

Q. Do existing QFs need pricing stablility?

A. Yes. Price stability and certainty for current and potential new power purchase agreements is of utmost importance. Pricing stability and certainty are essential for reliable services of all kinds. For QFs with existing contracts, reliability on power purchase agreement pricing is commensurate with water being available out of the faucet at your home, or not.

Q. Why is it important for existing QFs to not renegotiate their contracts every three years?

A. In addition to the reasons above, frequent renegotiations would harm our ability to make long-term plans that rely upon stable prices. Entering into a standard power purchase agreement every three-years would be extremely challenging, and subject us to unnecessary costs, risks, harm, and even the re-opening of interconnection agreements. Changing the standard price and contract threshold

to a lower level, thereby requiring us to negotiate pricing and contracts every three years would be unmanageable at best. Existing QFs should not be subjected to perpetual and wasteful negotiation.

IV. CONCLUSION

Q. Does this conclude your testimony?

A. Yes