

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)	Docket No. 15-035-53
Agreements with Qualifying Facilities)	

SURREBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

October 28, 2015

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Béla Vastag. I am a Utility Analyst for the Office of Consumer
3 Services (Office). My business address is 160 East 300 South Salt Lake
4 City, Utah 84111.

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

6 A. Yes, I filed direct testimony on September 16, 2015 and rebuttal testimony
7 on October 14, 2015.

8 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

9 A. I will respond to the rebuttal testimony of Utah Division of Public Utilities
10 (Division) witness Charles E. Peterson and Rocky Mountain Power
11 (Company) witness Paul H. Clements. Both Mr. Peterson and Mr. Clements
12 raise similar issues in their testimonies; and therefore, I will respond to them
13 jointly. I will also refine the Office's position on the Company's proposal for
14 a maximum 3-year Qualifying Facility (QF) Power Purchase Agreement
15 (PPA) term.

16 **Q. IN YOUR DIRECT TESTIMONY YOU DESCRIBED SOME CONCERNS
17 THAT THE OFFICE HAS REGARDING QF CONTRACTS. IN THEIR
18 REBUTTAL TESTIMONY, DOES THE DIVISION AND THE COMPANY
19 POINT OUT A DIFFERENCE BETWEEN QFS AND COMPANY OWNED
20 RESOURCES THAT CAUSES THE OFFICE SOME ADDITIONAL
21 CONCERN WITH CONTRACTING WITH LARGE NUMBERS OF QFS?**

22 A. Yes. Both Mr. Peterson and Mr. Clements point out that unlike Company-
23 owned resources, the Company cannot back down a QF and purchase

24 lower cost power from the market instead when it is available. As the
25 number of QFs operating on the Company's system increases, we may lose
26 opportunities to save ratepayers money when market prices are low. For
27 example, this potential lost opportunity could become even more likely as
28 the number of participants in the Energy Imbalance Market (EIM) managed
29 by the California Independent System Operator (CAISO) grows and the
30 western power markets become more liquid.¹ As I stated in my direct
31 testimony, this relates to the risk that ratepayers bear of having too many
32 fixed-price contracts with QFs for power; and, the only way to mitigate this
33 risk currently is through proper and accurate avoided cost price modeling.

34 **Q. IN YOUR DIRECT TESTIMONY YOU STATE THAT AVOIDED COST**
35 **MODELING MUST BE AS ACCURATE AS POSSIBLE GIVEN PURPA'S**
36 **PURCHASE MANDATE. BOTH THE DIVISION AND THE COMPANY**
37 **CRITICIZE YOUR STATEMENT SAYING THAT AVOIDED COSTS**
38 **CANNOT BE ACCURATE WHEN USING A 20-YEAR FORECAST.**
39 **WHAT IS YOUR RESPONSE?**

40 A. The Office agrees that a shorter term forecast is likely to be more accurate
41 than a longer term forecast. However, forecast error is not the only issue
42 reducing the accuracy of avoided costs. Other key sources of potential
43 inaccuracies would not be eliminated or improved by use of the alternate
44 PPA term lengths proposed by the Company and the Division.

¹ It is important to also note that CAISO's analysis of the "Duck Curve" states that periods of overgeneration in California are expected in the middle of the day by 2020:
https://www.caiso.com/Documents/FlexibleResourcesHelpRenewables_FastFacts.pdf

45 First, the use of outdated or interim modeling assumptions can cause
46 more error and do more harm than the use of a long term forecast. For
47 example, an outdated proxy price for wind power was used for avoided cost
48 pricing for wind QFs during a period when the cost of wind was declining
49 rapidly.² Also, an interim capacity contribution value of 84% for tracking
50 solar QFs was used when a subsequent study performed by the Company
51 showed that a more accurate value is 39.1% - a very large difference.³

52 Second, delay is another source of error. Often, it has been a delay
53 in updating modeling assumptions that has reduced the accuracy of avoided
54 cost prices. Delay in updating assumptions could be caused by the
55 Company, intervenors or the regulatory process.

56 Third, the “freshness” of PPA prices has been a concern for the
57 Office in terms of avoided cost accuracy. We have seen QF PPAs that
58 incorporate prices derived 7 to 8 months or more prior to the PPA execution
59 date. In some cases, the QF’s scheduled commercial operation date has
60 been 3 years from the PPA execution date meaning that by the time the QF
61 begins to receive payment for its power, the prices would be almost 4 years
62 outdated.⁴

63 **Q. YOU STATED IN DIRECT TESTIMONY THAT A REJECTION OF THE**
64 **COMPANY’S 3-YEAR PPA TERM MUST BE COUPLED WITH**

² Pricing based on the Dunlap I proxy, see Docket No. 12-035-100.

³ See Docket Nos. 12-035-100 and 14-035-140.

⁴ For examples of this stale price problem, see the Office’s comments in the following docket numbers: 13-035-197, 14-035-85, 14-035-86, 14-035-87, 14-035-88, 15-035-40, 15-035-41, 15-035-42, 15-035-43 & 15-035-70.

65 **CONTINUED DILIGENCE AND RIGOR IN PROPERLY ESTABLISHING**
66 **AVOIDED COST PRICES IN SCHEDULES 37 AND 38. IN LIGHT OF THE**
67 **PRICING PROBLEMS YOU DISCUSSED ABOVE, DOES THE OFFICE**
68 **STILL SUPPORT A 20-YEAR PPA TERM?**

69 A. Yes, because Schedule 38 procedures have recently been improved. In
70 particular, the Office believes that the settlement approved by the
71 Commission in Docket No. 14-035-140 on Schedule 38 QF Procedures will
72 provide ratepayers some additional protection against inaccurate avoided
73 cost prices. However, in a current proceeding before the Commission on
74 the approval of a QF PPA, the QF developer is questioning some of the
75 changes to the new Schedule 38 tariff resulting from the settlement in
76 Docket No. 14-035-140.⁵ If the terms in the updated Schedule 38 tariff
77 cannot be enforced, then the Office would reconsider its position supporting
78 the retention of a 20-year QF PPA term.

79 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

80 A. Yes it does.

⁵ See Docket No. 15-035-70, In the Matter of the Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Three Peaks Power, LLC.