BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE COMMISSION'S REVIEW OF PURPA QF CONTRACT PROVISIONS INCLUDING THE SURROGATE AVOIDED RESOURCES (SAR) AND INTEGRATED RESOURCE PLANNING (IRP) METHODOLOGIES FOR CALCULATING PUBLISHED AVOIDED COST RATES	))))))	**CASE NO. GNR-E-11-03** **Rebuttal Testimony of Paul H. Clements**

ROCKY MOUNTAIN POWER

CASE NO. GNR-E-11-03

June 2012

Q. Please state your name, business address and present position with the Company (also referred to as Rocky Mountain Power).

A. My name is Paul H. Clements. My business address is 201 S. Main, Suite 2300, Salt Lake City, Utah 84111. My present position is Originator/Power Marketer for PacifiCorp Energy. PacifiCorp Energy and Rocky Mountain Power are divisions of PacifiCorp (hereinafter referred to as the "Company" or "Rocky Mountain Power").

Q. How long have you been in your present position?

A. I have been in my present position since December 2004.

Q. Please describe your education and business experience.

A. I have a B.S. in Business Management from Brigham Young University. I have been employed with PacifiCorp since 2004 as an originator/power marketer responsible for negotiating qualifying facility contracts, negotiating interruptible retail special contracts, and managing wholesale or market-based energy and capacity contracts with other utilities and power marketers. I also worked in the merchant energy sector for approximately six years in pricing and structuring, origination, and trading roles for Duke Energy and Illinova.

Q. Have you previously filed testimony in this proceeding?

A. Yes. I filed direct testimony in which I presented the Company's recent experience with Non-Standard Qualifying Facility ("QF") contracts. Non-Standard QFs are projects that do not qualify for published rates. In addition, I proposed a new tariff Schedule 38 to govern the Non-Standard QF contracting procedures in Idaho going forward. I also explained the provisions of this new

tariff. Lastly, I provided comments on Environmental Attribute ownership as it pertains to QFs.

Purpose and Summary of Testimony

Q. What is the purpose of your testimony?

A. I will provide the Company's response to the testimony of Staff witness Mr. Rick Sterling and Clearwater Paper Corporation/J.R. Simplot Company/Exergy Development Group of Idaho, LLC witness Dr. Don Reading regarding several items related to QF contracting procedures and contract terms.

Q. Please summarize your testimony.

A. My testimony discusses and recommends the following:

1. The Company's proposed Schedule 38 should be implemented. If a separate docket is opened for review and comment, Schedule 38 should be implemented on an interim basis.
2. Utilities should not be required to execute QF contracts with firm pricing earlier than 36 months prior to the QF's expected commercial operation date.
3. A non-firm standard contract for Rocky Mountain Power is not necessary and Rocky Mountain Power should not be required to file a tariff similar to Idaho Power's Schedule 86.
4. QFs should not be entitled to any refund of network transmission upgrades since doing so would provide a subsidy to QFs and the price for QF generation will be in excess of the utility's avoided costs.

Responses to Testimony of Rick Sterling

Q. PacifiCorp filed and recommended the Commission implement a proposed tariff (Schedule 38) that specifies contracting procedures and rules for QF contracts. Mr. Sterling recommends that a separate docket be opened for review and comment on the specific details of a tariff for each utility.[1] Do you agree with this approach?

A. No. The Company's proposed Schedule 38 as filed in Exhibit No. 202 is ready for implementation. It has been in place in other states in a similar form for several years and has proven to be a useful and effective tool for management of the contracting process for QFs. The Company recommends the Commission approve the Company's proposed Schedule 38 in conjunction with this docket. However, should the Commission order a separate docket for review and comment on Schedule 38, the Company requests that it be allowed to operate under the provisions of its proposed Schedule 38 on an interim basis until a permanent tariff is approved by the Commission.

Q. Mr. Sterling does not agree with Avista's proposal that rates contained in a PURPA contract not be locked in more than two years ahead of commercial operation, instead stating that five years after contract approval is a reasonable period of time to preserve rates contained in an initial contract.[2] Do you agree with Mr. Sterling's recommendation?

A. No. Holding contract prices open for up to five years increases price risk to customers and, based on the Company's experience, is not needed for QF

[1] Direct Testimony of Rick Sterling dated May 4, 2012, page 32 line 20 through page 33 line 4.
[2] Direct Testimony of Rick Sterling dated May 4, 2012, page 33 line 5 through page 35 line 1.

development. Holding contract prices open for five years increases the risk that avoided costs could change significantly from the time the contract was executed to the time the resource comes online and begins to provide energy to customers. A QF contract should be treated as a binding obligation for a project that is expected to be developed and come online in the near future, not an option for a project that is not ready to come online and requires significant further development before construction can begin. Once a contract is signed, the QF should be allotted adequate time to finalize financing and development efforts and then complete construction of the project. Based on the Company's experience, five years is too long. For most resource types, final development work and construction can be completed in less time than five years. Customers should not be exposed to potential price movements while a QF developer evaluates whether it can meet its obligations under a signed contract. A signed contract should only occur once a developer is certain it can meet its contractual obligation. In most cases, five years is not required from contract execution to project online date, and it would be unreasonable for customers to bear the price risk for such a long period of time.

Q. What do you recommend regarding timing for locking in pricing in QF contracts?

A. A QF contract should allow adequate time for the developer to finalize development activities and complete construction after execution of a contract with firm pricing. This time period may vary depending on the type of resource since construction times differ slightly for each resource type. However, in most

cases, it is reasonable to assume a combined heat and power, wind, solar or other type of QF can be constructed in 18 to 24 months once development work is complete. And most development work, including arranging financing and procuring major equipment, can be completed within six to 12 months of execution of a QF contract. Therefore, it is reasonable to expect a QF to come online within 24 to 36 months of executing a contract with firm pricing. This allows adequate time to complete their interconnection, secure financing and construct the project.

Therefore, the Company recommends that utilities *not* be required to execute contracts with firm pricing earlier than 36 months prior to the QF's expected commercial operation date.

Q. How does your recommendation compare to what you have witnessed with recent QF contracts the Company has executed?

A. The Company's experience with QF contracts in recent years demonstrates that the 36 month timeline recommended by the Company is reasonable and will allow QF development to continue without exposing customers to increased price risk. Most projects are constructed and reach commercial operation less than 36 months after execution of a power purchase agreement. In fact, some projects are online prior to executing a power purchase agreement. The table below shows the contract execution date and actual online date for several recent QFs under contract with the Company.

Project Description	Contract Execution Date	Project Online Date	Approximate # of Months Between Contract Signing and QF Online Date
60.9 MW Wind QF	7/14/2006	7/31/2008	25
79.8 MW Wind QF	10/26/2006	9/30/2008	23
16.5 MW Wind QF	5/26/2009	12/14/2009	7
18.9 MW Wind QF	6/20/2006	8/29/2008	26
5.0 MW Hydro QF	8/17/2009	10/4/2010	14
10.0 MW Biomass QF	1/2/2007	12/1/2007	11
107.4 MW Gas QF	2/21/2005	1/1/2005	-2
25.0 MW Gas QF	8/27/2004	4/16/2004	-4

As the data in the table demonstrates, new QF projects usually reach commercial operation within 36 months of executing a contract. Thus 36 months is more than adequate to complete construction of a project once a power purchase agreement has been executed. Accordingly, utilities should not be required to execute contracts earlier than 36 months before the expected online date.

Responses to Testimony of Don Reading

Q. Regarding the Company's proposed Schedule 38, Mr. Reading states the deadlines in the proposed Idaho Schedule 38 are far longer than the deadlines in the Schedule 38 tariffs in the Company's other states.[3] Is his statement accurate?

A. No. The deadlines in all of the Company's Schedule 38 tariffs are similar. The Company has proposed a 45 day response period for indicative pricing in the proposed Idaho Schedule 38. Some other states' Schedule 38 tariffs, such as Utah and Wyoming, call for a 30 day response period. The Company believes this 45 day response period is reasonable given the fact that it at times receives a large number of indicative pricing requests. The 45 day response period allows the

[3] Direct Testimony of Don Reading dated May 4, 2012, page 61, lines 14-16.

Company adequate time to respond to indicative pricing requests within the tariff deadlines even during periods in which it receives multiple indicative pricing requests.

Q. Has the Company experienced time periods in which it has received multiple indicative pricing requests?

A. Yes. At the time of preparation of this testimony, the Company had approximately 20 indicative pricing requests at some stage in the Schedule 38 contracting process.

Q. Mr. Reading has suggested an alternative proposal to your filed Schedule 38 in which he suggests using the standard contracting tariffs approved by the Public Utility Commission of Oregon[4] or "some form of reasonable substitute with similar requirements."[5] Would you consider the Schedule 38 you proposed for Idaho to have similar requirements to Oregon Schedule 38?

A. Yes. Both tariffs are similar in structure and in deadlines for the various stages of the contracting process.

Q. Is it your opinion that the Company's proposed Idaho Schedule 38 meets Mr. Reading's requirement that it be "some form of reasonable substitute with similar requirements"?

A. Yes.

[4] Direct Testimony of Don Reading dated May 4, 2012, page 62, lines 2-4.
[5] Direct Testimony of Don Reading dated May 4, 2012, page 63, line 5.

Q. Mr. Reading recommends that Rocky Mountain power file a non-firm standard contract similar to Idaho Power's Schedule 86.[6] Have any Idaho QFs in recent history requested a non-firm standard contract from Rocky Mountain Power?

A. No.

Q. Do you believe a tariff including a non-firm standard contract is necessary for Rocky Mountain Power?

A. No. The Company has not seen much interest from QFs for a non-firm standard contract. Furthermore, Rocky Mountain Power's proposed Schedule 38 provides a clear process by which a customer can obtain a contract, either firm or non-firm, in a timely manner. The Company does not believe a tariff similar to Idaho Power's Schedule 86 is necessary since a QF has the opportunity to obtain a non-firm contract under Schedule 38.

Q. Mr. Reading recommends that a QF be entitled to 100 percent refund of network transmission upgrades.[7] Is this proposal reasonable and does it maintain ratepayer indifference?

A. No. Mr. Reading's recommendation that QFs be entitled to 100 percent refund of network transmission upgrades should be rejected. His proposal does not provide incentive for developers to make cost effective generation siting decisions and does not maintain ratepayer indifference. If the developer wants the benefit of utility avoided cost rates, the developer should be obligated to pay for all the interconnection and integration transmission upgrades required to allow him to

[6] Direct Testimony of Don Reading dated May 4, 2012, page 65, lines 16-19.
[7] Direct Testimony of Don Reading dated May 4, 2012, page 67, lines 6-8.

deliver energy to the utility, at which time the purchase obligation under PURPA occurs. The utility and its customers should not be required to pay any transmission costs that are incurred by the QF developer prior to the purchase obligation being met.

If the developer wishes to sell its output at market rates on a competitive basis in the wholesale power market comparable to other independent power producers, it should be treated similar to other independent power producers and receive the financial treatment under the current FERC procedures.

In summary, if the QF interconnection and transmission upgrade costs are passed along to utility customers by way of a refund to the QF, the QF has been provided a subsidy and the price for QF generation will be in excess of the utility's avoided costs.

Q. Does this conclude your testimony?

A. Yes.