

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

2 A. My name is Gary W. Hoogeveen, and my business address is 1407 West North
3 Temple, Suite 310, Salt Lake City, Utah 84116.

4 **QUALIFICATIONS**

5 **Q. Please summarize your education and business experience.**

6 A. I have a BS degree in Physics from the University of Northern Iowa and masters
7 and Ph.D. degrees in Space Physics from Rice University. For the last 16 years I
8 have worked for the Berkshire Hathaway Energy family of companies. In the five
9 years immediately preceding my current position at Rocky Mountain Power, I
10 served as President and CEO of the Kern River Transmission Company
11 headquartered in Salt Lake City.

12 **Q. What is your present position and what are your responsibilities with Rocky
13 Mountain Power?**

14 A. I am currently employed as Senior Vice President and Chief Commercial Officer
15 of Rocky Mountain Power. My main responsibilities focus on community affairs
16 and public policy, which include building and maintaining relationships with our
17 communities including business leaders, government, community organizations,
18 and various customer groups. These relationships facilitate open communications
19 that allow the Company to understand the needs of our communities and customers
20 and to develop policies and programs that will meet those needs. We work
21 diligently across our organization to offer the services our communities and
22 customers want, without affecting customers who don't want to participate. One
23 important policy initiative that I have been personally involved in is to provide

24 additional options for customers who want more renewable energy.

25 **PURPOSE AND SUMMARY OF TESTIMONY**

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

27 A. The purpose of my testimony is to support the Company's application for approval
28 of the Facebook contract. The Facebook contract is the first contract the Company
29 negotiated and executed for renewable product offerings that became accessible in
30 the State as a result of the Sustainable Transportation and Energy Plan legislation
31 (which I describe in more detail later in my testimony), that was recently signed by
32 the Governor. It represents the interest we see in our community for additional
33 renewable energy options and is the first of what the Company expects will be many
34 contracts of its kind. In support of the application for approval of the Facebook
35 contract, I provide additional background and insight into the reasons our Company
36 is keen on responding to customers' desire for additional renewable energy contract
37 products, while properly mitigating the impacts to other customers. Mr. P.
38 Clements provides a comprehensive overview of the material terms and conditions
39 of the Facebook contract, and Mr. S. McDougal explains the regulatory treatment
40 of the contract.

41 **Q. Has the Company witnessed a change in the types of retail electricity products**
42 **desired by a segment of its large customers?**

43 A. Yes. In the past several years, the Company has received inquiries from large
44 customers related to renewable energy options. These large energy users have
45 sustainability goals or mandates to power their facilities with renewable energy.
46 Many of these customers view sustainability as a core principle of their business

47 strategy and make expansion or new facility siting determinations based on the
48 availability of contract options that allow for renewable energy supply. In fully
49 regulated states such as Utah, the local utility provider is typically the only provider
50 of retail electric service, so these customers are looking to the Company to provide
51 renewable energy contracting options to meet their needs.

52 **Q. What options or programs have historically been available to Utah customers**
53 **who desire renewable energy?**

54 A. For several years, the Company has offered business and residential customers access
55 to renewable energy options through its Blue Sky program. Under that program,
56 customers participate in renewable energy development by purchasing 100 kilowatt-
57 hour (kWh) blocks of the Blue Sky product for \$1.95 per block per month. The
58 Company then uses the proceeds from the Blue Sky blocks to buy renewable energy
59 certificates on the customers' behalf, with any remaining funds being used to help
60 develop small-scale renewable projects in the communities the Company serves.¹ The
61 Company also offers various programs for customers who desire to locate their own
62 renewables behind their meter. These programs include net metering, partial
63 requirements tariffs, and qualifying facility contracts.² In March 2015, the Commission
64 approved the Company's Schedule 32 tariff which allows customers to contract to
65 receive electricity from a renewable resource that is not located behind their meter.³
66 The tariff established specific rates and terms and conditions for the contractual

¹ <https://www.rockymountainpower.net/env/bsre/po.html>.

² <https://www.rockymountainpower.net/env/nmcg.html>.

³ https://www.rockymountainpower.net/content/dam/rocky_mountain_power/doc/About_Us/Rates_and_Regulation/Utah/Approved_Tariffs/Rate_Schedules/Service_From_Renewable_Energy_Facilities.pdf.

67 arrangement. In 2015, the Company launched the Subscriber Solar Program.⁴ This new
68 program allows customers to purchase blocks of renewable energy from a specific
69 utility-scale solar project under construction in Millard County, Utah, and to have their
70 purchase offset their usage on their bills.

71 **Q. Do the options or programs you described meet the needs and desires of all**
72 **customers?**

73 A. No. The existing programs I described provide customers with various renewable
74 energy choices, but some customers have expressed a desire for additional product
75 offerings.

76 **Q. Based on your interactions with customers and your understanding of their**
77 **needs and desires, what components are missing from the existing programs?**

78 A. The primary components that are missing are scale, price, and flexibility. Many of the
79 customer requests received by the Company include a desire to meet 100 percent of the
80 customer's energy needs (measured on an annual kWh basis) with renewable energy,
81 on a scale that well exceeds the capacity of the existing programs. Most are unable to
82 meet their renewable energy targets with renewable resources behind their meter (such
83 as solar on the roof of their facility). Most want the renewable energy to represent
84 "additionality" which means the energy must come from designated renewable projects
85 that would not be built but for the customer's load and their desire to purchase
86 renewable energy. And many seek to minimize the cost impact to their business by
87 acquiring cost-effective renewable resources. Large, utility-scale renewable projects
88 offer better economics for the customer due to higher capacity factors and economies

⁴ <https://www.rockymountainpower.net/env/bssssp.html>.

89 of scale and help customers better meet this objective. Lastly, most customers want
90 flexibility in the contract structure to facilitate the timing and process for acquisition of
91 the required renewables and customization in the rate determination and design.

92 **Q. In addition to requests received directly by the Company, what other information**
93 **supports the growing demand for renewable energy contract options for retail**
94 **customers?**

95 A. The Company has participated in collaborative work sessions facilitated by a group
96 called the Renewable Energy Buyers Alliance (REBA). On its website,⁵ REBA
97 describes its purpose as follows:

98 Renewable Energy Buyers Alliance (REBA) is helping grow
99 corporate demand for renewable power and helping utilities and others
100 meet it. Companies across the US want to power their operations with
101 clean and renewable energy but navigating the path to renewables is
102 harder than it should be. REBA exists to make the transition easier by
103 helping companies understand the benefits of moving to renewables,
104 connecting corporate demand to renewable energy supply, and
105 helping utilities better understand and serve the needs of corporations.
106 REBA is led by four non-profit organizations that have brought
107 together their deep expertise in transforming energy markets.
108 Collectively we work with more than 60 iconic, multinational
109 companies that represent enormous demand for renewable power and
110 as part of that, coordinate with the We Mean Business' RE100
111 campaign, supporting companies who have signed onto their 100%
112 renewable energy commitment. Our goal is to help corporations
113 purchase 60GW of additional renewable energy in the US by 2025.

114 Through those work sessions, the Company learned of the Corporate Renewable
115 Energy Buyers' Principles. The Corporate Renewable Energy Buyers' Principles
116 inform utilities and other suppliers of the renewable energy products and services
117 REBA members strive to obtain. Most REBA signatories are industry-leading,

⁵ <http://rebuyers.org/#about>.

118 multinational companies. The buyers developed the principles to spur progress on
119 renewable energy and add perspective to the future of the U.S. energy and electricity
120 system.⁶ The Principles launched publicly in July of 2014 with 12 signatories, initially
121 representing 8.4 million megawatt hours of renewable energy demand by 2020. As of
122 December 2015, 58 companies have signed on, representing nearly 44 million MWh of
123 annual demand by 2020.⁷

124 **Q. Why is Rocky Mountain Power interested in the concepts set forth in the Corporate**
125 **Renewable Energy Buyers' Principles?**

126 A. The list of signatories to the Principles, attached to my testimony as Exhibit RMP
127 ____ (GWH-1), includes large existing and prospective Rocky Mountain Power
128 customers. Many of these customers have contacted the Company and expressed a
129 desire for the Company to develop product offerings that are consistent with the
130 Principles. They have noted the ability to achieve the Principles as a key factor in their
131 determination of future business expansion in the state. In striving to be an excellent
132 energy provider to its customers, the Company feels that it has an obligation to respond
133 to the needs of existing customers and prospective customers by offering products that
134 support their businesses.

135 **Q. Please provide a summary of the Corporate Renewable Energy Buyers'**
136 **Principles.**

137 A. The Buyers' Principles outline six criteria that would significantly help companies meet
138 their ambitious purchasing goals:

139 1. Greater choice in procurement options

⁶ <http://buyersprinciples.org/principles/>.

⁷ <http://buyersprinciples.org/about-us/>.

- 140 2. More access to cost competitive options
141 3. Longer and variable term contracts
142 4. Access to new projects that reduce emissions beyond business as usual
143 5. Increased access to third-party financing vehicles as well as standardized
144 and simplified processes, contracts and financing for renewable energy
145 projects
146 6. Opportunities to work with utilities and regulators to expand our choices for
147 buying renewable energy

148 Additional details regarding each of the Principles are included in Exhibit
149 RMP__(GWH-1).

150 **Q. Why is it critical for the Company to develop new products in response to customer**
151 **needs?**

152 A. Many large customers are making decisions on where to expand existing facilities or
153 locate new facilities based in part on their ability to achieve their renewable energy
154 mandates or goals. The number of retail electricity contracts that include a specific
155 renewable energy component has increased in recent years. The Rocky Mountain
156 Institute recently published a chart summarizing the corporate renewable deals
157 completed between 2012 and 2016. The chart shows that 3.23 GW of renewable deals
158 were completed in 2015. The complete chart is included as Exhibit RMP__(GWH-2).
159 If the Company is not responsive to the needs of its customers, businesses may choose
160 to expand or locate new facilities in states other than Utah if those states offer retail
161 electric products that meet their renewable energy needs. This lost opportunity would
162 adversely affect the state of Utah, its citizens, and our customers.

163 **Q. What is unique about most of the retail customer renewable energy transactions**
164 **shown in Exhibit RMP__(GWH-2)?**

165 A. Most of the retail customer renewable energy transactions have occurred in deregulated
166 markets. Customers who enter into these types of transactions require customization in

167 rate design, access to competitively priced renewable resources, long-term contract
168 options to provide certainty, and a simplified contract negotiation and approval process.
169 These requirements, and the Principles, have been most easily met by energy suppliers
170 in deregulated markets.

171 **Q. What have been the primary challenges with the accessibility of renewable energy**
172 **for customers of regulated utilities when compared to deregulated markets?**

173 A. Regulated utilities have been slower to offer the same customization of rate design and
174 contract structure that can be offered by energy suppliers in deregulated markets.⁸ As
175 the needs and desires of certain customers change materially from the larger class of
176 customers, which is now the case with some customers desiring to acquire specific,
177 customer-dedicated renewable resources to meet their generation supply needs, utilities
178 must evaluate whether new product offerings are required to meet customers' needs.

179 **Q. Are regulated utilities responding to the needs of this new type of customer who**
180 **desires renewable energy supply?**

181 A. Yes. Many regulated utilities have implemented or are developing “green tariff” or
182 “renewable energy tariff” options to meet the needs of these customers. The World
183 Resources Institute published in February 2016 an “Issues Brief” summarizing the
184 renewable energy tariff options that are in place or under development at regulated
185 utilities. The report is included as Exhibit RMP____(GWH-3).

186 **Q. Does the report include any renewable energy programs in place in Utah?**

187 A. Yes. The report describes the Company's tariff Schedule 32. In 2012, the Utah State

⁸ The power delivery function of most markets is still regulated, but the generation or supply component of some markets has been deregulated, also known as “open access”.

188 Legislature enacted Senate Bill 12 (“SB 12”), effective May 8, 2012, which added Part
189 8, “Renewable Energy Contracts,” sections 54-17-801 through 805, to Utah Code Ann.
190 Title 54, Chapter 17. Schedule 32 was put in place to comply with SB 12.

191 **Q. Are any customers currently taking service under Schedule 32?**

192 A. No. Potential customers have evaluated service under the tariff and have indicated that
193 the tariff does not meet their renewable resource needs and objectives. They indicate
194 the tariff does not allow for adequate customization of rate design and contract structure
195 to address their unique deal characteristics and the types of renewables they desire to
196 obtain. We have also heard that the tariff is too complex and too difficult to implement
197 operationally.

198 **Q. What is the Company’s response to the issues raised by customers related to**
199 **Schedule 32?**

200 A. The Company believes Schedule 32 accurately implements the language of SB 12 and
201 the law. The tariff works well for customers who desire to utilize baseload renewable
202 resources, such as geothermal or waste heat recovery. The Company agrees that the
203 tariff does not offer options to customize rate design and contract structure to meet
204 individual customer needs, especially when the customers desire solar or wind
205 renewable energy resources.

206 **Q. You mentioned the Sustainable Transportation and Energy Plan earlier in your**
207 **testimony. Please describe how this law accomplishes the Company’s goal to offer**
208 **additional renewable energy products and services requested by its customers.**

209 A. The Sustainable Transportation and Energy Plan legislation (Senate Bill 115) is the
210 culmination of efforts by the Company, the community, our stakeholders, business

211 leaders and legislators. This recently signed law, codified at U.C.A. § 54-17-806, grants
212 the Commission the authority to approve a renewable energy tariff to facilitate
213 additional renewable energy supply for large retail customers, so long as it is reasonable
214 and in the public interest.

215 **Q. Please briefly describe the Renewable Energy Tariff and its relationship with the**
216 **Facebook contract.**

217 A. On June 17, 2016, the Company filed a proposed tariff Schedule 34, the Renewable
218 Energy Tariff in Advice No. 16-08. The Renewable Energy Tariff allows qualified
219 customers whose total aggregated electric load is five megawatts or greater to direct
220 the Company to purchase renewable energy from specific projects on their behalf and
221 to have those purchases reflected and accounted for in their retail rates in a manner that
222 is just and reasonable. Providing this new tariff option is responsive to the desires of
223 current and prospective customers to provide a tariff option that is easy to implement
224 and allows for customization of rate design and contract structure when applicable.

225 **Q. Is the proposed Facebook contract consistent with the proposed tariff as filed by**
226 **the Company?**

227 A. Yes.

228 **Q. How does a transaction like the one proposed in this docket with Facebook or**
229 **others that will be proposed under Schedule 34 benefit Utah customers?**

230 A. First, large retail customers who desire part or all of their energy needs to be sourced
231 from renewable resources will make siting decisions based on their ability to meet their
232 desires and objectives through the energy products offered by the available suppliers.
233 The Company must be responsive to the needs of this new type of customer. If the

234 Company is not responsive to the needs of these customers and does not develop
235 product offerings to meet their needs, customers will choose to locate in other states
236 and Utah customers will miss out on the economic benefits associated with these
237 customers.

238 Second, the rates included in the Facebook contract are just and reasonable and
239 provide benefits to customers through Facebook's contribution to existing fixed
240 Company costs. Facebook will purchase energy from Company resources in the early
241 years of the contract while it procures its own renewable resources that will be utilized
242 to serve its entire load on an on-going basis. The Company has excess generation
243 capacity in these early years or can meet increased load demands with market
244 purchases. After the early years, Facebook meets the majority of its generation supply
245 needs with customer-dedicated renewable resources paid for entirely by Facebook. The
246 Company still provides a firming and shaping service at a just and reasonable rate. Mr.
247 Clements provides details related to the development of the rates in the Facebook
248 contract and provides evidence demonstrating they are just and reasonable.

249 Third, the proposed Facebook contract and the Company's proposed
250 Renewable Energy Tariff support the Governor's Office of Economic Development
251 Strategic Plan 2016-2020 in which the following "vision" and "mission" are set forth:⁹

252 VISION: Utah will lead the nation as the best performing economy
253 and will be recognized as the premier business environment and
254 tourist destination.

255 MISSION: Enhance quality of life by increasing and diversifying

⁹ <http://business.utah.gov/wp-content/uploads/StrategicPlan2016-2020Final.compressed.pdf>.

256 Utah's revenue base and improving employment opportunities.

257 Utah must compete for these customers who desire a large percentage of
258 renewable energy supply or customers will locate in states that offer programs that meet
259 their needs.

260 The Facebook contract meets the specific renewable energy needs of a potential
261 new customer who will bring economic benefits to Utah. Facebook recently
262 constructed a facility in North Carolina that is similar to the facility proposed in Utah.
263 In August 2014, a report was prepared in which the economic and fiscal impact of the
264 new data center was analyzed. The executive summary of the report is included as
265 Exhibit RMP___(GWH-4).

266 **Q. Please summarize your testimony.**

267 A. The Company's customers are demanding renewable product offerings that allow them
268 to achieve corporate renewable energy supply goals. Many potential new customers
269 base their decision on where to expand their business on the availability of renewable
270 energy contract options. The Company has developed a new contract structure that
271 allows for customization of rate design to facilitate customers' access to renewable
272 energy, and contract rates that capture the costs incurred by the Company to provide
273 this new type of electric service.

274 **Q. Does this conclude your direct testimony?**

275 A. Yes.