

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of :
Rocky Mountain Power for Approval of :
Changes to Renewable Avoided Cost : Docket No. 12-035-100
Methodology for Qualifying Facilities :
Projects Larger than Three Megawatts : Motion to Stay

SUR-REBUTTAL TESTIMONY OF

BELA VASTAG

ON BEHALF OF THE

OFFICE OF CONSUMER SERVICES

DECEMBER 11, 2012

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2
3 A. My name is Béla Vastag. I am a utility analyst in the Office of Consumer Services
4 (Office). The Office is located in the Heber Wells Building at 160 East 300 South, Salt
5 Lake City, Utah.

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

7
8 A. Yes, I filed direct testimony on November 30, 2012 and rebuttal testimony on December 7,
9 2012.

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

11 A. I will respond to the rebuttal testimony provided by Utah Clean Energy (UCE) and
12 Wasatch Wind (Wasatch).

13 **Response to Utah Clean Energy**

14 **Q. UCE STATES THAT IF THE STAY IS GRANTED, THE COMPANY WILL BE**
15 **REWARDED FOR ITS NON-COMPLIANCE WITH THE COMMISSION'S**
16 **ORDERS FROM DOCKET NOS. 03-035-14 AND 12-2557-01.¹ HOW DO YOU**
17 **RESPOND?**

18 A. UCE states that the Company has been non-compliant with the 2005 methodology for
19 seven months, since May 2012. UCE implies wrongdoing on the part of the Company.
20 Such an implication is unjustified. It appears that the Company provided indicative pricing
21 based on its reasonable interpretation of the 2005 methodology. Further, it is unclear what
22 reward the Company would achieve from its alleged non-compliance. As the Company's
23 witness, Paul Clements, states in his rebuttal testimony: "Irrespective of the Commission's
24 decision in this case, it is important to note that the Company will recover the costs it
25 incurs from QF contracts from its customers."²

¹ Rebuttal Testimony of Sarah Wright, page 4, lines 65 – 66.

² Rebuttal Testimony of Paul H. Clements, page 10, lines 200 – 202.

26 **Q. WOULD THE CURRENT PROCESS BE ANY DIFFERENT IF THE COMPANY**
27 **IS FOUND TO BE NON-COMPLIANT FOR SOME PERIOD OF TIME?**

28 A. No. The matter in front of the Commission is whether to grant the Stay requested by the
29 Company. This matter evolves from one wind developer's request for Market Proxy
30 pricing instead of the PDDRR indicative pricing provided by the Company. Whether or
31 not the Company was non-compliant for a period of time and whether or not the Company
32 should have made their request for a Stay sooner, does not affect the resolution of this
33 matter before the Commission. The Commission must make its determination based on
34 the requirements of PURPA. Ratepayers should not be punished with higher rates just
35 because of an allegation that the Company should have requested a change in methodology
36 sooner.

37 **Response to Wasatch Wind**

38 **Q. WASATCH WIND CLAIMS THAT DEVELOPMENT ON ITS LATIGO WIND**
39 **PROJECT CANNOT PROCEED WITHOUT CERTAINTY OF PRICING BASED**
40 **ON THE MARKET PROXY METHODOLOGY.³ WHEN DID WASATCH LAST**
41 **RECEIVE INDICATIVE PRICING BASED ON THE MARKET PROXY FROM**
42 **THE COMPANY?**

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44 A. Based on the direct and rebuttal testimonies of Company witness Paul Clements, it appears
45 that the last time Wasatch received Market Proxy pricing was in November 2010. Mr
46 Clements' rebuttal testimony also indicated that the next and most recent time Wasatch
47 received indicative pricing from the Company was in June 2012.⁴ This most recent pricing
48 for Latigo was not based on the Market Proxy method but on the PDDRR method.⁵ It
49 seems unreasonable that Wasatch should demand pricing certainty for 19 months, from
50 November 2010 to June 2012 – a period when wind capital costs and wind power prices
51 were declining.

³ Rebuttal Testimony of Christine Mikell, page 5, lines 108-109.

⁴ Rebuttal Testimony of Paul H. Clements, page 9, lines 178 – 180.

⁵ Direct Testimony of Paul H. Clements, page 8, lines 157 – 158.

52 **Q. WHAT EVIDENCE CAN YOU PROVIDE THAT WIND COSTS HAVE**
53 **DECLINED SINCE 2010?**

54 A. A February 2012 presentation⁶ from the US Department of Energy (DOE) suggests that a
55 peak for wind project capital costs occurred for projects installed in 2009 – 2010. This is
56 the vintage of the Company’s Market Proxy, Dunlap I. The presentation also states that
57 steep reductions in turbine prices have been negotiated in the last two years and that the lag
58 between turbine prices and project costs should lead to substantial project-level installed
59 capital cost reductions by 2012 – 2013. Wasatch states, for their Latigo Wind Project, that
60 they hope to be under construction by December 31, 2013 and be online by December 31,
61 2014 (if the Stay is denied).⁷

62 **Q. IS THERE A MORE RECENT PRESENTATION ON WIND COSTS FROM THE**
63 **US DEPARTMENT OF ENERGY THAN THE ONE CITED ABOVE?**
64

65 A. Yes, a presentation on the 2011 Wind Technologies Market Report. In a Report Summary
66 from August 2012⁸, the DOE presents some “Key Findings” including:

- 67 • Falling wind turbine prices have begun to push installed project costs lower
- 68 • Lower wind turbine prices and installed project costs, along with improved capacity
- 69 factors, are enabling aggressive wind power pricing
- 70

71 A slide from this presentation is provided in OCS Exhibit 1S. This slide contains recent
72 data on wind costs and confirms that these costs continue to decline.

73 **Q. WHAT DOES THIS INFORMATION SAY ABOUT THE TIMING OF THE**
74 **COMPANY’S MOTION TO STAY THE MARKET PROXY METHOD?**

75 A. In 2012, the evidence has been mounting that wind costs have declined and will continue
76 to decline substantially. The Company has acted accordingly. Asking to Stay the Market
77 Proxy method is in the public interest and protects ratepayers.

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⁶ <http://emp.lbl.gov/sites/all/files/wind-energy-costs-2-2012.pdf>

⁷ Rebuttal Testimony of Christine Mikell, page 3, lines 54 – 56.

⁸ http://emp.lbl.gov/sites/all/files/eetd.lbl.gov_EA_EMP_reports_lbnl-5559e-ppt.pdf, see pages 5 and 29.

79

80 **Recommendation**

81 **Q. HAS THE OFFICE CHANGED ITS POSITION IN THIS CASE?**

82 A. No. The Office continues to recommend that the Company's request for a Stay of the
83 Market Proxy method for avoided cost pricing for wind QFs should be granted.

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

85 A. Yes.

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