

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's)	Docket No. 14-035-T02
Proposed Electric Service Schedule No. 32,)	
Service from Renewable Energy Facilities)	DPU EXHIBIT 1.0 SR

Surrebuttal Testimony of

Charles E. Peterson

Division of Public Utilities

December 2, 2014

1 **INTRODUCTION**

2 **Q. Please state your name, business address, and employment for the record.**

3 A. My name is Charles E. Peterson. My business address is 160 E. 300 South, Salt Lake
4 City, Utah 84114; I am employed by the Utah Division of Public Utilities (Division or
5 DPU).

6 **Q. On whose behalf are you testifying in this proceeding?**

7 A. I am testifying on behalf of the Division.

8 **Q. Would you summarize your background for the record?**

9 A. I am currently a Technical Consultant for the Division. I have been employed by the
10 Division for almost 10 years, during which time I have filed testimony and memoranda
11 with the Commission involving a variety of economic, financial and policy topics. I have
12 an M.S. in Economics and Master of Statistics degree, both from the University of Utah.
13 My resume is attached as DPU Exhibit 1.1 SR.

14

15 **Q. Have you previously filed testimony in this docket?**

16 A. No. Dr. Abdinasir Abdulle previously filed direct and rebuttal testimony in this docket
17 for the Division. I am providing the Division's surrebuttal testimony.

18 I also expect to be the Division's witness at the hearing on December 9, 2014 where I
19 will be adopting, on behalf of the Division, Dr. Abdulle's previously filed direct and
20 rebuttal testimony.

21

22 **PURPOSE**

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

24 A. I am responding to the rebuttal position of Rocky Mountain Power (Company) presented
25 in the rebuttal testimony of its witness David L. Taylor. I will make a short comment on
26 what the Division considers to be the primary outstanding issue, i.e. capacity contribution
27 payments, about which the Commission may want to request legal briefing.

28 Other parties filed rebuttal testimony; however, in light of the changes the Company
29 made to its position through Mr. Taylor's rebuttal testimony, some rebuttal testimony of
30 the other parties may no longer be relevant. In any case, my lack of comment on issues
31 raised in other parties' filed testimonies does not necessarily imply that the Division
32 agrees, or does not agree, with the parties' filed positions. The Division's position
33 concerning issues not specifically addressed here remains the same as expressed in the
34 direct and rebuttal testimony previously filed by Dr. Abdulle.

35

36

37 **DISCUSSION**

38 **Q. What is the Division's response to Mr. Taylor's rebuttal testimony?**

39 A. Mr. Taylor made substantial changes to the Company's position as set forth in its direct
40 position in response to certain criticisms of various parties. To summarize, Mr. Taylor
41 testified to the following changes:

42 A. Reduced the administrative fee to \$260 per month per meter from
43 the previous \$450 per month per meter.¹

44 B. Adopted a suggestion made by UAE witness Mr. Kevin Higgins
45 that a smaller administrative fee be combined with the customer
46 charges from the applicable general service tariff which
47 "significantly reduces the fixed monthly charge for each customer
48 agreement from the amount originally proposed."²

49 C. Removed the backup charge, but "increases the daily power charge
50 by about seven cents per kW/day" from his direct testimony rate.³

51 D. Added pricing for customers with demand under 1 MW in order to
52 service Schedule 6 customers.⁴

53 E. Provided costs and pricing for under 1 MW based on Schedule 6.⁵

54

¹ Rebuttal Testimony of David L. Taylor, Docket No. 14-035-T02, lines 81-86.

² Ibid., lines 101-102.

³ Ibid., lines 159-160.

⁴ Ibid., lines 255-262.

⁵ Ibid., lines 255-262, Exhibit RMP__(DLT-1R).

55 **Q. What is the Division’s response to these changes in the Company’s position?**

56 A. Generally, the Division either agrees with them or does not oppose them. However,
57 based upon a review of the Table 1 in Mr. Taylor’s rebuttal testimony, the Division
58 continues to have some concerns regarding the administrative fee that were raised in Dr.
59 Abdulle’s rebuttal testimony.

60

61 **ADMINISTRATIVE FEE**

62 **Q. Please describe what your examination of Table 1 indicated to you.**

63 A. The implication of Mr. Taylor’s testimony in this regard is that the Administrative Fee is
64 not subject to any economies of scale from a customer with several meters and
65 purchasing from a single generation facility under Schedule 32. A review of the list of
66 steps Mr. Taylor provides appears to make that implication implausible.

67 For example the step 2 description states “Obtain renewable energy facility data and
68 allocate renewable energy to each agreement location” (30 minutes, low estimate). The
69 description suggests that Step 2 will only have to be done once if a customer is
70 purchasing from one facility, but has several meters. It appears implausible to the
71 Division that steps 3, 6, 8, 11, 13, 14, and 15, which amount to 70 minutes under the low
72 estimate, will have to be repeated for the full amount of time for each meter a customer

73 may have. Spending 10 to 20 minutes just to save a couple of spreadsheets (as suggested
74 in steps 8 and 14) seems excessive.⁶

75

76 **Q. Does the Division believe that there should be a reduced administrative fee for**
77 **customers with multiple meters that purchase from a single facility under Schedule**
78 **32?**

79 A. Yes. In Dr. Abdulle’s rebuttal testimony filed on October 9, 2014 in this docket, the
80 Division suggested, as an example that “an initial charge could be set for the first meter
81 with additional but discounted charges for each additional meter up to a total of 10
82 meters. If the customer has other meters, those meters would fall under a different initial
83 administrative fee and aggregation of meters.” (lines 43-46). Given the above analysis, it
84 appears that for subsequent meters the time could be reduced at least by about 1.5 hours,
85 or \$112.50. Assuming that there were no reductions for the first meter, then the first
86 meter’s administrative charge would be \$260 and the next ten meters would be \$150 each
87 under this example.⁷

⁶ Steps 8 and 14 had low estimates of 5 minutes each. The high estimate for step 8 was 15 minutes; and for step 14 it was 5 minutes. Combined, the minutes for those two steps total 10 to 20.

⁷ The Division arrived at \$150 per subsequent meter as follows: From Mr. Taylor’s Table 1 the number of hours (low estimate) is 3.5 which when multiplied by \$75 per hour results in \$262.50. Subtracting \$112.50 from the \$262.50 gives \$150.

88 The Division notes that this analysis assumes that in the eight steps identified above
89 nearly all of the time identified for those steps is not needed for incremental meters.⁸ At
90 the same time, the Division is assuming that there is no incremental savings in the
91 remaining steps for multiple meters.

92

93 **Q. For other configurations of generation facilities and customer meters, such as**
94 **customers with one meter or multiple meters buying from multiple facilities, does**
95 **the Division have a recommendation?**

96 A. Not at this time. These other potential configurations appear to be more complex and may
97 not be susceptible economies of scale. At this time the Division recommendation would
98 be to charge the \$260 per meter administration fee requested by PacifiCorp.

99

100 **Q. Having different administrative fees for multiple meters will add complexity to the**
101 **tariff. Is the Division willing to advocate for additional complexity?**

102 A. Yes. The added complexity will partially resolve an issue raised by some intervening
103 parties that the administrative fee may be a barrier to entry for some customers. The
104 Division does not believe this added complexity is excessive.

105

⁸ The eight steps' time totals 100 minutes, the Division is deducting 90 of those minutes in its analysis, leaving 10 minutes for incremental cost.

106 **COMBINING THE ADMINISTRATIVE FEE WITH CUSTOMER SERVICE CHARGES**

107 **Q. The second item in your list of the changes proposed in Mr. Taylor’s rebuttal**
108 **testimony is an agreement with UAE witness Kevin Higgins to combine the smaller**
109 **administrative fee with the customer charges from the applicable general service**
110 **tariff. What is the Division’s position on this change?**

111 A. The Division does not oppose it. However, this change would be combined with the
112 Division’s recommended adjustment to the administrative fee structure discussed above.

113

114 **REMOVE BACKUP CHARGE BUT INCREASE DAILY CHARGE**

115 **Q. The Company proposes to remove the backup charge but to increase the daily**
116 **charge by 7 cents. What is the Division’s position on this modification?**

117 A. This modification, as described in Mr. Taylor’s testimony,⁹ can be described as a
118 technical adjustment to more closely comply with UCA §54-17-801 (“RES Statute”). Mr.
119 Taylor is responding to criticisms that there is no provision in the RES Statute for backup
120 power. Without agreeing with the criticism, the Company is proposing to move the costs
121 it was seeking to recover with the backup charge to the daily power charge.

122 Mr. Taylor provides work papers that shows how the “Daily Power Charges” on his
123 rebuttal Table 1 are derived by combining the “Generation Backup Facilities Charges”

⁹ Rebuttal Testimony of David L. Taylor, lines 153-160.

124 with the “Backup Power Charges” on Table 1 in his direct testimony.¹⁰ In the end the
125 customer will be charged the same amount, but the charges are now labeled differently.
126 This approach is taken so that the term “Backup Generation Charge” is removed because
127 certain parties questioned whether the RES Statute provided for it; i.e. it is not mentioned
128 in the statute. The Division notes that the new term, “Daily Power Charge,” is also not
129 mentioned in the statute, and includes the previously labeled “Backup Generation
130 Charge.” The Division does not see that there has been any practical difference as a result
131 of the Company’s label manipulation.

132 The Division is troubled by the Company’s manipulation of cost labels that supposedly
133 makes them appear to fit better with the RES Statute. If the Company is seeking to
134 recover backup service costs, it should call them backup service costs and defend those
135 costs as such.

136 Unless the Company provides additional support for these labeling adjustments--perhaps
137 support from legal argument--the Division does not support this labeling adjustment.
138 However, since there appears to be no practical difference, the Division also does not
139 recommend requiring the Company to amend its application at this point.

140

141

¹⁰ Mr. Taylor connects his term “Daily Power Charges” to the “shaping power” term used by UAE witness Kevin Higgins. See Mr. Taylor’s rebuttal testimony lines 233-243.

142 **ADDITION OF RATES APPLICABLE TO SCHEDULE 6 CUSTOMERS**

143 **Q. In his rebuttal testimony Mr. Taylor adds rates for customer loads under 1 MW,**
144 **which would be applicable to Schedule 6 customers. Does the Division support this**
145 **addition?**

146 A. Yes. The Division believes that the exclusion of Schedule 6 customers in the Company's
147 direct testimony was a simple oversight.

148

149 **CAPACITY PAYMENT ISSUE**

150 **Q. Please summarize your understanding of the capacity payment issue.**

151 A. A capacity payment is proposed by the Company that is an offset to the customer's
152 billing based upon the generating facility's energy contribution during the hour of peak
153 demand during a given month. This capacity payment is based upon UCA§54-17-805
154 (3)(b). This was previously commented on in Dr. Abdulle's rebuttal testimony at lines
155 114-120. Some intervenors believe that this will provide little in the way of capacity
156 payments given the typical timing of the monthly peak demand and the energy
157 production curves of particularly solar generation. These intervenors want alternative
158 methods of calculating the capacity contribution in order to increase the payment for

159 capacity. While the Division broadly agrees with the Company's position,¹¹ because this
160 appears to be an issue of the interpretation of a statute, specifically the above cited UCA
161 § 54-17-805-(3)(b), the Division believes the Commission may want legal briefing on
162 this issue.

163

164 **CONCLUSION AND RECOMMENDATIONS**

165 **Q. Does the Division recognize that the initial implementation of Schedule 32 may need**
166 **modification in the future?**

167 A. Yes. The Division believes that it should be understood that the initial implementation of
168 Schedule 32 may need modification after operational experience has been gained or
169 circumstances change. If serious flaws are discovered in the future, parties can bring
170 these before the Commission for possible amendment to Schedule 32.

171 **Q. What are your conclusions and recommendations?**

172 A. The Division recommends that the Commission adopt the Company's Schedule 32 tariff
173 as amended in its rebuttal testimony with the following possible exceptions: (1) that the
174 Commission consider adjusting the administrative fee to reflect economies of scale for
175 situations where a customer is buying from a single facility for delivery to multiple
176 meters as discussed in my surrebuttal testimony above; and (2) that the Commission

¹¹ Rebuttal Testimony of David L. Taylor, lines 161-230. The Division notes that on line 216, Mr. Taylor may have intended to reference UCA § 54-17-805-(3)(b), instead of UCA § 54-17-805-(3)(c).

177 request legal briefing on the capacity contribution issue and specifically the meaning of
178 UCA § 54-17-805-(3)(b).

179 With regards to the labeling issue described above, the Division believes that there is
180 little or no practical difference between the two presentations. Therefore, while it is
181 troubling that these changes occurred for reasons stated above, the Division does not
182 recommend reversing the labeling and requiring the Company to amend its application.

183 **Q. Does that conclude your surrebuttal testimony?**

184 A. Yes.