

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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	)	<b>DOCKET NO. 16-035-T09</b>
<b>In the Matter of Rocky</b>	)	<b>Exhibit No. DPU 1.0 DIR</b>
<b>Mountain Power’s Proposed</b>	)	
<b>Electric Service Schedule No. 34,</b>	)	<b>Direct Testimony of</b>
<b>Renewable Energy Tariff</b>	)	<b>Charles E. Peterson</b>
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**THE DIVISION OF PUBLIC UTILITIES  
DEPARTMENT OF COMMERCE  
STATE OF UTAH**

**Direct Testimony of  
Charles E. Peterson**

**July 28, 2016**

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**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 Commission involving a variety of economic, financial, and policy topics.

Relevant to this docket is Docket No. 014-035-T02, Schedule 32, Service from Renewable Energy Facilities, in which I filed sur-rebuttal testimony in behalf of the Division and testified at the hearing, adopting the previous testimony filed by the Division. I have also testified regarding reviews of power purchase agreements (PPAs) under Schedule 38 for six

23 or more years and I testified as one of the Division's witnesses in Docket No. 12-035-100, in  
24 which the Commission considered changes to the method used for computing avoided costs  
25 for qualifying facilities (QFs) under Schedule 38.

26

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

29

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

31 **A.** I first provide an analysis of Rocky Mountain Power's<sup>1</sup> (Company) Schedule 34 proposal. I  
32 then present the Division's proposed changes to the Company's proposal that the Division  
33 believes brings the Schedule more in line with the enabling statute, Utah Code Annotated §  
34 54-17-806 (Section 54-17-806). The Division's proposal includes time restrictions in the  
35 tariff to protect ratepayers generally.

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<sup>1</sup> Rocky Mountain Power is an unincorporated division of PacifiCorp.

42 **II. THE COMPANY'S INITIAL SCHEDULE 34 PROPOSAL**

43

44 **Q. Please discuss the Company's initial Schedule 34 proposal.**

45 A. On June 17, 2016, the Company filed with the Commission its proposed Schedule 34 along  
46 with supporting direct testimony by Joelle R. Steward. In her testimony, she explains the  
47 purpose of the renewable energy tariff under its enabling legislation, Utah Code Annotated §  
48 54-17-806,<sup>2</sup> along with an explanation of its economic development benefits.<sup>3</sup> She then  
49 outlines what the process will be once a customer indicates to the Company its interest in  
50 obtaining a contract under Schedule 34. She indicates further that the Company intends to  
51 complete the contract negotiation phase within 90 days and then file the proposed contract  
52 with the Commission.<sup>4</sup>

53

54 **Q. Please outline the terms in the Company's initial proposal.**

55 A. Following the enabling legislation, a customer qualifies for a contract under Schedule 34 if it  
56 has "an aggregated electric load of at least five megawatts."<sup>5</sup> The Company interprets the  
57 five megawatt load to mean peak load on an annual basis. The Company further defines in its  
58 proposed tariff how the peak load, or demand, will be determined and sets forth provisions  
59 for estimating peak demand for new customers.

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<sup>2</sup> Direct Testimony of Joelle R. Steward, pages 1-2.

<sup>3</sup> Ibid., page 3

<sup>4</sup> Ibid., pages 3-4.

<sup>5</sup> UCA § 54-17-806(2).

61 **Q. What is the Division’s position regarding the Company’s “annual peak load”**  
62 **interpretation, and its explanations of determining or estimating peak load?**

63 A. The Division believes this interpretation is reasonable.

64

65 **Q. Please continue with your outline of the Company’s proposal.**

66 A. As permitted under the enabling statute<sup>6</sup>, the Company proposes to charge monthly  
67 administrative fees of \$110 per generation source and \$150 per delivery point. These  
68 administrative fees are identical to the fees vetted and approved for Schedule 32. The  
69 Division concludes that these fees are reasonable.

70

71 The renewable energy rate will be determined in the contract between the customer and  
72 PacifiCorp. The customer will be expected to pay PacifiCorp for any costs incurred to obtain  
73 the renewable energy.

74

75 The Company then sets out in the proposed tariff additional conditions of service: a contract  
76 must be entered into between the customer and the Company; the contract will provide for  
77 the provision of renewable energy from facilities defined in Utah Code Annotated § 54-17-  
78 601(10)(a); the disposition of renewable energy credits (RECs); and that the customer may  
79 ask the Company to purchase RECs on the customer’s behalf in order to meet the customer’s

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<sup>6</sup> UCA § 54-17-806(2)(c).

80 renewable energy goals during a “ramp-up” period. Other standard contract provisions are  
81 discussed, such as termination provisions.

82  
83 There are some parts of the tariff, such as in the discussion of RECs that the Division  
84 believes need clarifying language. Beyond some relatively minor language adjustments, there  
85 are two issues, though, that particularly raised the Division’s concern. The first is the \$5,000  
86 nonrefundable application fee in paragraph 3 on page Original Sheet No. 34.3. The second  
87 issue is that the Division believes that the service conditions set forth under paragraph 2(c) of  
88 the proposed Schedule 34 are inconsistent with the enabling statute.

89

90 **Q. Please explain the issue with the \$5,000 nonrefundable application fee.**

91 A. Unlike the monthly administrative fees mentioned above, the \$5,000 nonrefundable  
92 application fee is not similar to other recently vetted fees where the division was comfortable  
93 recommending approval without further inquiry. The application did not detail how the fee  
94 was set. Company witness Ms. Steward did qualitatively support the amount by saying the  
95 fee “is intended to help cover the costs that the Company will incur to negotiate and prepare  
96 the contract, including a contract for the renewable energy resource if necessary.”<sup>7</sup> In  
97 response to DPU data request 2.1, the Company detailed a range of estimated costs from  
98 about \$5,700 to \$11,400 to negotiate and write-up a contract. The estimates appear  
99 reasonable to the Division.

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<sup>7</sup> Steward, page 5.

101 The nonrefundable application fee will likely be seen as a barrier to entry by some potential  
102 customers. Schedule 34 is limited to customers with a peak demand of at least five  
103 megawatts. Customers of this size will typically have annual bills in the hundreds of  
104 thousands or millions of dollars. On the other hand, the application fee will also give the  
105 Company some assurance that a customer is serious before the Company expends resources  
106 in negotiations and developing a contract. Given that these factors and costs are estimated  
107 amounts, the Division believes that it is reasonable to set the application fee at the low end of  
108 the range, in fact, below the low end of the range.

109

110 **Q. Please describe the inconsistencies the Division sees between the statute and paragraph**  
111 **2(c) of the Company's proposed tariff.**

112 A. Speaking as a lay policy witness and not an attorney, the Division believes that paragraph  
113 2(c) as proposed by the Company is inconsistent with Subsection 54-17-806(2) in that first,  
114 the Division believes that Subsection 2(c)(i) should explicitly reference the statute's  
115 requirement that the rate to be charged is the customer's normal tariff rate plus an  
116 incremental charge for the renewable energy. Second, Subsection 2(c)(ii) suggests that some  
117 alternative method to determine rates is acceptable in all cases, whereas the Division's  
118 reading of the statute is that only the incremental renewable rate may be subject to a  
119 modification, but that rates still must be based upon the customer's normal tariff.

120

121

122



123 **Q. What does the Division believe is meant by “normal tariff”?**

124 A. Again, speaking as a non-attorney, the Division understands “normal tariff” to mean the rate  
125 tariff the customer is on, or would be on, based on the size of its load and other  
126 characteristics, absent a renewable energy source under Schedule 34; e.g. Schedules 6, 8, or  
127 9.

128

129 **Q. What other concerns does the Division have with the initially proposed Schedule 34?**

130 A. Based upon the Division’s experience with Qualifying Facility (QF) and other contracts, the  
131 Division believes that there should be specific limitations to when and for how long any  
132 modifications to the basic pricing structure of “normal tariff plus incremental renewable  
133 energy costs” may remain in place.

134

135 In the event that there will be times, on an annual basis, when the customer is putting excess  
136 renewable energy back to PacifiCorp, which the Division expects to be a small amount, there  
137 should be a specification of what PacifiCorp pays for that excess energy. However, these are  
138 not net metering machines. Because the excess energy, if any, is expected to reflect a  
139 Schedule 37 resource, the Division recommends that Schedule 37 be used for excess energy  
140 payments.

141

142 Finally, the Division was concerned with additional, mostly minor, wordsmithing issues.

143

144

145 **III. THE DIVISION'S RECOMMENDED SCHEDULE 34**  
146

147 **Q. Has the Division discussed the issues you described above with the Company?**

148 A. Yes. The Division has held discussions with the Company and interested intervenors to  
149 amend the Company's proposed Schedule 34 into a form that the Division believes better  
150 complies with Section 54-17-806 and satisfies the Division's concerns regarding the issues  
151 raised above. DPU Exhibit 1.2 DIR is the Division's proposed Schedule 34. While the  
152 Division has considered comments from other parties in its proposal, DPU Exhibit 1.2 DIR is  
153 the Division's own proposal and does not reflect any agreement or consensus. DPU Exhibit  
154 1.3 DIR is a redline version of the Company's initial proposed Schedule 34 with the  
155 Division's proposed changes.

156

157 **Q. Please describe the changes in this amended version that the Division supports.**

158 A. First, the Division supports the amended language in section 1(c) as more consistent with  
159 Section 54-17-806. The Division recommends limiting the alternative method of pricing, if  
160 any, to the "ramp up" period when a customer is presumably building or otherwise  
161 developing its facilities and acquiring through PacifiCorp its renewable resources. Further the  
162 ramp up period is generally restricted to no more than thirty-six months, with the possibility  
163 of Commission approval of a longer period, to limit the Schedule 34 customer from gaming  
164 the system by receiving possibly favorable prices at the expense of other ratepayers for  
165 lengthy periods of time. Finally, the Division's proposed Schedule 34 proposal designates  
166 that should the Schedule 34 customer's renewable energy resource supply excess power back  
167 to the PacifiCorp system, the Customer will be paid at the current Schedule 37 rates as

168 amended from time to time for any excess power. The Division currently expects that such  
169 excess power will be minimal since the intent of Schedule 34 is for power generated under  
170 this tariff to be consumed by the customer. The Division believes that specifying how excess  
171 power will generally be priced up front will minimize disputes going forward.

172

173 The Division has modified the Company's proposed Schedule 34 language elsewhere, but  
174 believes these modifications are minor clarifications.

175

## 176 **VI. CONCLUSIONS AND RECOMMENDATIONS**

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### 178 **Q. What are your conclusions?**

179 A. The Division concludes that the Division's proposed Schedule 34, attached as DPU Exhibit  
180 1.2 DIR, is consistent with Section 54-17-806 and also reflects the Division's concerns and  
181 experience with other contracts and foreseeable circumstances under Schedule 34.

182

### 183 **Q. Since this is the inaugural version of Schedule 34, does the Division expect changes to be** 184 **made to the tariff?**

185 A. Of course all tariffs are subject to change as conditions change. So, yes, the Division expects  
186 that as regulators, customers, and PacifiCorp, gain more experience with these contracts,  
187 there will be opportunities to change Schedule 34 to reflect that experience.

188

189

190 **Q. What do you recommend?**

191 A. The Division recommends that the Commission approve the amended Schedule 34 proposal  
192 as set forth in DPU Exhibit 1.2 DIR.

193

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

195 A. Yes.