**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

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| IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR MODIFICATION OF AVOIDED COST METHODOLOGY AND REDUCED CONTRACT TERM OF PURPA POWER PURCHASE AGREEMENTS WITH QUALIFYING FACILITIES | DOCKET NO. 20000-545-ET-18<br>(Record No. 15133) |

**WYOMING INDUSTRIAL ENERGY CONSUMERS AND TWO RIVERS WIND, LLC'S RESPONSES TO ROCKY MOUNTAIN POWER'S FIRST SET OF DISCOVERY REQUESTS**

The Wyoming Industrial Energy Consumers ("WIEC") and Two Rivers Wind, LLC ("Two Rivers Wind") provides the attached responses to Rocky Mountain Power's ("RMP") First Set of Discovery Requests to WIEC and Two Rivers Wind.

Respectfully submitted this 10th day of May 2019.

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**ATTORNEYS FOR WIEC AND TWO RIVERS WIND**

**RMP 1.1:** Referring to page 10, lines 6-13 of Kevin C. Higgin's direct testimony in this matter, according to Mr. Higgin's testimony, 840 megawatts ("MWs") of new qualified facility ("QF") capacity has come into operation or been signed to power purchase agreements ("PPA") since 2014. According to the Company's 2017 Integrated Resource Plan update, the total amount of installed capacity owned or under contract with PacifiCorp in Wyoming is ~4,000 MWs, and the Company's annual coincident peak load in Wyoming forecasted for 2018 was 1,283 MWs.

a. How would you characterize additional renewable capacity that is 65% of the total forecasted coincident peak load for the state where the capacity and energy will be delivered, and is ~21% of the total existing generation in the state?

b. What increase in operating and contracted QFs would Mr. Higgins consider to be 'deluge'?

**OBJECTION:**

WIEC and Two Rivers Wind object to this request to the extent it misstates the direct testimony of Mr. Higgins. Without waiving this objection, WIEC and Two Rivers Wind respond as follows.

**RESPONSE:**

Mr. Higgins does not testify that 840 MW of new QF capacity has come into operation or signed PPAs since 2014. Rather he testifies that of the 398 MW identified by Mr. Tourangeau, 208 MW has come into service since 2014. Mr. Higgins also references 560 MW that have signed contracts but not yet come into service. Together these two categories sum to 768 MW (208 MW + 560 MW).

a. By way of clarification, 768 MW/1283 MW = 60%, not 65%. This clarification notwithstanding, Mr. Higgins does not see this statistic – the ratio of Wyoming-based resource to Wyoming load – as terribly meaningful, since PacifiCorp is an integrated system. Indeed, the Company's owned resources in Wyoming greatly exceed Wyoming's coincident peak load. Also by way of clarification, 768 MW/4000 MW = 19%. Mr. Higgins would characterize this existing and potential QF capacity as approximately one-fifth of the Company's total existing generation in the state according to the IRP.

b. Mr. Higgins has not formulated an amount of operating and contracted QFs that would constitute a deluge, but maintains that 208 MW of actual QF capacity growth over five years is not a deluge.

**RMP 1.2:** Referring to page 19, lines 10-11 of Kevin C. Higgin's direct testimony in this matter, under the Company's Schedules 37 and 38 does a QF's application for a PPA provide or require any analysis that shows the QF will provide any benefits to the Company's customers?

**RESPONSE:**

No. A QF does not provide such an analysis as part of its application for a PPA, but rather is compensated for its power based on the avoided costs calculated using the Company's preferred portfolio in its IRP, which attempts to minimize costs subject to risk, reliability and other factors in the determination of the preferred portfolio. As RMP has previously argued regarding QF pricing using the PDDRR method to price 20-year contracts: "this approach fairly values Wyoming QFs as they compare to other real alternatives available to the Company through its IRP." (Docket No. 20000-388-EA-11, RMP Application, p. 5.) In other words, customer benefits are already taken into account in the determination of the IRP preferred portfolio, which is the basis for the avoided costs paid to QFs.

**RMP 1.3:** Referring to page 21, lines 7-18 of Kevin C. Higgin's direct testimony in this matter, if a QF's costs to build their facility are materially higher than projected, or equipment fails and the QF has to make additional investments above their maintenance capital budget, and they therefore default on their financing due to not meeting their debt service requirements and are forced to abandon the project, will the energy and capacity that the Company has incorporated into its plans be no longer available?

a. If such energy and capacity is no longer available, who bears the replacement costs of that energy and capacity?

**RESPONSE:**

If a QF project is abandoned, the Company will acquire the energy and capacity from alternative sources, such as front office transactions and Company-produced thermal generation while RMP is in a sufficiency period and the Company's planned resources of similar type when RMP is in a deficiency period. The projected costs of these alternate sources are the basis for the avoided cost payments to QFs. So although customers will pay for the cost of the of the replacement energy and capacity, this cost should equal the cost that customers would otherwise have paid the QF to the extent the avoided cost calculations are accurate.

**RMP 1.4:** Referring to page 23, lines 10-11 of Kevin C. Higgin's direct testimony in this matter:

a. How is 'seldom' defined with respect to the perceived need to curtail wind assets?

b. Provide the number of hours in 2018 and 2017 that hourly real time prices 'went negative' in the California Independent System Operator's energy imbalance market.

**RESPONSE:**

a. 5% of hours or less.

b. Based on the Load Aggregation Point pricing for the PacifiCorp's EIM Entity, as posted on PacifiCorp's Open Access Same Time Information System, for the 2018 T + 55B settlement statement, there were 123 hours with negative pricing in PACW in 2018 and 122 hours with negative pricing in PACE in 2018. Based on the Load Aggregation Point pricing for the PacifiCorp's EIM Entity for the 2017 T + 55B settlement statement, there were 631 hours with negative pricing in PACW in 2017 and 487 hours with negative pricing in PACE in 2017.

**RMP 1.5:** Referring to page 23, lines 17-21 of Kevin C. Higgin's direct testimony in this matter:

a. Indicate where (page number(s) and line number(s)) in Mr. Tourangeau's direct testimony the Company indicates the justification for the filing in this docket is to protect customers from higher marginal costs that result from the Public Utility Regulatory Policies Act ("PURPA") must-take obligation.

**OBJECTION:**

WIEC and Two Rivers Wind object to this request to the extent it misstates the direct testimony of Mr. Higgins. Without waiving this objection, WIEC and Two Rivers Wind respond as follows.

**RESPONSE:**

Mr. Higgins does not state that the Company indicated that the justification for its filing in this docket "is to protect customers from higher marginal costs that result from the Public Utility Regulatory Policies Act ("PURPA") must-take obligation." Rather he states that Mr. Tourangeau complains about paying QFs on a "must take" basis. *See* Mr. Tourangeau's direct testimony, p. 4, line 20 – p. 5, line 1 and p. 12, lines 3-4.

**RMP 1.6:** Referring to pages 23-24, lines 20-3 of Kevin C. Higgin's direct testimony in this matter, describe how a utility would use its discretion to curtail a QF.

a. Is Mr. Higgins suggesting that a utility would curtail a QF even if that QF's marginal cost of energy is lower than other resources that are available, especially if those resources are utility-owned?

b. Are there protections available for the Company's customers and QFs through the different state's energy balancing accounts that would discourage the Company from this practice?

**RESPONSE:**

a. In the cited passage Mr. Higgins discusses the importance of the must-take requirement to the underlying premise of compensating QFs under PURPA. He suggests that utilities should not have discretion to refuse QF power. Not only would such refusals deprive QFs of their revenue source, but such discretion could be abused to the detriment of QFs and the public interest. If a utility was using its discretion to harm a competitor, it might even curtail a QF in circumstances in which it did not make short-term economic sense to do so.

b. Yes. Wyoming's 70/30 sharing mechanism in the Energy Cost Adjustment Mechanism ("ECAM") provides a disincentive against curtailment that is not economic.

**RMP 1.7:** Please provide copies of all past and future data requests and data responses received by WIEC and Two Rivers Wind or sent by WIEC and Two Rivers Wind to any other party in this docket. Please include both formal and informal responses.

**RESPONSE:**

Please see Attachment RMP 1.7.

**RMP 1.8:** To the extent not already provided, provide workpapers (with all formulas intact) supporting all values, tables, and figures referenced within the testimony submitted by WIEC and Two Rivers Wind's witness.

**RESPONSE:**

Mr. Higgins' workpapers have already been provided.

**RMP 1.9:** Do WIEC and Two Rivers Wind agree that the Company's proposed Partial Displacement Differential Revenue Requirement ("PDDRR") methodology is sufficient under all circumstances to determine the type and quantity of resources that will be considered deferrable for the purposes of QF pricing for all combinations of deferrable resources and QFs? If not, please identify what aspects are not sufficiently identified and provide examples illustrating how the type or quantity of resource deferral is uncertain.

**RESPONSE:**

*See* Mr. Higgins' direct testimony at p. 27, line 23 through page 33, line 17.

**RMP 1.10:** Do WIEC and Two Rivers Wind support the Company's proposed PDDRR methodology? If not, please explain how the type and quantity of resources will be considered deferrable for the purposes of QF pricing for all combinations of deferrable resources and QFs. At a minimum the deferrable and QF resource types should include baseload, solar, wind, and seasonal hydro. Please provide examples illustrating the determination of the type and quantity of resource deferral.

**RESPONSE:**

WIEC and Two Rivers Wind generally do not oppose the PDDRR method, but have some concerns about aspects of the "like for like" modifications proposed by the Company. *See* Mr. Higgins' direct testimony at p. 27, line 23 through page 33, line 17.

**RMP 1.11:** Does Two Rivers Wind support modifications to the avoided cost methodology that will increase the avoided cost paid to QFs in Wyoming?

**RESPONSE:**

Two Rivers Wind believes avoided costs should be set carefully and, whenever possible, on a project-specific basis such that QFs are fairly compensated and customers are protected. Hypothetically, if an existing avoided cost methodology undervalued avoided costs such that a QF would not be fairly compensated as required by Public Utility Regulatory Policies Act of 1978, under such circumstances it would be appropriate to modify the avoided cost methodology to increase the avoided cost rates. Indeed, if avoided costs are set too low such that QF development is not possible, customers could pay more for a non-QF resource.

**RMP 1.12:** Does WIEC support modifications to the avoided cost methodology that will increase the avoided cost paid to QFs in Wyoming?

**RESPONSE:**

WIEC believes avoided costs should be set carefully and, whenever possible, on a project-specific basis such that QFs are fairly compensated and customers are protected. Hypothetically, if an existing avoided cost methodology undervalued avoided costs such that a QF would not be fairly compensated as required by Public Utility Regulatory Policies Act of 1978, under such circumstances it would be appropriate to modify the avoided cost methodology to increase the avoided cost rates. Indeed, if avoided costs are set too low such that QF development is not possible, customers could pay more for a non-QF resource.

## CERTIFICATE OF SERVICE

I hereby certify that, on this 10th day of May, 2019 the **WYOMING INDUSTRIAL ENERGY CONSUMERS AND TWO RIVERS WIND, LLC'S RESPONSES TO ROCKY MOUNTAIN POWER'S FIRST SET OF DATA REQUESTS** was served via electronic mail or U.S. Mail, addressed to the following:

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