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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 over 12 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, for over eight years I have been the Division's lead staff investigating Qualifying Facilities contracts and special contracts entered into by PacifiCorp

22 and related issues. I have provided testimony before the Commission in these matters as
23 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 will provide testimony related to policy issues in behalf of the Division
30

31 **Q. What are the issues that are before the Commission in this Docket?**

32 **A.** On June 7, 2017 Glen Canyon Solar filed a Request for Agency Action (“Request”)
33 requesting that the Commission order RMP to:

34 1. Utilize all of its existing network transmission right and resources,
35 including planning and operational redispatch options, to avoid
36 unnecessary and uneconomic Network Upgrades.
37

38 2. Submit a timely and appropriate transmission service request pursuant
39 to Schedule 38, Section I.B.8.e, for the GC Resources that requests that
40 studies done by PacifiCorp’s transmission function (“PacTrans”) include
41 studies and analyses of all available planning and operational redispatch
42 options designed to avoid uneconomic Network Upgrades.
43

44 3. Submit a timely and appropriate request that PacTrans perform
45 interconnection studies for the GC Resources in a manner consistent with
46 transmission studies that assume resource redispatch.
47

¹ Examples of a few recent dockets include Dockets Nos. 14-035-107, 14-035-140, 15-035-40, 15-035-75, and 16-035-27.

48 4. Utilize and request studies of operational redispatch options consistent
49 with the redispatch of resources assumed in setting avoided cost prices in
50 the GC PPAs.

51
52 5. Avoid imprudent actions or failures to act that might trigger
53 unnecessary, uneconomic Network Upgrades, the costs of which could fall
54 on PacifiCorp and its customers under applicable regulations and
55 precedent.

56
57 6. Avoid unlawful discrimination by utilizing available operational
58 dispatch options for the GC Resources.²
59

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

61 A. The Division's counsel filed a legal brief on August 11, 2017 pursuant to the Scheduling
62 Order in this Docket. That brief represents the Division's current position with respect to the
63 legal issues raised by the parties PacifiCorp (Company) and Glen Canyon Solar (Glen
64 Canyon). The Division does not dispute the six items listed by Glen Canyon since they
65 appear generally to reflect activities that the Company should engage in as a matter of good
66 faith business practice under the current federal and state laws. While not directly
67 commenting further on the six items listed above the Division supports the following
68 propositions.

- 69 1. A qualifying facility (QF) developer is responsible to pay for the interconnection costs
70 assessed to it by the transmission provider.
- 71 2. If it is the transmission provider, the Company is expected to provide for interconnection
72 facilities and the costs of those facilities in the most efficient, economical, and otherwise
73 prudent manner reasonably possible.
- 74 3. Both the Company and the QF developer are expected to follow federal law, e.g. the
75 Public Utility Regulatory Policies Act (PURPA) and rules and regulations promulgated

² Request for Agency Action at p. 1-2.

76 by the Federal Energy Regulatory Commission; and applicable state laws including
77 regulatory tariffs and rules.

78 4. The Commission needs to protect the public interest by maintaining ratepayer
79 indifference in the QF contract pricing and terms pursuant to the authority delegated it
80 under PURPA.

81

82 **Q. What comments do you have regarding your first point above regarding the payment of**
83 **interconnection costs?**

84 A. The payment of transmission interconnection costs by the QF developer is and has been the
85 requirement in Utah. PacifiCorp's (dba Rocky Mountain Power) Electric Service Schedule
86 No. 38, Part II.B. states, "The QF owner is responsible for all interconnection costs assessed
87 by the Company on a nondiscriminatory basis."

88

89 I don't believe that there is a fundamental dispute on this point.

90

91 **Q. What is your understanding of the dispute between PacifiCorp and Glen Canyon?**

92 A. PacifiCorp has suggested darkly that the prices offered Glen Canyon under the power
93 purchase agreements (PPAs) it has signed do not reflect all of the costs associated with the
94 Company's transmission function that will be incurred by the Company if Glen Canyon
95 interconnects with the Company's transmission system, or in the alternative, that Glen
96 Canyon should pay additional costs to interconnect with the Company. This dispute has been
97 raised in the related PPA Docket Nos. 17-035-26 and 17-035-28.

98

99 **Q. Has either the Company or Glen Canyon provided specific information on the types of**
100 **costs and amounts that are, or might be, in dispute?**

101 A. No. The Division understands that there have been no PacifiCorp Transmission studies
102 completed relevant to the PPAs between the Company and Glen Canyon. To date there has
103 been much, somewhat arcane, discussion regarding the definitions of FERC for transmission
104 and interconnection costs. At this point, though, the Division is uncertain whether a genuine
105 controversy exists, and if so, whether or not it is within the Public Service Commission of
106 Utah's jurisdiction.

107

108 **Q. Have interconnection or transmission costs previously been a dispute in a QF matter in**
109 **Utah?**

110 A. Not in my experience.

111

112 **Q. Do you have comments regarding your items two and three: that the Company should**
113 **provide interconnection and transmission service at the lowest prudent costs; and that**
114 **the Company and Glen Canyon should follow applicable state and federal laws?**

115 A. I think these two items should be self-evident, particularly the latter that the parties should
116 follow the law. The former is the expectation of a regulated utility that it will provide safe,
117 reliable service at the lowest reasonable cost.

118

119

120 **Q. Your last point relates to ratepayer indifference under PURPA. Do you have any**
121 **comments regarding that?**

122 A. States are granted the right to set pricing terms under PURPA, and ratepayer indifference is
123 the primary standard that can be applied to determine what price a utility must pay a QF. The
124 most recent concluded docket where this was discussed was Docket No. 15-035-53. But there
125 have been several earlier dockets that established the primary methods to calculate the
126 avoided cost pricing for a QF, most recently Docket No. 12-035-100.

127

128 **Q. What is the Division recommending the Commission do in this Docket?**

129 A. The Division is uncertain what the exact nature of the dispute between PacifiCorp and Glen
130 Canyon. Glen Canyon seems to believe that PacifiCorp is not acting appropriately with
131 respect to its responsibilities under Schedule 38, but at this point there is no clear evidence of
132 this besides the Glen Canyon's suspicions and the largely legal discussions and arguments
133 about what constitutes interconnection costs and what constitutes transmission service costs
134 according to FERC. On the other hand, what Glen Canyon wants the Company's merchant
135 function to do—that is, to ask the Company's transmission function to evaluate the
136 interconnection costs assuming that the Company can re-dispatch its own or controlled
137 generation plants—seems to the Division to be reasonable and innocuous. Reasonable and
138 innocuous because that is what the Company's model does in determining the avoided costs
139 for the Glen Canyon projects. The Company's apparent refusal to do so would appear to
140 require an explanation.

141

142 However, because of the lack of concrete evidence about these matters to date, the Division
143 is not in a position to make any recommendations beyond those made in its legal brief filed
144 on August 11, 2017 in this Docket.