

Sophie Hayes (12546)
Utah Clean Energy
1014 2nd Ave.
Salt Lake City, UT 84103
801-363-4046
Attorneys for Utah Clean Energy

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's Proposed Electric Service Schedule No. 32, Service from Renewable Energy Facilities	DOCKET NO. 14-035-T02 Utah Clean Energy Exhibit 2.0
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REBUTTAL TESTIMONY OF SARAH WRIGHT
ON BEHALF OF
UTAH CLEAN ENERGY

October 9, 2014

RESPECTFULLY SUBMITTED,
Utah Clean Energy

Sophie Hayes
Counsel for Utah Clean Energy

1 **INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is Sarah Wright. My business address is 1014 2nd Ave, Salt Lake
4 City, Utah 84103.

5 **Q: Are you the same Sarah Wright who filed direct testimony on behalf of Utah
6 Clean Energy in this matter on September 9, 2014?**

7 A: Yes.

8

9 **RESPONSES TO DIRECT TESTIMONY**

10 **Q: Please summarize the issues you will address in your rebuttal testimony.**

11 A: First, several intervening parties expressed a desire for a simpler tariff,
12 including recommendations about specific bill components.¹ I will not address the
13 specific recommendations of each party, but I respond to general concepts.

14 Second, the Division and the Office generally supported the Company's
15 approach, and the Office highlighted the importance of "ratepayer indifference,"
16 or the principle that non-participating customers and customer classes should be
17 no worse- or better-off with the addition of Schedule 32 renewable energy
18 contracts.² I will address the Office's comments regarding ratepayer indifference.

19 Finally, I will address issues related to the renewable energy contracts that
20 were raised by several parties.³

¹ See *infra*, notes 4-7.

² See OCS-1D Murray, lines 77-80, 164-71.

³ See *e.g.*, Direct Testimony of Ros Rocco Vrba for Energy of Utah, lines 55-76; Interwest Energy Alliance Responsive Comments ("The Goals of S.B. 12 would be better served by a simpler tariff which does not require the renewable energy to be sold to the utility, rather which allows the customer to contract

21 **Q: What is your understanding of the concerns raised by intervening parties**
22 **regarding RMP's Schedule 32 proposal?**

23 A: Based on my reading of intervenor direct testimony, intervenors'
24 recommendations can be simplified and summarized as follows:

- 25 • Administrative charges and/or customer charges based on Schedule 31 are
26 unduly burdensome, particularly for customers who plan to aggregate their
27 load to meet the 2 MW minimum contracting amount.⁴
- 28 • Generation backup charges are unwarranted based on the statute and the
29 300 MW cumulative cap on renewable energy contract capacity.⁵
- 30 • Other bill components as currently calculated may over-charge renewable
31 energy contract customers.⁶
- 32 • The Company's approach does not provide any bill offset for capacity
33 value contributed through the addition of renewable energy contract
34 facilities.⁷

35 **Q: What is your response to the concerns raised by intervening parties?**

36 A: I share many of the same concerns, as outlined in my direct testimony.

directly with the renewable energy producer"); Direct Testimony of Colin Duncan for Ormat Nevada, Inc., lines 91-124.

⁴ Direct Testimony of Ros Rocco Vrba for Energy of Utah, lines 114-20, 237-51; Direct Testimony of Steve Chriss for Wal-Mart, pages 7-10; Direct Testimony of Kevin Higgins for UAE, lines 62-70, 207-41; Direct Testimony of Colin Duncan for Ormat Nevada, Inc., lines 47-75; Direct Testimony of Brent Giles for Powdr Corp., lines 55-56.

⁵ Direct Testimony of Ros Rocco Vrba for Energy of Utah, lines 157-68; Direct Testimony of Kevin Higgins for UAE, lines 71-76, 242-59; Direct Testimony of Brent Giles for Powdr Corp., lines 61-63.

⁶ Direct Testimony of Ros Rocco Vrba for Energy of Utah, lines 170-89; Direct Testimony of Steve Chriss for Wal-Mart, pages 10-12; Direct Testimony of Kevin Higgins for UAE, lines 261-319; Direct Testimony of Colin Duncan for Ormat Nevada, Inc., lines 76-88.

⁷ Direct Testimony of Ros Rocco Vrba for Energy of Utah, lines 79-112; Direct Testimony of Kevin Higgins for UAE, lines 321-463.

37 **Q: Do you have new recommendations for the Commission based on your**
38 **review of parties' direct testimony?**

39 A: I recommend that Schedule 32 include the following basic concepts and
40 components.

- 41 1. Use general service rate schedules as the foundation for Schedule 32
42 renewable energy contract rates (Schedules 6, 8 and 9), including
43 customer charges and supplementary energy rates.
- 44 2. Charge an administrative fee which is reasonable in light of other
45 proposed charges. The Company proposes a higher customer charge and a
46 large administrative fee, making the proposed administrative fee
47 unreasonable. Therefore, the combination of the customer charge and
48 administrative fee must be reasonable.
- 49 3. Do not include a charge for generation back-up facilities.
- 50 4. Provide a reasonable capacity credit as an offset to customer bills in
51 recognition of the capacity value of additional renewable energy facilities
52 coming online on RMP's system.
- 53 5. Include an additional charge, if necessary, to recover transmission-related
54 costs not already recovered through general service rates.

55 **Q: Regarding the concept of ratepayer indifference, the Office stated, “[O]ur**
56 **primary concern is that no costs associated with Schedule 32 participation**
57 **will be shifted to other customer classes.” OCS-1D Murray, lines 77-79. What**
58 **is your response?**

59 A: Utah Clean Energy believes that the purpose of the legislation enabling
60 Schedule 32 is to facilitate growing utility customer interest in serving load with
61 renewable energy, while ensuring that renewable energy contract customers pay
62 for reasonably identifiable incremental costs associated with their renewable
63 energy contracts. Therefore, I recognize that one of the goals of Schedule 32 is to
64 prevent cost shifting from one class of customers to another. In furtherance of this
65 goal, it is important both to charge renewable energy contract customers for the
66 costs they incur, but also provide them fair value for the costs they offset.

67 In order prevent cost shifting, it is necessary to provide credit to renewable
68 energy contract customers for the additional value they contribute to RMP's
69 system (and other ratepayers) through the addition of renewable generation
70 facility capacity. In my direct testimony, I offered one proposal for crediting
71 renewable energy contract customers with value associated with the addition of
72 renewable generation capacity, using the capacity valuation method utilized in
73 integrated resource planning and avoided costs pricing.

74 I recognize that my proposal is not the only way to address this issue, but
75 the issue must be addressed in order for Schedule 32 pricing to be fair and prevent
76 cost shifting for customers.

77 **Q: Does the Company's Schedule 32 proposal address the issue of ensuring that**
78 **Schedule 32 customers are compensated for the value that renewable energy**
79 **facilities bring to the system?**

80 A: Unfortunately no. Under the Company's proposal, Schedule 32 customers
81 do not get compensation for the capacity value that their renewable resources

82 bring to the system (and ratepayers). Capacity value is a measure of the reliability
83 benefits associated with additional generation resources. Schedule 32 renewable
84 energy facilities add value to RMP's system by providing reliability benefits in
85 heavy load hours. However, large customers under the proposed Schedule 32 are
86 billed based on their demand at their moment of highest daily consumption,
87 without receiving commensurate credit for their reduced demand on RMP's
88 system overall or at the time of coincident peak.

89 For example, if a renewable energy contract customer's highest daily
90 demand matches peak output from their renewable energy facility, then the
91 customer would be able to recover some value for the capacity contribution of the
92 renewable resource through an offset to their demand charge. However, this daily
93 matching of supply and demand will rarely be the case. So although a renewable
94 energy contract customer's renewable facility may reduce the Company's
95 capacity needs (providing value to all rate payers) the customer will nevertheless
96 pay full demand charges without compensation for the capacity value of their
97 renewable energy facility.

98 In this instance, value from the Schedule 32 renewable facility is "shifted"
99 to other customer classes, making Schedule 32 financially infeasible for potential
100 customers. In my view, this outcome is inconsistent with the purpose of Senate
101 Bill 12. It is necessary and balanced to prevent value, not just costs, from being
102 shifted to other customer classes through Schedule 32. In order to make Schedule
103 32 fair and feasible for potential renewable energy contract customers, capacity
104 value must be compensated somehow. A simplified method to address this would

105 be to adjust the renewable energy customer's demand charge by a factor that is
106 based on the capacity value of the renewable energy resource that they are
107 purchasing.

108 **Q: If you reduce the demand payment based on a factor related to the capacity**
109 **value of the renewable resource, might contract customers pay less than their**
110 **fair share of transmission costs?**

111 A: Yes, this could be the case, depending on how the offset is structured. If
112 you provide an offset to the demand charge for generation capacity value, you
113 may also offset costs associated with electricity delivery (transmission and
114 distribution). Thus, if a method such as I described above is used, it may be
115 appropriate to charge contract customers for transmission and distribution related
116 charges that are not collected through the adjusted demand charge, in order to
117 ensure that contract customers pay their fair share.

118 **Q: Several parties raised issues associated with the contracts associated with**
119 **Schedule 32, in particularly confidentiality and anti-competitive concerns**
120 **and the need for mirror contracts between the renewable energy facility and**
121 **RMP and between RMP and the contract customer. See supra, note 3. What**
122 **is your response?**

123 A: These are very important considerations that will likely impact customers'
124 ability to participate in Schedule 32. These issues may be outside the current
125 scope of the Commission's tariff approval process, but Schedule 32 renewable
126 energy contracts must be structured to address anti-competitive concerns.

127

128 **CONCLUSION**

129 **Q: Please summarize your rebuttal conclusions and recommendations.**

130 A: I provide recommendations for Schedule 32 tariff components that are
131 more likely to work for potential renewable energy contract customers. I conclude
132 that credit for the capacity provided by renewable energy facilities must be
133 accounted for before the Commission approves a Schedule 32 tariff. And I
134 recommend that the Commission, whether through the current tariff approval
135 docket or another proceeding, ensure that renewable energy contracts pursuant to
136 SB 12 address confidentiality and anti-competitive concerns in order to treat
137 customers fairly and make Schedule 32 workable for interested participants.

138 **Q: Does that conclude your testimony?**

139 A: Yes.