Witness OCS – 2R

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power to Implement Programs Authorized by the Sustainable Transportation and Energy Plan Act	**)))))**	**Docket No. 16-035-36** **Solar and Energy Storage Program**

REBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

NOVEMBER 23, 2016

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

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

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes, I filed direct testimony on November 9, 2016. That testimony only addressed one of Rocky Mountain Power's (Company) proposed projects under the Sustainable Transportation and Energy Plan (STEP) Act – the Solar and Energy Storage Project.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will respond to the direct testimony of Robert A. Davis of the Utah Division of Public Utilities (Division) and to the direct testimony of Sarah Wright of Utah Clean Energy (UCE). My responses are limited to the portions of these two witness' testimonies that address the solar and energy storage project (solar/battery project).

Q. WHAT DOES UTAH CLEAN ENERGY PROPOSE IF BLUE SKY FUNDS ARE USED TO CONSTRUCT THE SOLAR FACILITY?

A. If the solar facility is built with Blue Sky funds, UCE does not believe that the benefits of the output of this facility should go to all ratepayers but instead believes that the output should benefit community service organizations which would be congruous with how the Blue Sky program provides cash grants for community renewable energy projects. UCE proposes that the output of a Blue Sky funded solar facility be used for a grant program where community service organizations could receive blocks of kWh credits (e.g. 200 kWh) on their electric bills. UCE proposes a process where these organizations would need to submit an application to the Company before having the opportunity to receive a grant of KWhs.

Q. WHAT IS THE OFFICE'S RESPONSE TO UCE'S GRANT PROPOSAL?

A. The Office sees merit in the concept of using the output of a Blue Sky funded solar project for the benefit of the Blue Sky program instead of for the benefit of all ratepayers. This is a reasonable concept because the program is funded by voluntary participants and also because it is consistent with the principle, supported by the Office, that no costs associated with the Blue Sky program be borne by non-participating ratepayers. However, we have a couple of concerns with UCE's grant program proposal. First, we are concerned about the complexity of such a program which may require a high level of administrative costs, especially in relation to the value of the credits being granted. Certainly, a more administratively simple program could be designed that could still accomplish UCE's objective. Second, we are concerned that the grant program as proposed by UCE would over compensate the Blue Sky program for the solar facility's output.

Q. PLEASE EXPLAIN WHAT YOU MEAN BY OVER COMPENSATION.

A. UCE's proposed grant program would provide grant recipients kWh credits on their utility bills which values the energy output of the solar facility at the Company's full retail rate. The full retail rate covers much more than just the generation cost of the energy. The Office believes that any program to distribute the output of a Blue Sky funded solar facility should value the output the same way that the output from a Qualifying Facility (QF) is valued – at the Company's avoided cost. Since the proposed solar facility would be sized at 650 kW, the Office recommends that the value of its output for use in any approved grant program be determined according to Schedule 37 which provides rates for the Company's avoided cost purchases from QFs up to 3,000 kW in size.

Q. WHAT IS THE OFFICE'S POSITION ON UCE'S GRANT PROPOSAL?

A. The Office does not oppose the proposal but if it were to be adopted, the value of the solar output for the grants should be based on the Company's avoided cost and the Blue Sky program should be charged the administrative costs of running the grant program.

Q. WOULD SUCH A GRANT PROGRAM IMPACT THE NET PRESENT VALUE (NPV) OF THE SOLAR/BATTERY PROJECT AS PRESENTED BY THE COMPANY IN THE TABLE ON PAGE 12 OF EXHIBIT D?

A. No, the value of the energy output from the solar facility was not included in the Company's analysis. However, the NPV included all capital costs, regardless of whether the costs were funded by all ratepayers or from the Blue Sky program.

Q. HAVE YOU ESTIMATED WHAT THE SOLAR/BATTERY PROJECT NPV WOULD BE WITH THE BLUE SKY FUNDS REMOVED FROM THE CALCULATION?

A. Yes. The table below provides an estimate of the NPV for the solar/battery project with the $2,000,000 of Blue Sky funds removed from the calculation. This table provides the costs from the same perspective as Table 2 in my direct testimony in that the NPVs reflect the costs that would actually be allocated to Utah ratepayers.

	Utah NPV
Solar/Battery Project w/o Blue Sky Funds	($2,932,000)
Rebuild Transmission Line	($1,981,000)
New Transmission Substation	($3,468,000)

Q. DOES REMOVING THE BLUE SKY FUNDS FROM THE NPV COST CALCULATION CHANGE THE COST ALLOCATION PROBLEM THAT YOU IDENTIFIED IN YOUR DIRECT TESTIMONY?

A. No. From a Utah ratepayer perspective, the solar/battery project is still not the most cost effective solution to the transmission line voltage problem. Therefore, the only reason to pursue the solar/battery solution instead of the transmission line rebuild is that the solar/battery project may provide some R&D benefits. However, this R&D knowledge may never be put to future use due to the cost allocation problem. That is, no jurisdiction in PacifiCorp's six state service territory would be likely to approve such a project where the costs are situs assigned and where a jurisdiction's allocated costs of an alternative transmission based solution would be lower. The costs of transmission assets are allocated over the entire system and are also shared with PacifiCorp's wholesale (OATT) transmission customers. This barrier to the future application of this technology caused by this cost allocation problem calls into question whether the solar/battery project is in the interest of Rocky Mountain Power's Utah customers.

Q. TO OFFSET SOME OF THE SOLAR/BATTERY PROJECT COSTS, THE DIVISION PROPOSES THAT THE VALUE OF THE SOLAR FACILITY OUTPUT BE CREDITED TO UTAH RATEPAYERS THROUGH THE EBA. WHAT IS THE OFFICE'S RESPONSE TO THIS PROPOSAL?

A. This proposal relates to the energy output of the facility and would only be a token level of benefit as compared to the full measure of the cost allocation problem. The majority of the cost allocation problem lies in the allocation of the capital investment and to date no party has proposed a solution to this fundamental problem.

The Office notes, however, that if the Commission authorizes UCE's grant proposal then the Division's proposal to credit Utah for the solar facility output must also be implemented. Otherwise, due to the MSP allocation process, the benefits of the energy output from the solar facility would be shared among all PacifiCorp states while the costs of UCE's grant program would be borne only by Utah ratepayers.

Q. DOES THAT CONCLUDE YOUR TESTIMONY?

A. Yes it does.