

Contents

I.	INTRODUCTION	1
II.	REVIEW OF SCHEDULE 34 PROPOSALS	3
III.	REVIEW OF TERMS OF PROPOSED FACEBOOK CONTRACT	4
IV.	DIVISION CONCERNS WITH THE FACEBOOK CONTRACT	13
V.	CONCLUSIONS AND RECOMMENDATIONS	15

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Direct Testimony of Charles E. Peterson

I. INTRODUCTION

Q. Please state your name, business address and title.

A. My name is Charles E. Peterson. My business address is 160 East 300 South, Salt Lake City, Utah 84114. I am a Technical Consultant in the Utah Division of Public Utilities (Division, or DPU).

Q. On whose behalf are you testifying?

A. The Division.

Q. Would you summarize your background for the record?

A. I am currently a Technical Consultant for the Division. I have been employed by the Division for 11 years, during which time I have filed testimony and memoranda with the Public Service Commission of Utah (Commission) involving a variety of economic, financial, and policy topics.

Most relevant to this docket, I have been the Division’s lead staff investigating Qualifying Facilities contracts and special contracts entered into by PacifiCorp and related issues for

22 over seven years along with related issues. I have provided testimony before the Commission
23 in these matters as necessary.¹

24

25 I have an M.S. in Economics and Master of Statistics degree, both from the University of
26 Utah. My resume is attached as DPU Exhibit 1.1 DIR.

27

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

29 **A.** I first provide a review of the status of Schedule 34. Schedule 34 is currently a proposed
30 tariff that has not been approved by the Commission, but is currently before the Commission
31 in Docket No. 16-035-T09. Next I review the features of the contract between Rocky
32 Mountain Power and Facebook, Inc. (Contract) that the Division believes are noteworthy.
33 Then, I provide the Division's comments on the proposed Contract, and conclude with the
34 Division's recommendations.

35

36 **Q. Please summarize the Division's conclusions and recommendations.**

37 **A.** As detailed below, the Division believes that the Contract is consistent with the Division's
38 proposed Schedule 34 that was supported in my Direct Testimony in Docket No. 16-035-
39 T09. The Division recommends that the Commission approve the Contract as being just and
40 reasonable and in the public interest.

41

¹ Examples of a few recent dockets include Dockets Nos. 14-035-107, 14-035-140, 15-035-40, and 15-035-75.

42 **II. REVIEW OF SCHEDULE 34 PROPOSALS**

43

44 **Q. Please explain the connection between the contract between Rocky Mountain Power**
45 **and Facebook, Inc and Schedule 34.**

46 A. This connection is the result of an irregular process. The Division understands that the
47 Company and Facebook were negotiating for some period before it was decided to bring the
48 contract before the Commission under the now-proposed Schedule 34. What is particularly
49 unusual is that at this time there is no Schedule 34 under which the Contract can be approved.
50 The process was structured, on an expedited basis, to essentially ask the Commission to
51 simultaneously approve a Schedule 34 and the Contract under that tariff. The Division has
52 attempted to cooperate with the Company, Facebook, and intervening parties to satisfactorily
53 resolve all issues within the constrained time frame.

54

55 **Q. Since this contract is filed under Schedule 34, please discuss the status of Schedule 34.**

56 A. Schedule 34 is a new tariff that is proposed as a result of enabling legislation that created
57 Utah Code Annotated § 54-17-806 (enabling statute). The Commission is currently
58 considering the Schedule 34 proposals under Docket No. 16-035-T09 (Schedule 34 docket).
59 As discussed in my direct testimony in the Schedule 34 docket, the Division did not believe
60 the tariff initially proposed by the Company was consistent with the enabling statute in some
61 respects.

62

63 The Division has worked collaboratively with the Company and other parties to remedy the
64 Division’s questions about statutory consistency and to add certain protections for customers.
65 At this time there is no consensus or stipulation among the parties regarding the language of
66 Schedule 34. The Division is supporting its Schedule 34 proposal presented with my direct
67 testimony in the Schedule 34 docket, Docket No. 16-035-T09.

68
69 The Division believes the Contract, discussed below, is consistent with the Division’s
70 proposed Schedule 34. There are likely other possible formulations of Schedule 34 that
71 comply with the statute and could accommodate the Contract.

72
73

74 **III. REVIEW OF TERMS OF PROPOSED FACEBOOK CONTRACT**

75

76 **Q. Please give an overview of the proposed Facebook, Inc. Contract.**

77 A. Rocky Mountain Power has filed a proposed contract with the Commission between it and
78 Facebook, Inc. (Facebook). Besides the pricing terms, which will be described below, there
79 are a number of noteworthy features. This informal summary is not intended to replace or
80 supplement the actual language of the Contract.

- 81 • [REDACTED]
- 82 [REDACTED]
- 83 [REDACTED]² [REDACTED]
- 84 [REDACTED]

² Section 2.2(b).

- 85 • [REDACTED]
- 86 [REDACTED]
- 87 [REDACTED].³
- 88 • [REDACTED]
- 89 [REDACTED]
- 90 [REDACTED].⁴
- 91 • [REDACTED]
- 92 [REDACTED]
- 93 [REDACTED]
- 94 [REDACTED]
- 95 [REDACTED].
- 96 • [REDACTED]
- 97 [REDACTED].⁵
- 98 • [REDACTED]
- 99 [REDACTED].⁶
- 100 • [REDACTED]
- 101 [REDACTED].⁷
- 102 • [REDACTED]
- 103 [REDACTED]
- 104 [REDACTED].⁸
- 105 • [REDACTED]
- 106 [REDACTED]
- 107 [REDACTED].⁹

³ [REDACTED]

⁴ Section 2.1.

⁵ Section 4.3(c), Section 4.6.

⁶ Section 4.7.

⁷ Section 5.2(a)

⁸ Contract, Recitals, page 1 (3rd Recital). Also see Direct Testimony of Paul H. Clements, page 2, lines 36-39; and pages 3-4, lines 68-70.

⁹ Section 5.3.

108 • [REDACTED]
109 [REDACTED]¹⁰
110

111 **Q. Please review the specific pricing terms that the Division considered.**

112 A. The pricing terms of the Contract are discussed in detail by Company witnesses Paul H.
113 Clements and Steven R. McDougal in their direct testimonies. I will summarize my
114 understanding of the pricing terms of the Contract. Article V of the Contract details the
115 pricing rates and charges.

116
117 Basically there are two components of the pricing. One component is the Company Supply
118 Charge, which is the pricing related to energy supplied by the Company to Facebook from
119 system resources. The second component is the Renewable Supply Charge, which is the cost
120 of the energy delivered to Facebook from the Customer Renewable Resource including the
121 Company's costs of delivering that energy.

122
123 [REDACTED]
124 [REDACTED]
125 [REDACTED]
126 [REDACTED]
127 [REDACTED]
128 [REDACTED]

¹⁰ Section 5.2(i)(ii).

129 [REDACTED]¹¹ [REDACTED]¹² [REDACTED]
130 [REDACTED]¹³ [REDACTED]
131 [REDACTED]¹⁴ [REDACTED]¹⁵ [REDACTED]
132 [REDACTED]¹⁶ [REDACTED]¹⁷ [REDACTED]¹⁸ [REDACTED]
133 [REDACTED]
134 [REDACTED]¹⁹

135

136 **Q. Please outline the Company Supply component the post-ramp up period pricing.**

137 A. [REDACTED]
138 [REDACTED]²⁰ [REDACTED]
139 [REDACTED]
140 [REDACTED]
141 [REDACTED]
142 [REDACTED]
143 [REDACTED]²¹ [REDACTED]
144 [REDACTED]
145 [REDACTED]

¹¹ Section 5.2(a)(i).
¹² Section 5.2(c).
¹³ Section 5.2(d).
¹⁴ Direct Testimony of Paul H. Clements, page 12, line 261.
¹⁵ Section 5.2(e).
¹⁶ Section 5.2(f).
¹⁷ Section 5.2(g).
¹⁸ Section 5.2(h).
¹⁹ Direct Testimony of Paul H. Clements, page 14, line 304.
²⁰ Section 5.2(a)(ii).
²¹ The definition is found on page 6 of the Contract.

146 [REDACTED]

147 [REDACTED]

148 [REDACTED]

149 [REDACTED]

150

151 **Q. How does this [REDACTED] with Schedule 9 pricing?**

152 A. [REDACTED]

153 [REDACTED]

154

155 **Q. Are ratepayers sufficiently protected during the “ramp up” period?**

156 A. [REDACTED]

157 [REDACTED]

158 [REDACTED]

159 [REDACTED]²² [REDACTED]

160 [REDACTED]

161 [REDACTED]

162 [REDACTED]

163 [REDACTED]

164 [REDACTED]

165 [REDACTED]

166 [REDACTED]

²² Direct Testimony of Paul H. Clements, pages 13-14, lines 267-294.

167

168

169

170

171

172

173

174

175

176 **Q. Does the pricing during the ramp up period comply with the amended proposed**

177 **Schedule 34 the Division is sponsoring and with the enabling statute?**

178 A. Yes.

179

180

181

182

183

²³ Ibid., page 18, lines 381-383.

²⁴ In response to the Office of Consumer Services data request 1.1,

184 **Q. Are ratepayers sufficiently protected during the post-ramp up period?**

185 A. [REDACTED]
186 [REDACTED]
187 [REDACTED]
188 [REDACTED]
189 [REDACTED]
190 [REDACTED]
191 [REDACTED]

192

193 **Q. Does the pricing during the post-ramp up period comply with the proposed Schedule 34**
194 **the Division is sponsoring and with the enabling statute?**

195 A. [REDACTED]
196 [REDACTED]
197 [REDACTED]
198 [REDACTED]²⁵
199 [REDACTED]
200 [REDACTED]

201

202 **Q. The other component of the Contract is the Renewable Supply Charge, please briefly**
203 **describe that component.**

²⁵ Clements, Op. Cit. page 6, lines 121-122. [REDACTED]
[REDACTED]

204 A. [REDACTED]
205 [REDACTED]
206 [REDACTED]
207 [REDACTED]
208 [REDACTED]
209 [REDACTED]
210 [REDACTED]
211 [REDACTED]
212 [REDACTED]
213 [REDACTED]

214

215 **Q. Do you have any issues with the Renewable Supply Charge?**

216 A. No. It appears to be straight forward and consistent with the proposed Schedule 34 and the
217 enabling statute.

218

219 **Q. Do you have any comments on Company witness Steven McDougal’s testimony?**

220 A. Just a couple of comments. Mr. McDougal argues that interstate allocation issues will be
221 resolved favorably to all involved. That is, all of the states, including Utah ratepayers, will
222 benefit from the presence of Facebook on the PacifiCorp system under this Contract. [REDACTED]

223 [REDACTED]

224 [REDACTED] At this time, the
225 Division does not dispute his analyses.

226

227 **Q. Are there any other pricing issues you wish to discuss?**

228 A. There are a number of details set forth in the Contract regarding, for example, annual billing
229 estimates and year-end true-ups. Anyone interested in these details can review the Contract
230 and the Company's explanation in Mr. Clements' direct testimony. Otherwise I do not
231 believe a discussion of them is necessary here.

232

233 **Q. Please summarize the ratepayer protections built into the Facebook contract?**

234 A. As discussed above, ratepayers are reasonably well protected [REDACTED]
235 [REDACTED]
236 [REDACTED]
237 [REDACTED]
238 [REDACTED]
239 [REDACTED]
240 [REDACTED]
241 [REDACTED]
242 [REDACTED]
243 [REDACTED]
244 [REDACTED]
245 [REDACTED]

246

247 An additional, if minor, feature that is favorable to ratepayers is that in the event of an early
248 termination of the Contract, [REDACTED]

249 [REDACTED]

250 [REDACTED]²⁶

251

252 **Q. Overall, does the Division believe that the Company’s existing customers are reasonably**
253 **well protected from any negative effects of the Facebook Contract?**

254 A. Yes. [REDACTED]

255 [REDACTED]

256 [REDACTED]

257

258

259 **IV. DIVISION CONCERNS WITH THE FACEBOOK CONTRACT**

260

261 **Q. Please outline the concerns the Division has with the contract.**

262 A. In reviewing the Contract the Division has identified three specific concerns that it has

263 discussed with the Company. [REDACTED]

264 [REDACTED]

265 [REDACTED]

266 [REDACTED]

267 [REDACTED]

²⁶ Contract, Exhibit A.

268 [REDACTED]

269 [REDACTED]

270 [REDACTED]

271 [REDACTED]

272

273 **Q. What are your comments regarding the audit/confidentiality concern? Do you have any**
274 **assurances regarding it?**

275 A. First, the Division does not waive any of its rights to audit and review the Company's books
276 and records. [REDACTED]

277 [REDACTED]

278 [REDACTED]

279 [REDACTED] The Division expects that at
280 some point in this proceeding the Company will provide its own clarification.

281

282 **Q. If adequate protections for ratepayers are not in place in this contract regarding the**
283 **Company self-build option, is that cause to reject the contract?**

284 A. No. [REDACTED]

285 [REDACTED]

286 [REDACTED] The Division expects that at
287 some point in this proceeding the Company will provide its own clarification.

288

289 **Q. Does the Company need to amend the contract to correct the errors you discovered in**

290 **[REDACTED]?**

291 A. Probably. At this point the Division is unsure how the Company and Facebook intend to deal
292 with this error.

293

294 **V. CONCLUSIONS AND RECOMMENDATIONS**

295

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

297 A. The Division believes that the Contract adequately complies with the proposed Schedule 34
298 tariff the Division is sponsoring. Likewise, the Division believes that the Contract is
299 consistent with the enabling statute, Utah Code Annotated § 54-17-806. Therefore, the
300 Division concludes that the Contract is just and reasonable and recommends that the
301 Commission approve the Contract.

302

303 The Commission should include language in any order approving this Contract that energy
304 purchased by the customer constitutes the sale or use of electricity from an alternative energy
305 source under a retail tariff, as contemplated by Utah Code Subsection 59-12-104(47)(a).

306

307 **Q. Does that complete your testimony?**

308 A. Yes.