BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Rocky Mountain Power's	)	
Proposed Tariff Revisions to Electric Service	)	Docket No. 17-035-T07
Schedule No. 37, Avoided Cost Purchases	)	
from Qualifying Facilities	)	DPU EXHIBIT 1.0 Direct

Direct Testimony of

Abdinasir M. Abdulle, Ph.D.

Division of Public Utilities

July 20, 2017

INTRODUCTION

Q. Please state your name, business address, and employment for the record.

A. My name is Dr. Abdinasir M. Abdulle. My business address is 160 E. 300 South, Salt Lake City, Utah 84114; I am employed by the Utah Division of Public Utilities (Division or DPU).

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of the Division.

Q. Would you summarize your education background for the record?

A. I have a Ph.D. in Economics from Utah State University. I have been employed by the Division for about 16 years.

SCOPE OF TESTIMONY

Q. What is the purpose of your testimony?

A. As is explained in the direct testimony of Mr. Daniel MacNeil, Rocky Mountain Power (the Company) is proposing some changes to Electric Service Schedule 37. My testimony will provide the Division's response to the Company's proposed changes.

Q. What changes to Electric Service Schedule 37 is the Company proposing?

A. In its compliance filing of Schedule 37, dated May 30, 2017, the Company proposed the following changes:

- Changes to align Schedule 37 pricing method with that of Schedule 38.

- Changes to several avoided cost inputs, including market prices, integration costs and capacity contribution of renewable resources.
- Changes in the assumption regarding the ownership of the Renewable Energy Credits (RECs).
- Revisions to Schedule 37 tariff and supporting documentations recommended by the Division in Docket No. 16-035-T06.

DPU RESPONSES TO THE COMPANY'S PROPOSED CHANGES

Q. What changes to the Schedule 37 method for calculating avoided costs did the Company propose to align it with the method used for Schedule 38?

A. To align Schedule 37 method for calculating avoided costs with that of Schedule 38, the Company is proposing to calculate Schedule 37 avoided costs using the partial displacement differential revenue requirement (PDDRR) method, which is the method used to determine avoided costs under Schedule 38. The use of PDDRR method for Schedule 37 will:

i. change the proxy resource,

ii. account for the queue of potential QFs, and

iii. use a 10 MW resource of each type to calculate avoided energy cost.

Q. What is the Division's position regarding the proposed change of the proxy resource?

A. Since the IRP and the IRP updates prior to the 2017 IRP did not contain any cost-effective renewable resources to be deferred by a proposed QF, under the current Schedule 37 method, during the deficiency period, the avoided costs are based on the fixed and variable costs of a proxy resource. The current proxy resource is a combined cycle combustion turbine (CCCT).

However, the 2017 IRP preferred portfolio contains some cost-effective renewable resources. Hence, the Company proposed that instead of having QFs defer or avoid the next deferrable thermal resource, to allow the QFs to first defer or avoid the next deferrable cost-effective renewable resource of the same kind. If there are no more cost-effective renewable resources to be deferred and if the QF is not a renewable resource, then defer or avoid the next deferrable thermal resource.

The Division believes that the Company's proposed change of the proxy resource is reasonable. It creates a one to one correspondence between the QFs and the proxy unit. This is in line with the customer indifference standard.

The fact that the use of the PDDRR method allows the replacement of like renewable resource leads to the calculation of a specific avoided cost for each resource type. That is, specific GRID runs will be performed for each resource type, using the specific characteristics of the proposed QF and proxy resource. The Division believes that this will yield more precise avoided costs for each resource type.

Q. What is the Division's position regarding the indicative price queue of potential QFs?

A. The Company is proposing that when a proposed QF is displacing either a cost-effective renewable resource or a thermal resource in the 2017 IRP preferred portfolio, the queue of the potential QFs should be accounted for. This will postpone the beginning of the resource deficiency period. Currently, the Schedule 37 developers are effectively assumed to be at the beginning of the indicative price queue, giving them a privileged position. The Division believes that since those QFs that signed contracts with the Company and those actively negotiating a PPA are included in the GRID model as inputs when calculating avoided costs, their impact on the starting dates of the deficiency period should not be ignored. It will delay the acquisition of the next resource and therefore, the beginning of the deficiency period. Therefore, the Division supports making changes to the Schedule 37 to account for the price queue. However, the Division does not necessarily support moving the Schedule 37 developers from one extreme position in the queue to the other extreme. Given that Schedule 37 developers are accepting a fixed tariff price and the fact that we do not know when the "average" developer will come through the door to accept pricing, the Division believes that a position somewhere between the two extremes in the price queue is a fairer assumption for developing the tariff rates in Schedule 37.

Additionally, there is the issue that many projects in the queue never get developed and the queue appears to be used as a price discovery mechanism for developers. The position Schedule 37 customers should be assumed to be in the queue may be influenced by how many projects typically drop out of the queue undeveloped—a question the Division has asked the Company.

Given the above considerations, the Division is recommending that the effective position in the indicative pricing queue be adjusted and that, pending additional information, the initial position be set at the midpoint of the queue.

Q. The Company proposed to use a 10 MW resource of each type in calculating the avoided energy costs. Can you comment on this proposal?

A. Yes. In calculating the avoided energy cost of each type of resource, the Company is proposing that the expected output of a 10 MW of that specific resource in the GRID model be used instead of a 10 MW of thermal resource.

Since the 2017 IRP preferred portfolio contains some cost-effective renewable resources, the Division believes that it would no longer be appropriate to base the calculations of the energy costs of the renewable resources on the energy cost of thermal resource. Therefore, the Division supports the Company's proposed use of 10 MW of the specific resource under consideration.

Q. Would you comment on the Company's proposed avoided cost input changes?

A. In addition to the changes that were intended to make Schedule 37 method of calculating avoided costs consistent with that of Schedule 38, the Company made some other input changes. These changes include, but are not limited to, updating market prices for electricity and gas to reflect the Company's March 31, 2017 Official Forward Price Curve (OFPC), integration costs for wind and solar QFs and capacity contribution values for intermittent QFs updated to reflect 2017 IRP.

The Division considers these changes as routine and has no objection, at this time. However, the Division notes that the 2017 wind and solar integration costs are lower than the costs currently in effect, and the capacity contributions for solar are much higher. Though the Company explained reduction in the integration costs in terms of reduced market prices since the last integration cost was established and changes in NERC reliability standards, the Division believes that changes are substantial and are part of the 2017 IRP, which is yet to be acknowledged by the Commission. The Division is awaiting response to its data request on this topic to the Company. We will determine our position on this topic after we review the Company's response to the Division's data request.

Similarly, the Division understands that the solar capacity contribution changes are the result of changes in load forecasts and the resulting reduction in energy not served probabilities, particularly in shoulder months. This issue also remains under study by the Division.

Q. Regarding the ownership of the renewable energy credits (RECs), what does the Company propose?

A. The Company proposes that it will keep the RECs associated with the QF's output during that period in the QF contract when the QF is receiving capacity payment based on deferring a renewable resource; otherwise, the RECs will remain with QF.

Q. Does the Division have any concern about this proposal?

A. Yes. The Company made the same proposal about the ownership of RECs in its Quarterly Compliance Filing – 2017.Q1 Avoided Cost Input Changes for Schedule 38.[1] In its Action Request Response, the Division indicated that it believes that, in order to maintain consumer indifference, it is reasonable for the Company to keep the RECs associated with the production of the QF when it defers or avoids a renewable resource. Keeping these RECs will compensate for the RECs lost through the deferral or avoidance of the renewable resource. The Division also indicated that it did not understand how the RECs are valued in the IRP and therefore, challenged this proposed change. The Division will provide its definite recommendation about this proposed when it receives more information in that Schedule 38 proceeding.[2]

Q. Does this conclude your direct testimony?

A. Yes.

[1] Docket No. 17-035-37

[2] In the past the Division supported keeping the RECs with the QF developer unless PacifiCorp specifically purchased the RECs. (See, for example, Docket No. 12-035-100. Direct Testimony of Abdinasir M. Abdulle, March 29, 2013, pages 15-19). However, in the past the deferral resource was a thermal resource with no RECs associated with it. Now renewable resources can be deferred, and with them the RECs of which ratepayers would be expecting to receive the benefit.