

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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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	)	Docket No. 12-035-100
	)	Phase 2
	)	All Other Issues

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SUR-REBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

MAY 30, 2013

1 **Introduction**

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

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

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN PHASE 2 OF THIS**  
7 **DOCKET?**

8 A. Yes, I filed direct testimony on March 29, 2013 and rebuttal testimony on  
9 May 15, 2013.

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

11 A. I will address the following:

- 12 • Utah Clean Energy (UCE) witness Sarah Wright's assertion that  
13 the cost of "inevitable carbon regulation" should be included in  
14 QF avoided cost pricing;
- 15 • Ownership of the Renewable Energy Certificates (RECs)  
16 created by Qualifying Facilities (QFs); and
- 17 • Division of Public Utilities (Division) witness Abdinasir Abdulle's  
18 proposed process to resolve renewable QF capacity value  
19 issues.

20 **Q. DOES THE OFFICE ADDRESS ANY ADDITIONAL ISSUES IN ITS SUR-**  
21 **REBUTTAL TESTIMONY?**

22 A. Yes, the testimony of Mr. Randall J. Falkenberg addresses technical  
23 issues related to the proposed avoided cost methodologies.

24 **Costs Related to Carbon Regulation**

25 **Q. UCE WITNESS WRIGHT, STARTING ON LINE 430 OF HER REBUTTAL**  
26 **TESTIMONY, CLAIMS THAT A RENEWABLE QF WOULD ENABLE**  
27 **RATEPAYERS TO AVOID INEVITABLE CARBON REGULATION**  
28 **COSTS AND STATES THAT AN ESTIMATE OF THESE COSTS**  
29 **SHOULD BE INCLUDED IN QF AVOIDED COST PRICING. PLEASE**  
30 **COMMENT.**

31 A. As I described in my rebuttal testimony, Federal Energy Regulatory  
32 Commission (FERC) regulations and rulings require that QF avoided cost  
33 pricing only include real, actual costs that would be avoided by the utility.  
34 Currently, neither the federal government nor the state of Utah regulate  
35 carbon emissions. Consequently, there are no actual carbon regulation  
36 costs and estimating potential future carbon costs for use in Utah QF  
37 avoided cost pricing would be counter to the requirements of PURPA.

38 **Q. UCE USES SEVERAL CO2 PRICE SCENARIOS FROM THE**  
39 **COMPANY'S 2013 INTEGRATED RESOURCE PLAN (IRP) TO**  
40 **ESTIMATE CARBON REGULATION COSTS. IS IT APPROPRIATE**  
41 **FOR THE UTAH PUBLIC SERVICE COMMISSION (COMMISSION) TO**  
42 **CONSIDER THOSE ESTIMATES IN THIS PROCEEDING?**

43 A. No, these costs are not consistent with FERC regulations and as UCE has  
44 shown, the cost of carbon regulation risk is already modeled in the IRP. It  
45 is inappropriate for these cost estimates to also be included in this  
46 proceeding.

47 **Ownership Of Renewable Energy Certificates (RECs)**

48 **Q. HAS THE OFFICE CHANGED ITS POSITION ON THE OWNERSHIP OF**  
49 **RECS?**

50 A. No, the Office still asserts that the Commission should require that any  
51 Purchase Power Agreements (PPAs) that the Company signs with a Utah  
52 QF include the transfer of QF generated RECs to the Company. A QF is  
53 like any power producer in that it has the freedom to sell its power to  
54 whomever it chooses – contracting to sell to the Company’s ratepayers  
55 under QF provisions or contracting with other buyers. The producer can  
56 shop around for the best price. On the other hand, ratepayers are captive  
57 buyers of a QF’s capacity and energy – this is required by federal law,  
58 PURPA. If a power producer can and does choose the QF route, the  
59 Office asserts that it should be state policy that ratepayers receive the  
60 RECs generated by that QF because ratepayers are forced to buy the  
61 QF’s power.

62 **Q. YOU INDICATED THAT THIS SHOULD BE STATE POLICY. PLEASE**  
63 **EXPLAIN.**

64 A. Several parties in this proceeding have provided evidence that REC  
65 ownership is not addressed by PURPA and that the REC ownership  
66 decision in question here is left to the states to decide. The Office agrees  
67 that states should set the policy on the ownership of QF RECs; and  
68 therefore, the Commission has the ability to set this policy. In this  
69 proceeding, the Office recommends that the Commission rule that the

70 ownership of RECs generated by Utah QFs follows the flow of energy and  
71 goes to the ratepayers. Accordingly, the Commission should require a  
72 provision in Utah QF PPAs which enforces such a state policy.

73 **Q. WHAT ADDITIONAL CONCERNS DO YOU HAVE REGARDING THE**  
74 **OWNERSHIP OF RECS AND SOME PARTIES' REQUESTS FOR**  
75 **ADDERS TO AVOIDED COST PRICING?**

76 A. Parties in this proceeding have testified, citing FERC rulings, that RECs  
77 are the embodiment of the "environmental attributes" of the energy  
78 produced by renewable QFs and that PURPA does not include these  
79 attributes in avoided costs. At the same time, these parties have also  
80 argued to include environmental adders, such as the potential cost of  
81 carbon regulation discussed earlier in my testimony, in QF avoided cost  
82 pricing. By advocating for QF ownership of RECs and for environmental  
83 adders, these parties are asking that QFs be double compensated for  
84 these environmental attributes. It is inappropriate to include either form of  
85 compensation in Utah QF avoided cost pricing. First, the adders these  
86 parties seek are contrary to the avoided cost principles of PURPA.  
87 Second, the Office has provided a strong argument that the PURPA  
88 mandate requiring ratepayers to purchase the output from a QF is  
89 sufficient compensation such that the RECs should go to the ratepayer.

90 **Q. IF THE COMMISSION DETERMINES THAT RECS BELONG TO THE**  
91 **RATEPAYERS, WOULD IT THEN BE APPROPRIATE TO CONSIDER**

92           **ADDITIONAL ENVIRONMENTAL ADDERS IN THE DETERMINATION**  
93           **OF QF AVOIDED COST PRICING?**

94    A.    No.    PURPA and FERC rulings clearly prohibit the inclusion of  
95           hypothetical adders in QF avoided cost pricing.

96    **Process To Resolve The Determination of Capacity Value**

97    **Q.    DIVISION WITNESS ABDINASIR, STARTING ON LINE 181 OF HIS**  
98           **REBUTTAL TESTIMONY, PRESUMES THAT THE COMMISSION MUST**  
99           **DETERMINE A CAPACITY VALUE ON AN INTERIM BASIS AND**  
100           **INITIATE A NEW PROCESS TO DETERMINE A FINAL CAPACITY**  
101           **VALUE. PLEASE COMMENT.**

102   A.    The Office disagrees with the Division's assessment. An interim capacity  
103           value is unnecessary. The Commission can consider the evidence  
104           provided by parties in this proceeding and decide on the capacity value  
105           methodology to be used. Thus, instead of the Commission setting interim  
106           capacity values, the Office recommends the following:

- 107           • First, the Commission should order the Company to calculate  
108           capacity values using the Commission-determined methodology  
109           and the most current available data and submit these values along  
110           with workpapers to the Commission within 30 days of an Order in  
111           this proceeding.
- 112           • Second, the Commission should establish a short period wherein  
113           interested parties may provide comments to the Commission to  
114           ensure that the Company's calculations are reviewed for accuracy.

115           • Third, based on these calculations and comments, the Commission  
116           should determine the appropriate capacity values to be effective  
117           under Schedule 38.

118 **Q.   WHAT IS THE OFFICE’S RECOMMENDATION IN THE EVENT THE**  
119 **COMMISSION IS UNABLE TO DECIDE ON A CAPACITY VALUE**  
120 **METHODOLOGY?**

121 A.   In this situation, the Office recommends the following:

122           • First, the Commission should require the Company to provide  
123           capacity values that are calculated using reliability-based methods such  
124           as those from the National Renewable Energy Laboratory (NREL) paper<sup>1</sup>  
125           referenced by several parties in this proceeding. The Company should be  
126           required to calculate values using as many of these recommended  
127           methods as possible given their data and resource constraints. Results  
128           and workpapers from the Company’s calculations should be provided to  
129           parties within a timeframe to allow them to prepare for a technical  
130           conference.

131           • Second, the Commission should also schedule a single technical  
132           conference at which parties can discuss the Company’s calculations and  
133           propose changes to any methodology, if necessary. The initial set of  
134           calculations that the Company performs will provide a starting point for the  
135           technical conference and enable parties to efficiently determine and  
136           recommend a final capacity value methodology to the Commission.

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<sup>1</sup> Comparison of Capacity Value Methods for Photovoltaics in the Western United States. July 2012.

137           • Third, in case agreement is not reached at the technical  
138 conference, the Commission should schedule a final round of comments  
139 in which parties could propose alternatives. After reviewing these  
140 comments, the Commission would then make a determination and issue  
141 an Order for the capacity value methodology and current values that  
142 would become effective under Schedule 38.

143 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

144 **A.** Yes it does.