

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

**IN THE MATTER OF THE
APPLICATION OF ROCKY
MOUNTAIN POWER FOR A
MODIFICATION OF AVOIDED
COST METHODOLOGY AND
REDUCED CONTRACT TERM OF
PURPA POWER PURCHASE
AGREEMENTS**

**DOCKET NO. 20000-545-ET-18
(Record No. 15133)**

CROSS-ANSWER TESTIMONY

AND EXHIBIT

OF

KEVIN C. HIGGINS

On Behalf of

Wyoming Industrial Energy Consumers

and

Two Rivers Wind, LLC

May 24, 2019

**WIEC Exhibit No. 301
Two Rivers Wind Exhibit No. 501**

1

I. INTRODUCTION AND SUMMARY

2

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3

A. My name is Kevin C. Higgins. My business address is 215 South State Street, Suite
4 200, Salt Lake City, Utah, 84111.

5

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6

A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a
7 private consulting firm specializing in economic and policy analysis applicable to
8 energy production, transportation, and consumption.

9

**Q. ARE YOU THE SAME KEVIN C. HIGGINS WHO PRE-FILED DIRECT
10 TESTIMONY IN THIS DOCKET ON BEHALF OF THE WYOMING
11 INDUSTRIAL ENERGY CONSUMERS (“WIEC”) AND TWO RIVERS
12 WIND, LLC (“TWO RIVERS WIND”)?**

13

A. Yes, I am.

14

Q. WHAT IS THE PURPOSE OF YOUR CROSS-ANSWER TESTIMONY?

15

A. My cross-answer testimony addresses the Direct Testimony of Belinda J. Kolb,
16 Ph.D. on behalf of the Wyoming Office of Consumer Advocate (“OCA”) on the
17 appropriate contract term length for Rocky Mountain Power’s (“RMP” or the
18 “Company”) power purchase agreements with Qualifying Facilities (“QFs”).
19 Additionally, I supplement my Direct Testimony in light of additional discovery
20 responses received from RMP.

1 **Q. WHAT ARE THE CONCLUSIONS AND RECOMMENDATIONS OF**
2 **YOUR CROSS-ANSWER TESTIMONY?**

3 A. I recommend that the Commission reject Dr. Kolb's recommendation to reduce the
4 QF contract term to ten to fifteen years, and instead retain the current maximum
5 standard term of twenty years.

6 **II. RESPONSE TO DR. KOLB**

7 **Q. WHAT IS DR. KOLB PROPOSING REGARDING THE QF CONTRACT**
8 **LENGTH?**

9 A. Dr. Kolb explains that she believes RMP's proposed seven-year contract term is
10 too short to balance the intent and obligations of the Public Utility Regulatory
11 Policies Act, but at the same time she agrees with RMP that twenty-year contracts
12 may no longer in the best interest of ratepayers. Dr. Kolb emphasizes the OCA's
13 preference for gradual change and criticizes RMP's proposed 13-year reduction to
14 the contract term length for not meeting that standard. Dr. Kolb recommends that
15 the Commission adopt a contract length in the range of ten to fifteen years.

16 **Q. HOW DO YOU RESPOND TO DR. KOLB'S PROPOSAL TO REDUCE**
17 **THE QF CONTRACT TERM?**

18 A. While Dr. Kolb's recommended contract term reduction is not as extreme as that
19 proposed by RMP, it still represents a significant decrease of 25 to 50 percent to
20 the current maximum standard term of twenty years. In my view, the current
21 twenty-year term is better aligned with the Commission's policy of reasonably
22 encouraging QF development by ensuring the availability of long-term avoided cost

1 contracts. Shortening the contract term alone is very likely to make it more difficult
2 for QFs to obtain debt financing and equity investors, and it also reduces the
3 likelihood that a potential QF will qualify for capacity payments by deferring a
4 proxy resource.

5 Moreover, the shorter terms recommended by Dr. Kolb are wholly
6 inconsistent with the long-term cost recovery provided to RMP for similar
7 generation resources. As I discussed in my Direct Testimony, RMP sought long-
8 term assurances of cost recovery for its Energy Vision 2020 projects, clearly
9 recognizing the importance of such assurances in its decisions to proceed with
10 renewable energy development. The Commission should not adopt the double
11 standard advocated by Dr. Kolb when it comes to long-term cost recovery for new
12 renewable investment: life of asset for RMP and just ten to fifteen years for QFs.
13 Retaining the current twenty-year contract term for QFs will reasonably support the
14 viability of QF development in Wyoming, consistent with Commission policy.

15 Finally, I disagree that a 10 year reduction in the contract term length, which
16 again would be a 50 percent reduction in the contract term length, meets the OCA's
17 stated goal of gradual ratemaking. I find it difficult to argue that even a 5 year
18 reduction, or 25 percent reduction, in the contract term length can be seen as
19 gradual.

20 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION**
21 **REGARDING THE MAXIMUM STANDARD TERM FOR QFS?**

22 A. I recommend that the Commission reject the proposals in this case to reduce the

1 twenty-year maximum standard term.

2 **III. SUPPLEMENT TO DIRECT TESTIMONY**

3 **Q. IN YOUR DIRECT TESTIMONY, YOU INDICATED THAT**
4 **PACIFICORP'S SYSTEM IMPACT STUDIES ARE NOW TAKING**
5 **APPROXIMATELY TWO YEARS TO COMPLETE, AND SOMETIMES**
6 **EVEN LONGER IF A RESTUDY IS REQUIRED. WERE YOU ABLE TO**
7 **VERIFY THAT THROUGH DISCOVERY?**

8 A. Yes. In my Direct Testimony, I explained that it was unlikely that the 1,518 MW
9 of Wyoming QFs identified by Mr. Tourangeau in his Direct Testimony would
10 come online, and that the current state of the interconnection study process is
11 lengthy, potentially adding years to the development schedule of these QFs. I
12 provided this testimony as a measure of caution when looking at the magnitude of
13 QFs in the queue. However, at the time of my Direct Testimony on this issue, I had
14 not received discovery responses from RMP in support of this particular
15 observation. Since the filing of my Direct Testimony, however, I have received the
16 discovery responses from RMP verifying that its interconnection studies can take
17 two years or more to complete. Those discovery responses are attached as WIEC
18 Exhibit No. 301.1/TW Exhibit No. 501.1.

19 **Q. DOES THIS CONCLUDE YOUR CROSS-ANSWER TESTIMONY?**

20 A. Yes, it does.

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(Record No. 15133)

AFFIDAVIT, OATH AND VERIFICATION

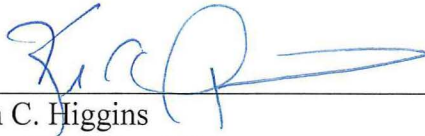
STATE OF UTAH)
) SS:
COUNTY OF SALT LAKE COUNTY)

Kevin C. Higgins, being first duly sworn, on his oath states:

1. My name is Kevin C. Higgins. I am a Principal in the firm of Energy Strategies, LLC. I have been retained by the Wyoming Industrial Energy Consumers and Two Rivers Wind, LLC to testify in this proceeding on their behalf.

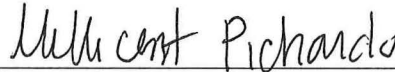
2. Attached hereto and made a part hereof for all purposes is my Cross-Answer Testimony and Exhibit, which has been prepared in written form for introduction into evidence in Docket No. 20000-545-ET-18.

3. I hereby swear and affirm that my answers contained in the testimony are true and correct.



Kevin C. Higgins
Energy Strategies, LLC
215 South State Street, Suite 200
Salt Lake City, Utah 84111

Subscribed and sworn to before me this 21 day of May, 2019.



Notary Public
Commission #: 700882

My Commission Expires: June 13, 2022
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