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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Modification of Contract Term of PURPA Power Purchase Agreements with Qualifying Facilities	Docket No. 15-035-53
	REBUTTAL TESTIMONY OF NATHAN RICH

The Renewable Energy Coalition, (the “**Coalition**”) hereby submits the attached Rebuttal Testimony of Nathan Rich on behalf of the Coalition.

Respectfully submitted this 13th day of October, 2015.

SMITH HARTVIGSEN, PLLC

/s/ Adam S. Long

J. Craig Smith

Adam S. Long

Attorneys for Renewable Energy Coalition

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served on this 13th day of October, 2015 upon the following as indicated below:

Via hand delivery and email to:

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psc@utah.gov

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/s/ Adam S. Long

**REBUTTAL
TESTIMONY
OF
NATHAN RICH
FOR
RENEWABLE ENERGY COALITION**

**October 14, 2015
Docket No. 15-035-53**

1 **I. INTRODUCTION**

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

3 **A.** My name is Nathan Rich. I am the Executive Director of the Wasatch Integrated
4 Waste Management District (“**Wasatch**”), which is a member of the Renewable
5 Energy Coalition (the “**Coalition**”). My business address is P.O. Box 900, 1997
6 East 3500 North, Layton, Utah 84014.

7 **Q. Please describe your background and experience.**

8 **A.** I am a registered Professional Engineer in the State of Utah. I hold a Master of
9 Science degree in Civil and Environmental Engineering, a Master of Science
10 degree in Mining Engineering, and a Bachelor of Science degree in Mining
11 Engineering. I am currently the Executive Director of Wasatch, which operates a
12 municipal solid waste incinerator that produces renewable base load power which
13 is sold to PacifiCorp as a qualifying facility (“**QF**”).

14 **Q. On behalf of who are you appearing in this proceeding?**

15 **A.** I am testifying on behalf of the Coalition.

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

17 **A.** I am providing this testimony as rebuttal to direct testimony provided by other
18 parties in this docket, including Bela Vastag on behalf of the Office of Consumer
19 Services and Paul Clements on behalf of Rocky Mountain Power.

20 **Q. What topics will your testimony address?**

21 **A.** My testimony will address the negative impact a reduction of contract length
22 would have on the economic viability and ability to finance a new QF project or
23 maintain an existing QF.

24

25 **II. WASATCH INTEGRATED WASTE MANAGEMENT**

26 **Q. Please describe Wasatch.**

27 **A.** Wasatch is a Special Service District established in 1984 to provide solid waste
28 management services for the municipalities in Davis County (other than the City
29 of Bountiful), the unincorporated areas of Davis County, Morgan City and the
30 unincorporated areas of Morgan County, Utah. Wasatch constitutes a separate
31 body politic and corporate and a quasi-municipal public corporation distinct from
32 each county or municipality in which the District is located. Wasatch is
33 governed by an Administrative Control Board composed of nineteen members;
34 including the three Davis County Commissioners and one member from each of
35 the sixteen other political subdivisions of the State of Utah that are included
36 within the District.

37 **Q. Please describe your QF project.**

38 **A.** The Davis Energy Recovery Facility is a 420 ton per day municipal solid waste
39 combustor. The facility produces approximately 105,000 pounds per hour of high
40 pressure steam which is directed through a 1.6 megawatt back pressure turbine
41 generator. Low pressure steam exiting the generator is sold and shipped to Hill
42 Air Force Base where it is used primarily for heating buildings on the east side of
43 the installation. Electrical power generated on site is primarily used for facility
44 operations and the excess power, around 300 kilowatts during normal operation,
45 is sold to PacifiCorp. The facility came online in 1987 and has been selling
46 excess power to PacifiCorp since 1994. Power generated by the facility is
47 considered renewable by the State of Utah and the Federal Government.

48 **Q. Please describe your current contract with PacifiCorp.**

49 **A.** Wasatch is currently selling firm net output surplus power to PacifiCorp under an
50 eleven (11) year Power Purchase Agreement (PPA) effective January 1, 2013.
51 Pricing of the current PPA in accordance with Schedule 37 and Wasatch is being
52 compensated for capacity and energy under the contract.

53 **Q. Is Wasatch planning on developing additional QF projects?**

54 **A.** Yes. Wasatch is currently considering an expansion of the electrical output of
55 the ERF which would make additional energy available for sale.

56 **Q. Please describe the new QF project Wasatch is planning on developing.**

57 **A.** The Davis Energy Recovery Facility was constructed to provide energy in the
58 form of steam to HAFB. During the winter months, output from the Energy
59 Recovery Facility can meet about 60 percent of HAFB's peak steam demand and
60 all steam generated at the facility, approximately 90,000 pounds per hour net of
61 the parasitic load, is sold and shipped to HAFB. In the summer and during warm
62 weather the demand at HAFB drops to a low of approximately 15,000 pounds per
63 hour during which time the excess steam is simply condensed and the energy is
64 lost.

65 Wasatch is studying the installation of a new condensing turbine which
66 would utilize the currently unused steam to generate additional electrical power
67 when the demand for steam at HAFB is less than the facility's output. The new
68 condensing turbine would generate a net export capacity of 5.4 megawatts of
69 electrical power. The output of the project would be greatest during summer
70 months, when the demand for steam from HAFB is low. PacifiCorp is currently

71 completing a Small Generator Interconnection Level 3 System Impact Study. The
72 current engineering cost estimate for the project is 9.5 million dollars.

73

74 **III. CONTRACT TERMS SHOULD NOT BE REDUCED**

75

76 **Q. Do you support Rocky Mountain Power's proposal to reduce the contract**
77 **term for all QFs to three years?**

78 **A.** No. I support maintaining long term contracts because reducing the term of the
79 contract increases project uncertainty and risk and will make project financing
80 more expensive and more difficult, if not impossible.

81 **Q. The Office of Consumer Services supports Rocky Mountain Power's**
82 **proposal on the grounds that QFs no longer need long term contracts to**
83 **obtain financing. Do you agree?**

84 **A.** No. The most likely mechanism to provide financing for these type of projects
85 will be revenue bonds. Without a long term contract, a project developer will not
86 be able to demonstrate with any certainty the projected revenue a proposed project
87 will generate. Higher uncertainty equals higher risk which increases the cost of
88 capital. Also, these type of projects tend to be very expensive resulting in long
89 payback periods, typicall much longer than 3 years. The risk of investing in a
90 project which has a payback longer than the term of guaranteed sales will not be
91 received favorably by potential investors.

92 **Q. Please explain how the three year contract terms would impact your current**
93 **QF project's needs for continued operation, and additional investments.**

94 **A.** Our current QF project provides consistent base load power to the grid. As a firm
95 power supplier we guarantee that the power will be delivered and are a resource
96 for Rocky Mountain Power as they plan to meet future demand. If and when
97 replacement and repairs to the existing facility are required the investment will be

98 difficult to justify. When we entered into our current contract with PacifiCorp,
99 the negotiation period lasted about one year. Entering into a new contract every
100 three years would mean that we would be involved with contract negotiations
101 about 1/3 of the time making the simple task of keeping under contract
102 unnecessarily burdensome.

103 **Q. Please explain how the three year contract terms would impact your**
104 **potential new QF projects.**

105 **A.** It is my opinion that our potential new QF project could not be completed if a
106 PPA were limited to a three year contract period. Any new QF project, not just
107 Wasatch's, will need to find an end user of the energy other than PacifiCorp if the
108 project is have the ability to attract financing. I do not believe this approach is
109 good public policy that we need to encourage diversification of our power supply

110 **Q. Do existing QFs need pricing stability?**

111 **A.** Yes. Price stability and certainty for current and potential new power purchase
112 agreements is of utmost importance. Pricing stability and certainty are essential
113 for reliable services of all kinds. For QFs with existing contracts, reliability on
114 power purchase agreement pricing is commensurate with water being available
115 out of the faucet at your home, or not.

116 **Q. Why is it important for existing QFs to not renegotiate their contracts every**
117 **three years?**

118 **A.** In addition to the reasons above, frequent renegotiations would harm our ability to
119 make long-term plans that rely upon stable prices. Entering into a standard power
120 purchase agreement every three-years would be extremely challenging, and
121 subject us to unnecessary costs, risks, harm, and even the re-opening of
122 interconnection agreements. Changing the standard price and contract threshold

123 to a lower level, thereby requiring us to negotiate pricing and contracts every
124 three years would be unmanageable at best. Existing QFs should not be subjected
125 to perpetual and wasteful negotiation.

126

127 **IV. CONCLUSION**

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

129 **A.** Yes