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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's Proposed Tariff Revisions to Electric Service Schedule No. 37, Avoided Cost Purchases from Qualifying Facilities	**DOCKET NO. 17-035-T07**
In the Matter of Rocky Mountain Power's 2017 Avoided Cost Input Changes Quarterly Compliance Filing	**DOCKET NO. 17-035-37**

DIRECT TESTIMONY OF KATE BOWMAN

ON BEHALF OF

UTAH CLEAN ENERGY

DATED this 3rd day of October, 2017

Sophie Hayes
Attorney for Utah Clean Energy

INTRODUCTION

Q. Please state your name and business address.

A. My name is Kate Bowman. My business address is 1014 2nd Ave, Salt Lake City, Utah 84103.

Q. By whom are you employed and in what capacity?

A. I am the Solar Project Coordinator for Utah Clean Energy, a non-profit and non-partisan public interest organization whose mission is to lead and accelerate the clean energy transformation with vision and expertise. We work to stop energy waste, create clean energy solutions, and build a smart energy future.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Utah Clean Energy.

Q. Please review your professional experience and qualifications.

A. I have worked for Utah Clean Energy for over five years as a project coordinator with a focus on the development and implementation of programs that provide education about, expand access to, and facilitate the installation of solar photovoltaic energy. I hold a bachelor's degree in government with a focus on public policy from Dartmouth.

Q. Have you previously filed testimony with this Commission?

A. Yes. I filed testimony in Phase II of Docket No. 16-035-36, in the matter of Rocky Mountain Power's STEP Act Initiatives, regarding advanced substation metering.

Q. What is the purpose of your direct testimony?

A. I will address the Company's proposal to apply the Proxy/partial displacement differential revenue requirement (PDDRR) (Schedule 38) pricing method, as well as queuing protocol, to small qualifying facilities (QFs) who take standard offer rates under

Schedule 37. UCE Witness Ken Dragoon will address the Company's changes to the Proxy/PDDRR method in his testimony.

Q. Please summarize your conclusions and recommendations.

A. The Company has not justified why it is appropriate to apply its proposed Proxy/PDDRR changes to Schedule 37 pricing. These changes will likely price small QFs out of the market. I recommend the Commission not accept the Company's proposed changes to Schedule 37 pricing.

RMP SCHEDULE 37 PROPOSAL AND UCE RESPONSE

Q. What is Rocky Mountain Power proposing regarding the calculation of avoided costs for Schedule 37 (for small qualifying facilities)?

A. The Company has proposed using the Schedule 38 Proxy/PDDRR method (including the proposed changes at issue in the current docket) to calculate "like-for-like" avoided cost pricing for small, "standard rate" QF projects. As part of this, the Company has proposed to have these small QFs subject to the schedule 38 QF Queue.

Q. What is a standard rate QF project?

A. In implementing PURPA, FERC established the ground rules of utilities' must purchase obligation. One of these rules was that utilities must offer standard rates for purchases from small QFs.[1] In Utah, small QFs are renewable QFs less than three MW and cogeneration QFs smaller than one MW.

[1] *See* 18 CFR 292.304(c).

Q. What is the point of having standard rates for small QFs?

A. Small QFs are, by definition, smaller projects. Small QF projects are disproportionally burdened by high transactional costs, so process complications can significantly reduce their chances of being developed. Thus, the rationale for standard rates, as I understand it, is to provide a simple, straightforward path that allows small QF developers to actually develop projects. A simple process is necessary for less sophisticated entities to participate in the PURPA process. Additionally, small QF projects differ from large (e.g. 80 MW) QF projects in significant ways. For example, they can be built and brought online faster, and they are less likely to incur integration costs or encounter transmission constraints. In the words of the regulations implementing PURPA, they have "smaller capacity increments" and "shorter lead times." *See* 18 CFR 292.304(e)(2)(vii).

Q. What is the current method for pricing Schedule 37 QFs?

A. The Company utilizes differential GRID runs – with and without a 10 MW, zero cost baseload resource – to calculate avoided energy costs during the resource sufficiency period and a proxy plant method to calculate avoided energy and capacity costs during the resource deficiency period. The IRP load and resource balance is the source of the type and timing of the next deferrable resource used to calculate the capacity payments during the period of resource deficiency.[2] Prices for wind and solar QFs are adjusted to account for integration costs and capacity contribution.

[2] Docket No. 12-035-T10, Report and Order (November 28, 2012)

Q: How are Schedule 37 prices presented to QFs?

A. Prices are presented based on QF resource type in a published rate schedule. Thus, the current method provides resource-specific avoided cost prices for small QFs that already account for resource differences, such as relative capacity contribution.

Q. Are there limits to the amount of small QFs that can be developed in Utah each year?

A. Yes. In Utah there is an annual limit of 25 MW of small QF capacity that can be developed and receive published Schedule 37 pricing.

Q. Does the 25 MW annual limit on small QFs receiving Schedule 37 pricing protect consumers?

A. It depends upon your perspective. PPAs are locked in, all-inclusive pricing that can benefit ratepayers going forward, and they may limit the need for future utility investments. But yes, the 25 MW annual limit makes any potential negative impact of schedule 37 QFs very limited. (It also limits beneficial impacts.)

Q. What has the Company proposed with respect to schedule 37 and the queue for schedule 38 QF projects?

A. The company has proposed, consistent with its efforts to eliminate differences between Schedules 37 and 38, that small, Schedule 37 QFs be subject to the same queue as large, Schedule 38 QFs. (Direct Testimony of Daniel MacNeil, lines 717-718.)

Q. What is your response to this proposal?

A. Utah Clean Energy is very concerned about this proposal. As an initial matter, it is not clear that the queue is working all that well for Schedule 38 QFs. For pricing purposes, the Company assumes that *all QFs* in the queue before a given project will be developed.

Critically, there is no evidence to support this assumption. Furthermore, there is no justification for making smaller, simpler projects that are eligible for published, standard rates subordinate to a queue of projects that must undergo complicated, often lengthy contract negotiations. The Company's proposal is an artificial price cap that will prevent small QF projects from receiving full avoided cost rates.

Q. Given that pricing for QFs is so low, do you think Company's proposal is warranted?

A. No. The Company's proposal, somewhat counterintuitively, will prevent Utah ratepayers from benefitting from potentially easily developable, small QF projects at very low PPA pricing. By forcing three MW and smaller projects to the end of the queue, the Company is effectively pricing them out of the market based on a false and unreasonable assumption that all large QFs in the queue will get built ahead of them. Nevertheless, these small QFs can be added economically, in smaller capacity increments, and with much shorter lead times if allowed to. This false assumption may actually harm ratepayers by preventing lower cost resources from being built. Currently, we still have the 30% solar Investment Tax Credit. Now is the time to be developing solar projects, not waiting until 2028, as called for in the current IRP.

Q. What is your recommendation regarding the Company's proposal to change the pricing method for schedule 37 to the Proxy/PDDRR method with changes as proposed in the current docket?

A. I recommend that the Commission not accept the Company's proposal to treat schedule 37 projects like Schedule 38 projects. UCE Witness Ken Dragoon addresses the Company's "like-for-like" deferral proposal, which Utah Clean Energy opposes.

Furthermore, small QFs should not be subject to the to the Schedule 38 queue for the reasons outlined herein.

Q. Do you have any recommendations for small QF pricing?

A. At this time, I have one simple recommendation. For small QFs that are developed on the distribution system, I recommend that the Company make an adjustment to Schedule 37 rates to account for avoided line losses. Because these projects are able to deliver electricity to load without using the transmission system, they avoid associated line losses. The value of these avoided losses should be added back into their rates.

Q: Does that conclude your testimony?

A: Yes.