

TESTIMONY OF E. JAMES BYRNE

PURPA HEARING – DECEMBER 23, 2008

My name is E. James Byrne and I am the Manager of Engineering Services for Poudre Valley Rural Electric Association. I am a Registered Professional Engineer in the State of Colorado. As the Manager of Engineering Services, I have been instructed to prepare testimony representing Poudre Valley Rural Electric Association as regards to the requirements of the Energy Independence and Security Act of 2007. The following is my testimony.

Poudre Valley Rural Electric Association is an electric cooperative providing electric distribution services within portions of Boulder, Larimer and Weld Counties under a Certificate of Convenience and Necessity from the State of Colorado under the Colorado Public Utilities Commission. Poudre Valley Rural Electric Association has deregulated by vote of the membership.

QUESTION

Please provide a brief overview of the Energy Independence and Security Act of 2007 (“EISA ‘07”) as it relates to Poudre Valley REA

ANSWER

On December 19, 2007, the President signed into law EISA ‘07. Among other things, EISA ‘07 requires state regulatory authorities, along with the utilities they regulate and unregulated utilities with retail sales exceeding 500 GWh/year, to consider adopting new rate design standards in four areas. EISA ‘07 imposes this requirement by amending certain provisions of the Public Utility Regulatory Policies Act of 1978, commonly referred to as PURPA.

QUESTION

What are the four new standards?

ANSWER

The amendment to PURPA requires electric utilities covered under EISA '07 to consider the following new federal standards:

- ❖ The inclusion of the consideration of Energy Efficiency in the Integrated Resource Planning (“IRP”) process;
- ❖ The adoption of rate design modifications to promote Energy Efficiency investments;
- ❖ The consideration of smart grid investments in lieu of other system improvements; and
- ❖ The provision of energy price and other information to consumers.

QUESTION

Does EISA '07 and the corresponding modified sections of PURPA require regulatory bodies of utilities covered by the legislation to adopt these standards?

ANSWER

No. EISA '07/PURPA requires only that covered utilities and regulatory bodies “consider” each of the standards. It does not require that the standards be adopted. A covered utility/regulatory body may:

- ❖ Accept a standard;
- ❖ Reject a standard;
- ❖ Modify a standard; or
- ❖ Defer implementation of a standard.

QUESTION

What if the standard has already been addressed?

ANSWER

In some cases, a utility or state may already have addressed one or more of the issues in EISA '07. Prior actions are grandfathered, and no further consideration of a standard is required if: 1) the state already implemented the standard or comparable standard; 2) the state regulatory commission or non-regulated electric utility has conducted a proceeding considering implementation of the standard or comparable standard; or 3) the legislature voted on implementation of the standard or comparable standard.

QUESTION

Why does Poudre Valley REA need to consider adopting these four standards?

ANSWER

Since Poudre Valley REA is unregulated by the state and exceeds the 500 GWh/year threshold, it is obligated to consider the four new PURPA standards on its own

QUESTION

What is the first standard to be considered?

ANSWER

EISA '07 requires consideration of a standard to include Energy Efficiency in the utility's integrated resource plans ("IRP") and the establishment of cost-effective Energy Efficiency programs as a "priority" resource.

QUESTION

What is your recommendation in regard to the first standard?

ANSWER

Poudre Valley REA is a distribution cooperative which purchases all of its power and energy from Tri-State Generation and Transmission Association, Inc. (“Tri-State”). Tri-State is responsible for developing an IRP which includes Poudre Valley REA’s requirements. Tri-State’s most recent IRP, which includes detailed analyses of eight resource portfolios. The conclusion of the detailed analyses showed that the addition of Energy Efficiency to a resource portfolio increased the portfolio economics. Tri-State has acted on the IRP results by adding a number of new Energy Efficiency incentives to its existing programs which were approved at the June 2008 Board meeting and all of Tri-State’s Energy Efficiency programs are available to Poudre Valley REA.

QUESTION

What is the second standard to be considered?

ANSWER

EISA ‘07 requires consideration of electric rates to align utility incentives with the delivery of cost-effective Energy Efficiency and to promote Energy Efficiency investments.

QUESTION

What is your recommendation in regard to the second standard?

ANSWER

I recommend that Poudre Valley REA’s Board of Directors find that the Cooperative accepts this standard and has already addressed the Rate Design standard through prior actions consistent with the standard. The conclusions leading to this recommendation are as follows:

- ❖ Poudre Valley REA already offers Energy Efficiency incentives to consumers;
- ❖ Poudre Valley REA already offers rate options for all customer classes that support the investment of Energy Efficiency and provides for a timely recovery of these investments;
and
- ❖ Poudre Valley REA already publicizes the financial and environmental benefits associated with making home energy efficiency improvements through its website and other marketing material.

QUESTION

What is the third standard to be considered?

ANSWER

EISA '07' provides that each state should 1) require regulated utilities to consider smart grid investments before permitting investment in non-advanced grid technologies, 2) permit recovery from ratepayers of the cost of deploying smart grid technologies, and 3) permit utilities to recover stranded costs from old grid technologies made obsolete and replaced by smart grid technologies.

QUESTION

What is your recommendation in regard to the third standard?

ANSWER

I recommend that Poudre Valley REA's Board of Directors find the Cooperative should modify this standard, keeping section one regarding the consideration of smart grid investments and the deletion of sections two and three, the sections related to cost recovery. The conclusions leading to this recommendation are as follows:

- ❖ Poudre Valley REA has already been considering smart investments through the business case decision making process in its evaluation of Supervisory Control and Data Acquisition (“SCADA”) and Advanced Metering Infrastructure (“AMI”) in comparison to non-advanced grid technologies. SCADA and AMI are components of a Smart Grid.
- ❖ Poudre Valley REA has invested roughly \$1.5 million in its deployment of SCADA to approximately 70 percent of its system and has plans to invest another \$460,000 in the next three years.
- ❖ The last two sections of the standard, having to do with cost recovery for regulated utilities, do not apply to Poudre Valley REA.

QUESTION

What is the fourth standard to be considered?

ANSWER

The final EISA ‘07 standard provides 1) that electricity customers should be given direct written or electronic access to information concerning time-based electricity prices at wholesale and retail and their usage on at least at least a daily basis and 2) that everyone should have access to data concerning the sources of power provided by the utility, including greenhouse gas emissions associated with each type of generation.

QUESTION

What is your recommendation in regard to the fourth standard?

ANSWER

I recommend that Poudre Valley REA’s Board of Directors find that the Cooperative should modify this standard, deleting the provision that requires updates on prices on not less than a daily basis. The conclusions leading to this recommendation are as follows:

- ❖ Poudre Valley REA already provides access to time-based rates by request and through its website.
- ❖ Poudre Valley REA already provides its members access to the sources of power through its website link to Tri-State.
- ❖ Poudre Valley REA does have access to information from Tri-State that can be shared with members indicating potential billing peaks which are a signal to shift peak load. However, the current realities of the Colorado marketplace in terms of real time pricing preclude Poudre Valley REA from providing daily price updates at this time. There are no price signals that change on a daily basis with hourly prices or day ahead projections available to Poudre Valley REA. Tri-State does not offer time-based rates to Poudre Valley REA that change daily nor is there a centralized market in Colorado for buying/selling electricity where daily price updates are available.

QUESTION Does this conclude your prefiled Direct Testimony?

ANSWER Yes.