

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)
Rocky Mountain Power for Approval) Docket No. 16-035-27
Of a Renewable Energy Services)
Contract between Rocky Mountain) Direct Testimony of
Power and Facebook, Inc.) Cheryl Murray for the
Pursuant to Tariff Electric Service) Office of Consumer Services
Schedule 34)

August 2, 2016

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

2 A. My name is Cheryl Murray. 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.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. I present the Office's position regarding the Application of Rocky Mountain
7 Power (Company) for Approval of a Renewable Energy Services Contract
8 (Contract) between Rocky Mountain Power and Facebook, Inc. (Facebook)
9 Pursuant to Tariff Electric Service Schedule 34.

10 **Q. WITHOUT REVEALING ANY CONFIDENTIAL DETAILS PLEASE**
11 **GENERALLY DESCRIBE THE COMPANY'S REQUEST.**

12 A. The Company is requesting Commission approval to enter into a Contract
13 with Facebook wherein the Company will contract with renewable energy
14 resources to procure renewable energy for Facebook. This contracting
15 convention derives from the recently enacted statute, Utah Code § 54-17-
16 806. This is the Company's first contract entered into utilizing provisions of
17 that Statute.

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19 The Facebook Contract is explained in the testimony of Company witness
20 Paul H. Clements and the Company's proposed regulatory treatment of the
21 Facebook load and revenues is described in the testimony of Steven R.
22 McDougal.

23 **Q. ARE THERE OTHER WITNESSES WHO WILL PROVIDE TESTIMONY**
24 **ON BEHALF OF THE OFFICE?**

25 A. Yes. The Office has enlisted the services of Ms. Donna Ramas, of Ramas
26 Regulatory Consulting, LLC and Mr. Philip Hayet, with J. Kennedy and
27 Associates, Inc., to provide assistance in assessing the Company's
28 Application.

29 **Q. PLEASE BRIEFLY DESCRIBE THE ANALYSIS MS. RAMAS**
30 **CONDUCTED.**

31 A. Ms. Ramas generally responds to the testimony of Mr. Steven McDougal.
32 Although she has not performed a detailed analysis, Ms. Ramas describes
33 her analysis of the Company's proposed regulatory treatment of the
34 Contract and the potential effect on other Utah ratepayers from the
35 perspective of costs allocated to Utah through the inter-jurisdictional
36 allocation process. Ms. Ramas' analysis was conducted utilizing the
37 Company's Jurisdictional Allocation Model and electronic workpapers
38 provided by the Company in this case. Ms. Ramas' testimony more fully
39 explains her analysis and results.

40 **Q. WHAT ANALYSIS WAS CONDUCTED BY MR. HAYET?**

41 A. Mr. Hayet focused his analysis on the impact of the contract to net power
42 costs and whether net revenues from the contract will offset any costs
43 incurred by the Company to serve the contract. In addition to reviewing the
44 testimony and exhibits provided by the Company for this filing, Mr. Hayet
45 requested and analyzed various GRID runs in an effort to determine the

46 impact of the proposed contract on the Company's net power costs. Mr.
47 Hayet's testimony more fully describes the analysis he conducted and
48 presents the results of that analysis.

49 **Q. WAS THE OFFICE'S EVALUATION OF THE CONTRACT**
50 **COMPREHENSIVE?**

51 A. It should be recognized that the limited time available did not permit either
52 of our consultants to perform a thorough, detailed analysis of all Company
53 assumptions or possible eventualities. However, through the analyses they
54 did perform the Office was able to evaluate the Company's fundamental
55 claims regarding the Contract's value and costs to ratepayers and reach a
56 reasonable level of comfort with the impacts of the Facebook contract.

57 **Q. THE COMPANY'S APPLICATION IS FILED PURSUANT TO TARIFF**
58 **ELECTRIC SERVICE SCHEDULE 34 (SCHEDULE 34). HAS SCHEDULE**
59 **34 BEEN APPROVED BY THE COMMISSION?**

60 A. No it has not. Parties filed direct testimony in that Docket (16-035-T09) on
61 Thursday, July 28, 2016. A hearing on Schedule 34 is scheduled for August
62 17, 2016. Parties are still working to make modifications to the Schedule
63 34 tariff originally filed by the Company on June 17, 2016 that will attempt
64 to address concerns raised by various parties.

65 **Q. CAN THE CONTRACT BETWEEN ROCKY MOUNTAIN POWER AND**
66 **FACEBOOK BE APPROVED ABSENT AN APPROVED SCHEDULE 34?**

67 A. No. Utah Code § 54-17-806 authorizes the utility to implement a renewable
68 energy tariff if the Commission determines that the tariff is reasonable and

69 in the public interest. The Company uses its proposed Schedule 34 as the
70 basis for its contract approval request and for various elements of the
71 contract.

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73 **Q. HAS THE OFFICE'S ANALYSIS OF THE CONTRACT REVEALED ANY**
74 **AREAS OF CONCERN?**

75 A. In her testimony, Ms. Ramas identifies and explains a potential issue related
76 to inter-jurisdictional cost allocations that could result from the Company's
77 proposed regulatory treatment of Facebook load. Additionally, Mr. Hayet
78 identifies one rate component of the contract that could change in the future.
79 The Office is concerned that the Commission not give pre-approval for an
80 unknown future cost.

81 **Q. DO THOSE CONCERNS CAUSE THE OFFICE TO CONCLUDE THAT**
82 **APPROVAL OF THE CONTRACT SHOULD BE DENIED?**

83 A. No. The Office did not identify any issues or risks to other ratepayers
84 significant enough to recommend that the Contract should be denied.
85 However, the Office believes that any approval should be conditioned on a
86 requirement that if the rate component identified in Mr. Hayet's testimony is
87 proposed to be changed in the future, the Company should first make a
88 filing with the Commission explaining the changed circumstances, and
89 identifying and justifying the new rate component.

90 **Q. DOES THIS OFFICE BELIEVE THAT THIS CONTRACT SHOULD BE**
91 **USED AS THE BASIS FOR FUTURE CONTRACTS THE COMPANY MAY**
92 **ENTER INTO PURSUANT TO SCHEDULE 34?**

93 A. The Office asserts that each contract entered into pursuant to Schedule 34
94 must be evaluated individually. Many things can impact whether a particular
95 contract is in the public interest, e.g. if the Company is energy and/or
96 capacity short or long; if the contracting party is a new customer, an existing
97 customer with expanding load, or an existing customer where embedded
98 resources would no longer be used to serve that customer; the proposed
99 contract terms, etc. Thus, the Office does not endorse this method for future
100 use, but rather would propose to evaluate any future contract based on the
101 facts and circumstances in place at that time.

102 **Q. DOES THE OFFICE HAVE ANY RECOMMENDATIONS THAT WILL**
103 **PROVIDE MORE CLARITY ON THIS ISSUE?**

104 A. Yes. As discussed by Mr. Hayet, the Office recommends that the
105 Commission require the Company to file an annual report for six years
106 commencing on the receipt of the certificate of occupancy for the first facility
107 Facebook adds. The report should include actual annual costs and
108 revenues associated with the Contract, and other information necessary to
109 demonstrate that the Contract is providing adequate revenue to cover all
110 costs the Company may incur in serving Facebook.

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112 The Office asserts that this information will be valuable in assessing the
113 reasonableness of future contracts the Company may enter into under
114 Schedule 34.

115 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

116 **A. Yes, it does.**