

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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<b>In the Matter of Rocky Mountain</b>	)	<b>Docket No. 14-035-T02</b>
<b>Power's Proposed Electric</b>	)	<b>Rebuttal Testimony of</b>
<b>Service Schedule No. 32,</b>	)	<b>Cheryl Murray</b>
<b>Service from Renewable</b>	)	<b>for the</b>
<b>Energy Facilities</b>	)	<b>Office of Consumer Services</b>

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October 9, 2014

1 **Q. WHAT IS YOUR NAME, TITLE, AND BUSINESS ADDRESS?**

2 A. My name is Cheryl Murray. I am a utility analyst for the Office of  
3 Consumer Services (Office). My business address is 160 East 300 South,  
4 Salt Lake City, Utah.

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS DOCKET?**

6 A. Yes, I provided direct testimony on September 9, 2014.

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

8 A. The purpose of my testimony is to respond to the September 9, 2014,  
9 direct testimony of parties to this docket. My rebuttal responses will be  
10 provided in the context of the policy position of the Office regarding the  
11 proposed Electric Service Schedule 32, Service from Renewable Energy  
12 Facilities (Schedule 32).

13 **Q. WILL YOU RESPOND TO ALL ISSUES RAISED BY PARTIES?**

14 A. In my rebuttal testimony I will not address each of the complaints and  
15 criticisms presented by parties. My lack of response should not be taken  
16 as agreement with any specific complaint or suggestion. It is the Office's  
17 position that Rocky Mountain Power (Company) is in a better position to  
18 address certain issues and should provide additional information and  
19 explanation where appropriate.

20 **Q. WHAT ISSUES FROM PARTIES REBUTTAL TESTIMONY WILL YOU**  
21 **ADDRESS?**

22 A. I will provide the Office's general view of parties' criticisms of the proposed  
23 Schedule 32 tariff. Additionally, I will address the following issues raised  
24 by parties:

- 25 • Concerns with confidentiality related to Schedule 32 contract pricing;<sup>1</sup>
- 26 • Unknown requirements in a yet to be provided contract;<sup>2</sup>
- 27 • Administrative fee and customer charge;
- 28 • Aggregation and required fees (administrative and customer charge);
- 29 • Develop cost components by customer class;
- 30 • Demand/capacity payments/charges; and
- 31 • Back up power charges.

32

33 **Response to Parties' Issues in Direct Testimony**

34

35 **Q. WHAT IS THE OFFICE'S RESPONSE TO THE OVERALL GENERAL**  
36 **CRITICISMS MADE BY PARTIES IN DIRECT TESTIMONY?**

37 A. In direct testimony parties have expressed a number of criticisms and  
38 complaints regarding the Company's proposed Schedule 32 without  
39 providing adequate specifics of the concerns. With a few exceptions,  
40 solutions to the criticisms have not been offered. This lack of specificity

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<sup>1</sup> Parties have stated that the Company should not know the pricing negotiated between Renewable Energy Facilities and customers.

<sup>2</sup> On September 30, 2014 the Company provided a working draft contract in response to Ormat data request 1.3, 1<sup>st</sup> supplemental.

41 limits the ability to conduct a reasonable evaluation of those concerns and  
42 to respond to asserted problems.

43

44 *REF-Customer Contract Confidentiality*

45 **Q. WHAT IS THE OFFICE'S RESPONSE TO THE ISSUE OF CONTRACT**  
46 **CONFIDENTIALITY?**

47 A. Several parties raised concerns regarding the need to have the pricing  
48 negotiated between the Renewable Energy Facility (REF) and the  
49 purchaser of the REF's output (Customer) remain confidential from the  
50 Company. Although the Company will not be a party to the negotiation of  
51 pricing between the REF and the Customer, the Company will be  
52 responsible to collect the contract revenue from the Customer and to pay  
53 that amount to the REF. These matching amounts of collection and  
54 remuneration must be verifiable and auditable in order to ensure that no  
55 costs are passed on to the Company's other customers.

56

57 Mr. Ros Vrba of Energy of Utah (EOU) has proposed that the solution to  
58 the confidentiality issue could be a third party administrator. The concept  
59 of a third party administrator is not contemplated in the statute.<sup>3</sup> However,

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<sup>3</sup> The Statute describes two contracts: 1) Utah Code Ann. § 54-17-802(1) "...a qualified utility shall enter into a renewable energy contract with the requesting contract customer to supply some or all of the contract customer's electric service from one or more renewable energy facilities selected by the contract customer"; 2) Utah Code Ann. § 54-17-803(3)(a) the qualified utility shall, by contract with the owner of the electricity to be sold from the renewable energy facility, purchase electricity for resale to one or more contract customers.

60 clearly, implementing that solution will increase participants' costs as the  
61 expense of hiring a third party administrator must not be passed on to  
62 other ratepayers. Although the Office has concerns about Mr. Vrba's third  
63 party administrator proposal we do believe parties working collaboratively  
64 should be able to develop other solutions to resolve this issue.

65

66 *Unknown Contract Requirements*

67 **Q. WHAT IS YOUR UNDERSTANDING OF PARTIES' CONCERNS WITH**  
68 **POTENTIAL CONTRACT TERMS?**

69 A. My understanding is that the concerns relate mainly to the fact that parties  
70 have not had an opportunity to review a proposed contract between the  
71 Company and Customers. The Office believes that parties have raised  
72 valid concerns about the process related to contract terms that are as yet  
73 unknown – such as credit requirements. We are sympathetic to those  
74 concerns. Reaching agreement on the Tariff is more difficult when other  
75 requirements for participation are still unknown. It is the Office's position  
76 that all terms and conditions that are common to all participants should be  
77 provided in tariffs thereby giving potential participants a clear  
78 understanding of all that will be required for their participation. Only those  
79 terms that must be negotiated individually should be contained in a  
80 contract outside of the tariff. In those cases, the tariff should clearly  
81 identify what types of terms will be addressed in a contract.

82

83 *Administrative Fee and Customer Charge*

84 **Q. PLEASE ADDRESS THE ISSUES WITH THE ADMINISTRATIVE FEE**  
85 **AND CUSTOMER CHARGE.**

86 A. The Schedule 32 tariff includes a customer charge which is  
87 consistent with the recently approved Schedule 31 customer charge. The  
88 Schedule 31 customer charges are higher than customer charges  
89 assigned to Schedules 6, 8 and 9, which are the customer classes that are  
90 able to participate in Schedule 32.

91

92 In addition to those higher customer charges, the Company proposes to  
93 include an administrative fee and asserts that the potential intermittency of  
94 an REF resource creates added complexity for billing purposes. The  
95 proposed administrative fee is calculated based on the estimated number  
96 of hours to calculate the bills for participating Customers at the current  
97 billing rate of \$75.00 per hour. While acknowledging that the  
98 administrative fee calculation is based on estimates, in direct testimony  
99 the Office asserted that the Company is in the best position to make those  
100 estimates and stressed the importance of not shifting costs resulting from  
101 these contracts to other customers.

102

103 In direct testimony intervening parties have asserted that economies of  
104 scale will alleviate the necessity for an administrative charge of this level  
105 (or any administrative fee); however, no party has demonstrated how or if

106 this will actually occur. It has also been suggested that an automatic  
107 billing procedure should be created for these customers. Although parties  
108 have stated their view that the hours and costs estimated by the Company  
109 are excessive, the comments offered are also based solely on estimates  
110 or speculation. At this time no party can say with accuracy what those  
111 costs will be.

112

113 Although the Office is not convinced of the value of economies of scale,  
114 parties have made some compelling points regarding the combined  
115 burden of the administrative fee and customer charge and the level of  
116 each charge. The Office asserts that the Company should provide  
117 additional evidence of the need for both charges as well as the amount of  
118 the charges. The Company should also identify the cost components of  
119 the customer charge and administrative fee to ensure there is no  
120 duplication of charges for services. That being said, it is still the Office's  
121 position that cost shifting must be avoided and costs associated with  
122 participation must be assigned to the participants. The Office specifically  
123 notes that developing and/or implementing a specific system or  
124 streamlined procedures to bill participants may lower monthly billing costs  
125 but such new systems will incur up-front costs that may be significant.  
126 Any new costs must also be assigned to the participants.

127

128

129 *Aggregation and Required Fees (Administrative Fee and Customer Charge)*

130 **Q. WHAT IS THE OFFICE'S OPINION REGARDING THE OPPOSITION TO**  
131 **THE WAY FEES ARE ASSIGNED TO CUSTOMERS WHO**  
132 **AGGREGATE?**

133 A. This issue is essentially the same as discussed above but is compounded  
134 due to multiple aggregated sites each being charged an administrative fee  
135 and customer charge. The Office is sympathetic to the cost burden  
136 associated with aggregation of eligible sites. However, our concern  
137 remains with the non-participating customers who should not be burdened  
138 with any costs resulting from participants who desire to receive their power  
139 needs through this new tariff. Parties make similar arguments to those  
140 discussed above that economies of scale should lower costs. They  
141 contend that charging an administrative fee to each Customer in the  
142 aggregation is unjustified and creates barriers to participation.<sup>4</sup> The Office  
143 again notes that although several parties have stated their belief that  
144 economies of scale will reduce these costs, there has been no  
145 demonstration that this, in fact, will occur. As stated above, the Office  
146 believes that the Company should provide further evidence justifying the  
147 monthly charges and administrative fee. Such evidence should specifically  
148 address to what extent the billing procedure is the same or reduced with  
149 respect to multiple delivery points for the same customer. However, the

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<sup>4</sup> 54-17-802(3)(a) A single contract customer may aggregate multiple metered delivery locations to satisfy the minimum megawatt limit under Subsection (4). (2.0 megawatts).

150 administrative fee cannot be reduced based solely on a claim that it is a  
151 burden to aggregated customers.

152

153 *Developing Cost Components by Customer Class*

154 **Q. WHAT IS MR. CHRISS' CONCERN WITH HOW THE FACILITIES AND**  
155 **BACKUP POWER CHARGES ARE ESTABLISHED IN SCHEDULE 32?**

156 A. Steve Chriss, representing Wal-Mart Stores, Inc. and Sam's West Inc.,  
157 expresses concern with the Company's proposed delivery facilities charge  
158 (DFC), generation backup facilities charge (GBFC), and backup power  
159 tariff charges. His concern is that the proposed charges are "differentiated  
160 by service voltage without regard for the Customer Agreement location's  
161 otherwise applicable tariff".<sup>5</sup> Proposed Schedule 32 secondary and  
162 primary service charges are derived using only the Schedule 8 cost of  
163 service and billing determinants. In explaining his position Mr. Chriss  
164 contends that Schedule 6 customers would pay more for services under  
165 the proposed charges than they would under their otherwise applicable  
166 tariff.

167 **Q. DOES THE OFFICE AGREE WITH MR. CHRISS' ARGUMENT ON THIS**  
168 **ISSUE?**

169 A. The Office believes that Mr. Chriss makes some compelling arguments on  
170 the issue of use of appropriate billing determinants. The Office suggests  
171 that the Company consider creating separate pricing based on the

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<sup>5</sup> Chriss direct testimony page 10, lines 14 – 16.

172 customer classes that are eligible to participate in Schedule 32 or provide  
173 its rationale and evidence for not doing so.

174

175 *Demand/Capacity Payments/ Charges*

176 **Q. PLEASE BRIEFLY ADDRESS THE ISSUE OF DEMAND/CAPACITY.**

177 A. Parties have stated that Schedule 32 does not adequately compensate  
178 them for the capacity value that the renewable resource provides to the  
179 Company. They contend that credit is not given for the capacity value of  
180 the contracted REF power. Several parties have offered different  
181 suggestions as to how this capacity value issue should be handled. The  
182 Office acknowledges that in the framework of current rate design, some  
183 renewable facilities (depending on fuel source) are not likely to result in  
184 the reduction of demand charges on participating customers' bills. While  
185 the arguments made by certain parties may appear somewhat compelling,  
186 in the Office's view the statute appears to be prescriptive in this regard.  
187 The statute specifies that the contract customer not be charged for  
188 capacity that "coincide[s] with the ... monthly metered kilowatt demand  
189 measurement." The entire section of Utah Code Ann. § 54-17-805(3)  
190 reads as follows (relevant portion in bold):

191 (3) A qualified utility that enters a renewable energy  
192 contract shall charge a contract customer for all metered  
193 electric service delivered to the contract customer, including  
194 generation, transmission, and distribution service, at the  
195 qualified utility's applicable tariff rates, excluding:  
196 (a) any kilowatts of electricity delivered from the  
197 renewable energy facility that coincide with the contract

198 customer's monthly metered kilowatt demand measurement,  
199 adjusted for transmission losses;

200 **(b) any kilowatts of electricity delivered from**  
201 **the renewable energy facility that coincide with the**  
202 **contract customer's monthly metered kilowatt demand**  
203 **measurement, adjusted for transmission losses;**

204 (c) any transmission and distribution service that  
205 the contract customer pays for under Subsection (1) or (2);  
206 and

207 (d) any transmission service that the contract  
208 customer provides under Subsection (2) to deliver  
209 generation from the renewable energy facility.  
210

211 The statute specifies that the Company may not charge for kilowatts  
212 delivered at the time of monthly demand **measurement**. The monthly  
213 demand measurement is a metric defined in current rate design. Thus, a  
214 rate design change may be required to address parties' concerns. The  
215 Office asserts that a rate design solution must be pursued in a rate case  
216 and cannot be accomplished in this single tariff case.

217

### 218 *Backup Power Charges*

219 **Q. SEVERAL PARTIES HAVE CONTESTED THE BACKUP POWER**  
220 **CHARGES CONTAINED IN SCHEDULE 32. WHAT IS THE OFFICE'S**  
221 **VIEW OF THESE CHARGES?**

222 A. After further review of the statute the Office believes those arguments  
223 have merit.

224

### 225 Conclusions

226 **Q. DO YOU HAVE ANY FINAL COMMENTS?**

227 A. The Office's position remains that the implementation of Schedule 32 must  
228 maintain ratepayer indifference for non-participants – there must be no  
229 shifting of costs from Schedule 32 customers to other customers.

230 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

231 A. Yes, it does.