

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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)	DOCKET NO. 12-035-100
In the Matter of the Application of Rocky)	Exhibit No. DPU 1.0 Rebuttal
Mountain Power for Approval of)	
Changes to Renewable Avoided Cost)	
Methodology for Qualifying Facilities)	Rebuttal Testimony
Projects Larger than Three Megawatts)	Charles E. Peterson
)	
)	

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

Rebuttal Testimony Regarding RMP’s Motion to Stay
of
Charles E. Peterson

December 7, 2012

Table of Contents

I. INTRODUCTION.....	1
II. CLARIFICATION OF SEPTEMBER 1, 2013 DATE.....	1
III. REGARDING THE NEED TO ENSURE ECONOMIC PROSPERITY TO WIND PROJECTS	2
IV. SUMMARY AND CONCLUSION.....	3

1
2
3
4
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6
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Rebuttal Testimony of Charles E. Peterson

I. INTRODUCTION

Q. Please state your name, business address and title.

A. My name is Charles E. Peterson; my business address is 160 East 300 South, Salt Lake City, Utah 84114; I am a Technical Consultant in the Utah Division of Public Utilities (Division, or DPU).

Q. On whose behalf are you testifying?

A. The Division.

Q. Did you previously file testimony in this matter?

A. Yes. I filed direct testimony on behalf of the Division on November 30, 2012 in this docket.

Q. What is the purpose of your testimony in this matter?

A. My rebuttal testimony clarifies the Division’s position regarding what should occur on or before September 1, 2013. I also make a general statement in response to comments by several intervening parties.

II. CLARIFICATION OF SEPTEMBER 1, 2013 DATE

Q. Please explain the issue surrounding the September 1, 2013 date from your direct testimony.

24 A. On lines 116 to 121 of my direct testimony, I correctly described the Division's position that
25 a project only needed to have a signed power purchase agreement in hand by September 1,
26 2013 in order to continue to receive the market proxy pricing based upon the 2009 resource.
27 However, in my concluding remarks on lines 147 to 149 I suggested that the project must be
28 on-line, which would be a much more onerous requirement. This was an error.

29

30 To make it clear: the Division recommends that a project only needs an executed power
31 purchase agreement by September 1, 2013 in order to receive the current market proxy
32 pricing.

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35 **III. REGARDING THE NEED TO ENSURE ECONOMIC PROSPERITY**
36 **TO WIND PROJECTS**

37

38 **Q. Do some other parties raise economic side issues in their opposition to RMP's motion to**
39 **stay?**

40 A. Yes. There are two points that several parties attempt to make. First, that if the QF pricing is
41 not high enough, then a project would not be economically viable. Second, that a completed
42 project provides economic development benefits to the nearby towns and counties in which it
43 is located. The suggestion seems to be that the Commission should approve higher pricing so
44 that the projects are economic and the places where the project is located will receive
45 economic development benefits.

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49 **Q. What is the Division's view of these two points?**

50 A. First, the Division certainly would like to see economically successful projects and wishes
51 any developer well. But the Division believes that it is not the regulators' place to ensure that
52 economic success is likely. The Division's position is that the avoided cost pricing that a
53 WQF receives should be high enough such that ratepayers are indifferent between obtaining
54 power from the WQF versus other available resources, but the price should be no higher than
55 that. Second, the Division understands that there is an economic development potential with
56 a wind farm, but again, that is not the regulators' job to create or ensure that potential. There
57 exist other avenues for economic development outside this regulatory environment.¹

58

59 **IV. SUMMARY AND CONCLUSION**

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61 **Q. Please summarize conclusions.**

62 A. As clarified above, the Division recommends that a project have a signed power purchase
63 agreement in place by September 1, 2013 for a project in order to obtain the 2009 market
64 proxy pricing. The Division does not believe that it is within the scope of PURPA or other
65 regulatory process to ensure that a WQF project is economically viable. Furthermore, while
66 positive economic growth in a locality may be a beneficial outcome of a wind project in that

¹ In general, utility rates are not very effective vehicles to promote or achieve social objectives. As professor Bonbright states, "public utility rates are ineffective instruments by which to minimize inequalities in income distribution and that alternative instruments . . . are better designed to accomplish this objective. . . ."

Later Bonbright concludes, "American rate making has adhered in the main to the standard of service at cost," which in this case is an avoided cost to which the rate payer is indifferent, "and that even most departures therefrom have been to due to administrative, historical, and business reasons rather than 'social' reasons."

James C. Bonbright, Principles of Public Utility Rates (New York: Columbia University Press, 1961), republished on the web (July 2005): <http://www.terry.uga.edu/bonbright/publications> , pages 30 and 115.

67 locality, the Division does not believe that that is a basis for price regulation of a WQF or the
68 public utility.

69

70 To repeat the other positions I took in my direct testimony, the Division supports the
71 reevaluation of the Market Proxy method for WQFs because of significant changes in the
72 Company's IRP since that method was approved by the Commission and also because of its
73 belief that significant changes may have occurred in the cost of wind projects since 2009.

74 The Division generally supports the application of a stay from Market Proxy pricing for
75 WQFs not in the queue as of October 9, 2012. Generally, the Division believes that WQFs
76 similarly situated to Blue Mountain should also be afforded the opportunity to receive the
77 Market Proxy pricing if they were in the queue by October 9, 2012. The Division also
78 recommends that a project be subject to the stay if it had not made an application for
79 interconnection with the Company as of October 9, 2012, even if the project had previously
80 requested indicative pricing.

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82 **Q. Does this conclude your rebuttal testimony?**

83 A. Yes.

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