

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

---

<b>In the Matter of the Application of</b>	)	<b>Docket No. 09-035-23</b>
<b>Rocky Mountain Power for Authority to</b>	)	
<b>Increase Its Retail Electric Service Rate in</b>	)	<b>Surrebuttal Testimony of</b>
<b>Utah and for Approval of Its Proposed</b>	)	<b>Philip Hayet</b>
<b>Electric Service Schedules and Electric</b>	)	<b>On Behalf of the</b>
<b>Service Regulations</b>	)	<b>Utah Office of</b>
	)	<b>Consumer Services</b>

---

**November 30, 2009**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Philip Hayet, and my business address is 215 Huntcliff Terrace,  
3 Atlanta, Georgia, 30350.

4 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THIS PROCEEDING?**

5 **A.** Yes, I previously filed direct testimony, and each are on behalf of the Utah Office  
6 of Consumer Services.

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

8 **A.** I reply to the Rebuttal Testimony of Rocky Mountain Power witness, Mr. Gregory  
9 Duvall, who addressed issues I raised in my Direct Testimony. The issues I  
10 address in this testimony are:

- 11 • Biomass QF Non-Generation Agreement
- 12 • Bonneville Power Wind Integration Costs
- 13 • Stateline and Long Hollow Open Access Transmission Tariff (“OATT”)  
14 Wind Integration Costs

15 **Q. DID THE COMPANY ADOPT ANY OF YOUR ADJUSTMENTS**  
16 **WITHOUT MAKING ANY FURTHER MODIFICATIONS?**

17 **A.** Yes it did. Mr. Duvall adopted the wind integration error that I proposed in my  
18 Direct Testimony. The adjustment amounted to a \$1.2 million reduction in total  
19 System Net Power Costs (“NPC”). This adjustment continues to appear in Mr.  
20 Falkenberg’s Surrebuttal Testimony Table 1, which contains a list of adjustments  
21 the OCS presently supports related to NPC.

22

23

24

25 **Biomass QF Non-Generation Agreement**

26 **Q. MR. DUVALL ASSERTS THAT THE COMPANY HAS NOT YET**  
27 **EXECUTED A NON-GENERATION AGREEMENT FOR 2010 WITH**  
28 **THE BIOMASS PROJECT, AND THAT IT WOULD BE**  
29 **PRESUMPTUOUS TO INCLUDE AN ADJUSTMENT FOR SUCH AN**  
30 **AGREEMENT IN THIS RATE CASE. DO YOU AGREE THAT THIS**  
31 **ADJUSTMENT SHOULD BE EXCLUDED?**

32 A. No I do not. There is nothing presumptuous at all about including the non-  
33 generation agreement as an adjustment, given the contract is one of the highest, if  
34 not the highest cost resource that the System relies on (\$156/MWh, per the GRID  
35 output report), and the Company has a five year track record of having entered  
36 into non-generation agreements with the project owner. The non-generation  
37 agreement is attractive to both parties as it allows the Biomass project owner to be  
38 paid for shutting down during low cost periods, at which time it avoids incurring  
39 fuel expenses; and it saves money for PacifiCorp, since its cost to buy  
40 replacement power and pay the Biomass project owner is lower than what  
41 PacifiCorp would otherwise pay without the Biomass Non-Generation  
42 Agreement. The Biomass Non-Generation Agreement is a sound and prudent  
43 business decision that benefits PacifiCorp, its customers, and the Biomass project  
44 owner. It looks to be an equally good business decision in 2010 as it was in 2009,  
45 as market prices are still forecast to be low during the relevant time period based  
46 on current forecast conditions.

47 **Q. DID MR. DUVALL ASSERT ANY OTHER REASON WHY THE**  
48 **COMPANY WOULD NOT INCLUDE A NON-GENERATION**  
49 **AGREEMENT IN THIS RATE CASE?**

50 A. Other than suggesting that it would be presumptuous to include the non-  
51 generation agreement, Mr. Duvall offered no other reasons for not including it. In

52 fact, it is telling what Mr. Duvall did not mention. He made no attempt to suggest  
53 that the Company is not working on such an agreement, or suggest that there is  
54 any technical reason why PacifiCorp might not enter into such an agreement in  
55 2010, and he certainly did not attempt to downplay the fact that the Company  
56 entered into a non-generation agreement for each of the last five years. By  
57 excluding a non-generation agreement adjustment, the Company ignores the fact  
58 that non-generation agreement adjustments were proposed in each of the last two  
59 rate cases. While the 2008 rate case ended in a settlement agreement, the  
60 Biomass Non-Generation Agreement adjustment was accepted by the  
61 Commission as a normalizing adjustment in the 2007 case despite the fact that the  
62 Company had not yet entered into non-generation agreements when the rate case  
63 had been filed. To exclude such an adjustment in this case would go against the  
64 precedence that the Commission had set in the 2007 case, and therefore, I believe  
65 that the Company should be required to include this adjustment in this case. Mr.  
66 Falkenberg has continued to reflect an adjustment of approximately \$.8 million  
67 for the Biomass Non-Generation Agreement, which is listed as Adjustment 5 in  
68 his Table 1.

69

70 **Bonneville Power Administration (“BPA”) Wind Integration Costs**

71 **Q. MR. DUVALL ASSOCIATES YOUR BPA WIND INTEGRATION COST**  
72 **ADJUSTMENT WITH HIS CONCERN THAT SOME PARTIES**  
73 **PROPOSED UPDATES BASED ON INFORMATION THAT BECAME**  
74 **AVAILABLE AFTER THE COMPANY MADE ITS INITIAL FILING IN**  
75 **THIS PROCEEDING. DO YOU AGREE WITH THIS?**

76 **A.** I agree that technically, the BPA’s decision concerning wind integration costs  
77 became final after Rocky Mountain Power filed its testimony in this proceeding,

78 which occurred on June 23, 2009. The BPA made its final decision to reduce its  
79 wind integration charge to \$1.29/kW-month in July 2009, which was around the  
80 time that the BPA issued its Final Record of Decision (“Final ROD”) concerning  
81 the 2010 Rate Case. However, during the course of the BPA’s 2010 Rate Case  
82 Proceeding, which took place between approximately February and July 2009,  
83 there was a great deal of consideration of using a lower wind integration rate,  
84 which the BPA Administrator ultimately decided to do. The BPA Administrator’s  
85 Final ROD issued July 21, 2009 references its Draft ROD that had been issued on  
86 June 23, 2009, and stated the following:<sup>1</sup>

87 *At the beginning of this case, we proposed an increase from*  
88 *\$.68/kW/month to \$2.72/kW/month. In the Draft ROD, the increase was*  
89 *reduced substantially, based on 45-minute persistence scheduling*  
90 *accuracy, and most of this reduction was due to estimates of improved*  
91 *scheduling accuracy and associated reductions in the need for reserves.*  
92  
93

94 **Q. WHAT IS THE OCS’ LATEST POSITION REGARDING THIS**  
95 **ADJUSTMENT?**

96 A. After careful consideration of the issues, in order to eliminate all potential  
97 controversy over this matter, the OCS withdraws this adjustment, as it recognizes  
98 that the BPA Administrator’s final decision to lower the wind integration rate  
99 occurred after the date that Rocky Mountain Power filed testimony in this  
100 proceeding.

101

102

---

<sup>1</sup> This passage from page 4 of the Final ROD may be obtained at  
[http://www.bpa.gov/corporate/ratecase/2008/2010\\_BPA\\_Rate\\_Case/docs/WEB\\_WP-10-A-02\\_TR-10-A-02.pdf](http://www.bpa.gov/corporate/ratecase/2008/2010_BPA_Rate_Case/docs/WEB_WP-10-A-02_TR-10-A-02.pdf)

103 **Stateline and Long Hollow Open Access Transmission Tariff (“OATT”) Wind**  
104 **Integration Costs**

105 **Q. MR. DUVALL OPPOSES YOUR ADJUSTMENT FOR THE STATELINE**  
106 **AND LONG HOLLOW WIND INTEGRATION COSTS, BUT DOES HE**  
107 **DISAGREE THAT STATELINE AND LONG HOLLOW PROVIDE NO**  
108 **VALUE TO PACIFICORP’S RETAIL CUSTOMERS, AND DON’T**  
109 **FULLY PAY FOR COSTS THAT THEY IMPOSE ON THE SYSTEM?**

110 A. Mr. Duvall makes no attempt to demonstrate that these resources provide some  
111 value to retail customers; instead he presents three arguments to explain why  
112 retail customers should still pay for the costs imposed on the system by these  
113 transmission users.

114 **Q. WHAT IS THE FIRST ARGUMENT?**

115 A. First, he explains that the Company’s OATT does not provide for a wind  
116 integration charge, therefore, Mr. Duvall simply expects the Commission to  
117 charge retail customers to pay for them. While he states that PacifiCorp cannot  
118 charge a wind integration cost without FERC approval, he provides no  
119 explanation why PacifiCorp has not or will not make a filing at FERC for such a  
120 tariff. Mr. Duvall also explains that PacifiCorp is obligated to interconnect with  
121 new generation facilities and therefore, it would be unreasonable to disallow costs  
122 associated with such interconnections. Again, if PacifiCorp believes that it is  
123 important to recover these costs, it should file for approval to change its  
124 transmission tariff at FERC. FERC already allows PacifiCorp to charge  
125 interconnected generators for application fees, interconnection study costs, and  
126 transmission and distribution system modification costs, and there is no reason to  
127 expect that they would not allow PacifiCorp to charge for additional reasonable  
128 wind integration costs.

129 **Q. WHAT IS THE SECOND ARGUMENT?**

130 A. Second, he explains that there are barriers to charging non-owned wind facilities  
131 for wind integration costs because it:

132 *...would likely violate the federal statutory mandate that PacifiCorp treat*  
133 *all transmission customers, affiliated and non-affiliated, on a not unduly*  
134 *discriminatory basis. In addition, it is not clear whether, under the same*  
135 *statutory mandate, FERC would permit a transmission provider to impose*  
136 *a charge on one type of generator (wind) that it does not impose on all*  
137 *other types.*

138 Gregory Duvall Rebuttal Testimony, page 44, line 955.

139

140 I believe it is clear that FERC would and does permit a transmission provider to  
141 impose a charge for wind integration costs. BPA is a perfect example, which  
142 PacifiCorp is aware of, as it has to pay BPA wind integration costs for the  
143 Goodnoe and Leaning Juniper 1 wind resources. While the BPA is a Federal  
144 Agency under the Department of Energy it is still required to have its  
145 Transmission and Ancillary Service Rate Schedules approved by FERC. In the  
146 most recent BPA 2010 Rate Case, the BPA requested FERC to approve its rates,  
147 including its wind integration cost rate, with an effective date of October 1, 2009.

148 **Q. WHAT IS THE THIRD ARGUMENT?**

149 A. Finally, Mr. Duvall explains that the first 125 megawatts of output for the Long  
150 Hollow wind resource belongs to PacifiCorp's transmission customer Utah  
151 Associated Municipal Power Systems ("UAMPS"), and any modification to the  
152 transmission agreement between UAMPS and PacifiCorp to allow a wind  
153 integration charge would require a special rate filing at FERC. Again, this is the  
154 same as Mr. Duvall's first argument as to why retail customers should pay for the  
155 transmission costs imposed by wholesale transmission customers. There is  
156 simply no reason that retail customers should have to pay the costs imposed by

157 wholesale customers, especially if PacifiCorp makes no effort for a tariff change  
158 at FERC. PacifiCorp should not be permitted to charge retail customers for wind  
159 integration costs that PacifiCorp is unwilling to try and have assigned to the  
160 rightful party.

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

162 **A.** Yes it does.