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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**

Surrebuttal Testimony of Ken Dragoon
on behalf of
Utah Clean Energy

November 21, 2017

RESPECTFULLY SUBMITTED,
Utah Clean Energy

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INTRODUCTION

Q: Please state your name and business address.

A: My name is Ken Dragoon. My business address is 3519 NE 15th Avenue, #227, Portland, Oregon 97212.

Q: Are you the same Ken Dragoon who filed direct testimony on behalf of Utah Clean Energy in this matter on October 31, 2017?

A: Yes.

RESPONSE TO REBUTTAL TESTIMONY

Q: Please summarize the issues you will address in your rebuttal testimony.

A: This testimony addresses statements made in the rebuttal testimony of Abdinasir Abdulle, Division of Public Utilities (Division) and Daniel MacNeil, Rocky Mountain Power (Company), regarding the Company's proposed implementation of the "like versus like" methodology for setting QF avoided costs based on deferrable renewable resources. This testimony addresses the ability to equitably account for the relative values of different kinds of renewable resources; the adverse implications if renewable resources of different types are not allowed to defer one another; and how the Company's contention that the Proxy/PDDRR method is intended to produce a "comparable portfolio" to the IRP preferred portfolio is incorrect and inconsistent with PURPA. I recommend that the Commission reject the Company's assertion that a renewable resource may defer only renewable resources of the same type. Further, I recommend that the

Commission either set the "like" renewable resource deferral avoided cost rate as a floor for avoided cost pricing or allow it to be chosen at the option of the QF.

Portfolio Renewable Resource Costs and Avoided Costs

Q: Do you agree with the Company that IRP preferred portfolio renewable resource costs should represent a ceiling on avoided costs [Mr. MacNeil at 83-84 and 384-387]?

A: No. I agree that IRP preferred portfolio resources represent potential targets for deferral or displacement, but the Company should not be free to force renewable resources to accept pricing based on resource costs that don't represent the highest and best deferral opportunities in the portfolio. In reality, the most expensive resources in the portfolio should be targeted for deferral by lower cost QFs. For example, In calculating the partial displacement differential revenue requirement, the GRID model selects the highest cost resources for displacement by a QF. And the Company argues that its Wyoming Wind projects are "such a good deal" that they would acquire as much as they can physically get [Mr. MacNeil at 251-256], clearly suggesting that the cost of those resources is below other costs in the model. As such, the utility's lowest cost resources should certainly not set a ceiling on QF avoided cost rates. It is the highest cost resources that are deferred or displaced by QFs.

Historically, adding resources increases net revenue requirements. Models select a resource only because of an overarching need for capacity or energy to maintain system reliability or manage adequacy risk. Wyoming Wind is being

added to lower revenue requirements, virtually the definition of being below avoided cost.

Q: Does the Company effectively agree that renewable resources can be below their avoided costs?

A: Yes. Mr. MacNeil argues [at 426-431] that preferred portfolio resources may provide benefits greater than their costs, effectively agreeing that the model sees value in excess of the cost of those resources.

Q: Do you agree UCE's proposal fails the customer indifference standard?

A: No. The Company argues that "UCE's methodology" fails to maintain customer indifference by "ignoring the benefits of preferred portfolio resources [Mr. MacNeil at 431-432]. It was not my intent to provide a fully developed methodology in my testimony; rather I meant to point out that deferring renewable resources of different types is possible, that not allowing such deferral is problematic, and that deferring renewable resources based on energy value rather than capacity value is a more direct approach. It is unclear what the Company has in mind with respect to how any of that threatens customer indifference or ignores the benefits of preferred portfolio resources.

Q: Is there other evidence in the Company's testimony that some preferred portfolio resources are below the utility's avoided costs?

A: Yes. The Company points out that its Wyoming Wind projects remain cost effective even though QFs – amounting to over half the equivalent capacity of the wind additions – have been added since the 2017 IRP was prepared [Mr. MacNeil at 329-339]. In other words, even though QFs could have deferred over half of the

wind additions on a capacity equivalent basis, the Company is still planning to add all of the Wyoming wind because the wind is so cost-effective – that is, below the Company's avoided costs. It is difficult to see how this reality is consistent with their argument that IRP preferred portfolio renewable resources represent a ceiling on avoided costs. It is contradicted by the Company's own findings and testimony [Mr. MacNeil at 329-339]. Allowing a new methodology to mandate QF prices for certain renewable resources that are below the costs the Company would otherwise incur is contrary to the meaning of "avoided costs."

Q: Do you have a response to the Division's description of the Commission's order in Docket No. 12-035-100?

A: The Division notes that the Commission approved a requirement that renewable QFs displace renewable resources of the same kind in the IRP preferred portfolio; however the Commission's *Order* does not mention restricting renewable resources to deferring only resources of the same type. Instead, the Commission's Order describes a method for basing the *capacity payment* for a renewable resource on the capital costs of a resource of the same type. It is theoretically possible to base the capacity payment for a renewable resource on the capital costs of like resources in the IRP preferred portfolio, as described in the Commission's previous order, and still allow renewable resources to defer the next planned resource, regardless of type, in the IRP preferred portfolio.

Q. Are there adverse implications of forcing renewable QFs to accept avoided cost pricing based on deferral of a like renewable resource?

A: Yes, there are several. First, it creates different resource sufficiency and deficiency periods for renewable resources of different technology types. This is an unprecedented and major change to the QF avoided cost methodology that could result in technology winners and losers based solely on resource type rather than value and cost. It is difficult to understand how such outcomes are consistent with the purposes of PURPA, customer indifference, or methodological accuracy.

Second, it can result in potentially large and illogical differences in avoided cost payments even for identical resources. For example, if IRP preferred portfolio solar resources planned for 2031 and 2032 are completely deferred by QF solar resources, no solar resources will remain in the Preferred Portfolio. As a result, the *next* solar QF resource would displace the 2029 *thermal* resource—potentially at a higher price than the earlier QFs. It is unclear why the earlier projects should not be allowed to displace what could be a higher cost thermal unit (which is the historically defined "deferrable resource").

Comparability of Different Resource Types

Q. Can a renewable resource of one type be compared to the avoided cost of a renewable resource of a different type?

A. Yes. I agree with DPU's affirmation that "it is theoretically possible" to let renewable QFs defer renewable resources of a different kind [Mr. Abudulle at 52-55]. From its inception, PURPA envisioned QF resources of all types deferring thermal resources. Contending, as the Company does, that one type of renewable resource is or should be incapable of deferring another type implies that the

differences between renewable resources is somehow greater and more difficult to assess than the differences between renewable resources and thermal resources. The Company, whose burden it is, does not present a logical explanation of why that would be.

Q. Allowing that it is theoretically possible, are there practical or conceptual barriers to producing accurate avoided costs based on different kinds of renewable resources?

A. None that I know of. The Company proposed a straw man methodology that produced seemingly anomalous results, based on deferring one resource type with another on an equivalent capacity contribution basis. The result is to mismatch the amount of energy deferred, requiring large and seemingly incongruous adjustments due to one megawatt-hour of solar "deferring" several megawatt-hours of wind. If instead, one megawatt-hour of solar is assumed to defer one megawatt-hour of wind, the resulting mismatch in capacity contributions is smaller and more easily accounted for. The results would be less disconcerting—though both approaches can be done accurately.

Q: Does the approach you suggest as plausible reject using GRID to determine avoided costs?

A: No. The Company argues that the UCE approach "doesn't use the GRID model" and thereby doesn't sufficiently account for differences among resource types or accurately assess avoided costs [Mr. MacNeil at 424-425]. I agree with the Company's testimony that differences among resources must be accurately accounted for, and nothing in my testimony was intended to preclude using GRID

to determine those. In fact, the only difference envisioned by my testimony was deferring a portfolio renewable with a QF renewable based on energy, and then computing the differences in capacity contribution and energy shape separately. Presumably both would involve GRID runs or at least outputs.

Q: Do you agree with the Company that "the absence of a [specific] resource in the preferred portfolio indicates that lower cost alternatives are available" [Mr. MacNeil at 366-368]?

A: No. The Company seems to conflate IRP modeled resource availability – that is, the Company's specific modeling assumptions – with all possible resources [Mr. MacNeil 80-83, 220-223, and 366-369]. PURPA envisions allowing any QF resources to defer utility resources so long as the resource is willing to accept avoided costs. However, if the Company's bold contention were true, only QFs with identical attributes to the utility's IRP resource modeling attributes would be available to defer utility resources. This would clearly undermine the purposes of PURPA. Thus, it is difficult to reconcile the Company's contention with the purpose and practice of PURPA.

Further, the Company contends that the intent of the Proxy/PDDRR method is to create a "*comparable portfolio* that removes Company resources that are no longer needed as a result of QF contracts," and that QFs be eligible to defer only the "*most comparable resources* in the preferred portfolio." [Mr. MacNeil, lines 402-403, 371-372 (emphasis added).] I disagree with this completely. The purpose of the long-standing avoided cost method is to create pricing for QFs, regardless of type, taking resource characteristics into account to the extent

practicable, consistent with 18 CFR 292.304(e)(2). It is not necessary to limit resource deferability to like resources; rather that is a step too far and is discriminatory against QFs.

Summary

Q: Can you summarize the main points of this testimony?

A: Yes:

1) Mandating renewable QF avoided cost prices based on deferring "like" preferred portfolio renewable resources could result in rates below the Company's actual avoided costs, based on the Company's own testimony, despite its assertions to the contrary. QF resources must not be forced to take pricing below the Company's avoided cost, so either the renewable-deferral based rate must be optional as REC has recommended, or it must form a floor on avoided costs.

2) Asserting that renewable resources are incomparable for the purposes of computing avoided costs incongruously implies that renewable resources are more different from one another than they are from thermal resources. This assertion is unsupported by testimony and the policy underpinnings of PURPA.

3) If renewable QFs are only allowed to displace IRP preferred portfolio resources of the same type it will result in technology-specific sufficiency and deficiency periods, resulting in anomalous avoided cost results.

4) Avoided costs based on deferral of IRP preferred portfolio renewable resources by other kinds of renewable QFs could be accomplished simply by basing the deferral on energy instead of capacity contribution. Taking account of the value differences in the timing of the energy generation and capacity contributions between the resource types is straightforward using the Company's existing models and methods.

5) The Company's contention that QF resources may only defer IRP portfolio resources of the precise type and timing of the IRP preferred portfolio resources should be rejected as insufficiently justified and contrary to the requirements of PURPA.

Q: Does that conclude your testimony?

A: Yes.