

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

<p><b>In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts</b></p>	<p><b>DOCKET NO. 12-035-100</b></p>
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**SURREBUTTAL TESTIMONY OF PAUL H. CLEMENTS**

December 11, 2012

1 **Q. Are you the same Paul H. Clements that previously filed testimony in this**  
2 **proceeding?**

3 A. Yes. I filed direct testimony in which I recommend that the Commission approve  
4 the Company's October 9, 2012 Request for Agency Action Motion to Stay. I  
5 also filed rebuttal testimony providing additional evidence supporting my  
6 recommendation.

7 **PURPOSE AND SUMMARY OF TESTIMONY**

8 **Q. What is the purpose of your testimony?**

9 A. I will provide the Company's response to the rebuttal testimony of Wasatch Wind  
10 witness Christine Mikell, Utah Clean Energy witness Sarah Wright, Energy of  
11 Utah witness Ros Rocco Vrba and Utah Division of Public Utilities ("DPU")  
12 witness Charles E. Peterson.

13 **RESPONSE TO TESTIMONY OF CHRISTINE MIKELL**

14 **Q. Ms. Mikell claims the Company is attempting to pre-judge the outcome of**  
15 **phase 2 of this docket. Is the Company's request for a stay dependent on or**  
16 **related to phase 2 of this docket?**

17 A. No. The Company expects and plans to participate in a full evidentiary  
18 proceeding to establish a methodology in phase 2 of this docket. The Company  
19 requested a stay because the underlying assumptions upon which the Commission  
20 established the Market Proxy method in the October 31, 2005 Report and Order in  
21 Docket No. 03-035-14 ("2005 Order") have materially changed in a manner not  
22 contemplated in the 2005 Order. Providing pricing based on the Market Proxy  
23 method makes no sense under these circumstances.

24 **Q. Do we need to know the outcome of phase 2 of this docket in order to find the**  
25 **Company’s requested stay of the Market Proxy just and reasonable and in**  
26 **the public interest?**

27 A. No. I do not presume to know the outcome of phase 2 of this docket, but I am  
28 certain and have provided clear evidence that the Market Proxy method no longer  
29 reflects the Company’s current avoided costs, that the 2005 Order establishing the  
30 Market Proxy was based on the assumption that the Market Proxy would be a  
31 reasonable estimate of avoided costs, and that the Company must not “pay more  
32 than the avoided costs for purchases”, pursuant to Section 292.304(a)(2) of Title  
33 18 of the Code of Federal Regulations. It is neither fair nor reasonable for  
34 customers to be paying more than the avoided costs; therefore, it is in the public  
35 interest for the Commission to stay the Market Proxy method pricing.

36 **Q. Ms. Mikell states the Company was attempting to backtrack on the offered**  
37 **QF pricing<sup>1</sup>. Is this an accurate characterization of how the Company**  
38 **implements Utah Schedule No. 38?**

39 A. No. The Company does not “backtrack” on indicative pricing. The Company  
40 updates indicative pricing as needed and pursuant to Utah Schedule No. 38  
41 wherein it is clear that prices and other terms and conditions are only final and  
42 binding to the extent contained in a power purchase agreement executed by both  
43 parties and approved by the Commission<sup>2</sup>. The Company has record of providing  
44 indicative pricing to Wasatch Wind for its Latigo Project in January 2009, March  
45 2010, November 2010 and June 2012. The indicative pricing provided to

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<sup>1</sup> Rebuttal Testimony of Christine Mikell, page 4, lines 77-78.

<sup>2</sup> Utah Electric Service Schedule No. 38, Original Sheet No. 38.3.

46 Wasatch Wind was not the same over these four requests, so it is disingenuous of  
47 Wasatch Wind to now claim the Company is backtracking on a particular price  
48 when there is a clear history of changing avoided costs for the Latigo wind  
49 project.

50 **Q. Ms. Mikell again claims the Company predicated its decision to no longer**  
51 **utilize the Market Proxy method on incorrect assumptions, namely**  
52 **transmission constraints and the meeting of the 1,400 MW IRP target<sup>3</sup>. Is**  
53 **her position justified based on the Company's filing and evidence presented**  
54 **in this docket?**

55 A. No. Neither transmission constraints nor the 1,400 MW IRP target were factors  
56 in the Company's decision. The Company requested the stay because the Market  
57 Proxy method no longer reflects current avoided costs for wind projects and the  
58 Company does not have an immediate, identifiable need for wind resources.  
59 Those two factors alone led to the Company's decision to request a stay.

60 **Q. Ms. Mikell states that development cannot proceed without the certainty of**  
61 **pricing based on the Market Proxy method<sup>4</sup>. Is this consistent with Wasatch**  
62 **Wind's demonstrated behavior relative to development activities for the**  
63 **Latigo wind project?**

64 A. No. Wasatch Wind admits it has been developing the Latigo wind project since  
65 2006. Development has continued through four indicative pricing requests over  
66 four years. Wasatch Wind has previously represented to the Company that it  
67 could not make the economics work using previous indicative prices, some of

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<sup>3</sup> Rebuttal Testimony of Christine Mikell, page 5, lines 98-101.

<sup>4</sup> Rebuttal Testimony of Christine Mikell, page 5, lines 108-109.

68 which were based on the Market Proxy method, yet development efforts  
69 continued. Furthermore, as OCS witness Vastag has clearly illustrated<sup>5</sup>, the  
70 uncertainty around the extension of the production tax credit has not stopped  
71 Wasatch Wind from developing the Latigo wind project, and its impact is more  
72 than threefold the impact of the pricing method. Wasatch Wind's claim of  
73 requiring certainty in order to continue development is not consistent with its  
74 actions.

75 **Q. Under the 2005 Order, did Wasatch Wind have certainty that the Market**  
76 **Proxy method would always be available to them?**

77 A. No. The 2005 Order included specific scenarios in which pricing for wind  
78 projects would be based on the PDDRR method and not the Market Proxy method  
79 if certain conditions were met. Wasatch Wind had no control over the timing of  
80 when those conditions would be met and, therefore, had no certainty that the  
81 Market Proxy method would always be available to them under the 2005 Order.

82 **RESPONSE TO TESTIMONY OF SARAH WRIGHT**

83 **Q. Ms. Wright states the Company has refused to comply with the**  
84 **Commission's order in Docket No. 12-2557-01. Is this factually accurate?**

85 A. No. The Company was ordered to provide pricing based on the Market Proxy  
86 method to Blue Mountain. The Company has provided pricing to Blue Mountain  
87 accordingly and is in full compliance with the order.

88 **Q. Ms. Wright encourages the Commission to not grant the Company's request**  
89 **to stay because it would be inappropriate to reward the Company<sup>6</sup>. Please**

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<sup>5</sup> Rebuttal Testimony of Bela Vastag, page 2, lines 28-37.

<sup>6</sup> Rebuttal Testimony of Sarah Wright, page 4, lines 65-67.

90 **explain how avoided costs impact the Company relative to her claim.**

91 A. The Company is not “rewarded” with low QF prices or punished with high QF  
92 prices. The avoided costs in QF contracts are included in net power costs and are  
93 a direct pass through to customers. Customers would be harmed if QF contract  
94 pricing is higher than market prices, not the Company. The Company’s role is to  
95 implement PURPA and the Commission’s orders on avoided costs in a manner in  
96 which customers are indifferent to QFs.

97 **RESPONSE TO TESTIMONY OF ROS ROCCO VRBA**

98 **Q. When did Energy of Utah submit all of the information required under Utah**  
99 **Schedule No. 38 for the Company to begin calculating avoided cost pricing**  
100 **for the Long Ridge 1 and Long Ridge 2 projects?**

101 A. Energy of Utah submitted the final piece of information to complete all of the  
102 Schedule 38 requirements on July 13, 2012. The missing piece of information  
103 was a 12x24 matrix, which shows the expected output of the wind project. This  
104 information is required under Schedule 38 and is needed by the Company prior to  
105 being able to calculate indicative pricing.

106 **Q. When did the Company provide indicative pricing to Energy of Utah?**

107 A. Pricing was provided for both projects on August 31, 2012, which was 19 days  
108 past the Schedule 38 timeline of 30 days and not three months as suggested by  
109 Mr. Vrba.

110 **Q. Mr. Vrba claims he could not move forward with an interconnection request**  
111 **until he received indicative pricing<sup>7</sup>. Is this consistent with your experience**  
112 **with QF developers?**

113 A. No. I have been responsible for processing Company QF requests for the past  
114 eight years. I have managed dozens of requests. In my experience, the QF  
115 developer typically has begun the interconnection process prior to requesting  
116 indicative pricing. Mr. Vrba could have begun the interconnection process  
117 without having received indicative pricing from the Company.

118 **Q. Please summarize what Energy of Utah believed to be “errors” in the**  
119 **indicative pricing provided on August 31, 2012.**

120 A. When Energy of Utah expressed concern over the Company’s calculated price,  
121 the Company confirmed for Energy of Utah that the indicative price provided by  
122 the Company was calculated correctly and was consistent with the 2005 Order,  
123 but agreed to look at materials provided by Energy of Utah. Energy of Utah sent  
124 an email to the Company on October 18, 2012, where it attached its own  
125 calculations of what it thought should be the basis for calculating the avoided cost  
126 of the Long Ridge project. Contrary to the PDDRR method established in the  
127 2005 Order, Energy of Utah’s calculations were based on the full surrogate cost of  
128 a Combined Cycle Combustion Turbine (CCCT) instead of the avoided cost as  
129 calculated by the Company pursuant to the 2005 Order. The Company has not  
130 issued a formal reply to Energy of Utah on this matter in light of the October 9,  
131 2012, filing and subsequent formal proceeding. The Company maintains that the

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<sup>7</sup> Rebuttal Testimony of Ros Rocco Vrba, page 2, lines 29-30.

132 price provided to Energy of Utah was calculated correctly and Energy of Utah's  
133 claims are baseless.

134 **RESPONSE TO TESTIMONY OF CHARLES PETERSEN**

135 **Q. DPU witness Charles Peterson indicates that projects, including Blue**  
136 **Mountain, must have an executed power purchase agreement (PPA) by**  
137 **September 1, 2013 in order to receive the current Market Proxy pricing.**  
138 **What is your response to Mr. Peterson's position that Blue Mountain must**  
139 **have an executed PPA in order to obtain Market Proxy pricing?**

140 A. The Company has already provided Blue Mountain updated pricing based on the  
141 Market Proxy method, consistent with the Commission's order in the Blue  
142 Mountain docket. However, the Company never intended to provide to Blue  
143 Mountain, and Blue Mountain should have no expectation of receiving, Market  
144 Proxy pricing indefinitely. If Blue Mountain does not have an executed PPA  
145 prior to the date the Commission issues a binding order in this docket, the  
146 Company will update its pricing based on the approved pricing methodology  
147 ordered by the Commission in this docket. Blue Mountain should not be  
148 exempted from Schedule 38 or from changes to the approved methodology  
149 established by the Commission.

150 **Q. Does this conclude your testimony?**

151 A. Yes.