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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of
Rocky Mountain Power for Authority to
Increase its Retail Electric Service Rates in
Utah and for Approval of its Proposed
Electric Service Schedules and Electric
Service Regulations

Docket No. 13-035-184

Utah Clean Energy Exhibit 8.0 (SRT)

SURREBUTTAL TESTIMONY OF RICK GILLIAM

ON BEHALF OF

UTAH CLEAN ENERGY

[NET METERING]

July 17, 2014

1 **INTRODUCTION**

2 **Q: Please state your name and business address.**

3 A: My name is Rick Gilliam. My business address is 590 Redstone Drive, Suite 100,
4 Broomfield, CO 80020.

5 **Q: Have you previously submitted testimony in this proceeding?**

6 A: Yes. I submitted Direct Testimony on May 22, 2014 and Rebuttal Testimony on June
7 26, 2014 in this proceeding on behalf of Utah Clean Energy.

8 **Q: What is the purpose of your surrebuttal testimony?**

9 A: The purpose of this testimony is to respond to the rebuttal testimony of RMP
10 witnesses Walje, Steward and Marx, Division of Public Utilities (“DPU” or “Division”)
11 witness Dr. Artie Powell and Office of Consumer Services (“OCS”) witness Dan Gimble on
12 the subject of the RMP-proposed net metering facilities charge.

13 **Q: Please provide a brief outline of your surrebuttal testimony.**

14 A: This issue is going to hearing because the parties reached a stipulated agreement on
15 every issue except for the proposed net metering facilities charge. In this testimony I
16 respond to claims made primarily by RMP that do nothing to change the fact that the
17 proposed net metering facilities charge is based simply on reduced consumption, and not
18 on any evaluation of cost causation or responsibility. I also respond to certain claims made
19 by the DPU, and ultimately support the recommendation of OCS witness Gimble for a
20 separate proceeding to comprehensively review NEM costs and benefits.

21 **RESPONSE TO THE REBUTTAL TESTIMONY OF RMP**

22 **Q. Has the Company moderated its position on its proposed charge at all?**

23 A. No. RMP witness Walje summarizes the Company's position as follows:

24 I believe the Company's witnesses have made an irrefutable case that net metering
25 rates, as currently structured, do not adequately recover costs from net metering
26 customers for their use of the distribution network and customers services
27 compared to what other residential customers pay. There are no compelling reasons
28 not to address this specific situation now.

30 **Q. Do you agree with Mr. Walje?**

31 A. No. The only irrefutable case RMP has made is that a residential customer that
32 consumes less than the average residential customer contributes less to the demand-
33 related costs embedded in the volumetric residential rate. Indeed, RMP has estimated that
34 the average net metered residential customer uses 518 kWh on average, or about 180 kWh
35 less than the average residential customer. RMP's proposed charge is simply a calculation
36 of the amount of demand-related costs associated with 180 kWh of consumption, and not
37 any kind of determination of the cost of net metering, if any.

38 As noted in previous testimony, there are more residential customers consuming between
39 500 and 600 kWh per month than any other segment.¹ Nevertheless, no other customers
40 are being asked to contribute more to fixed costs.

41 In my direct testimony I pointed out the wide diversity of consumption levels within the
42 residential class of service (see Chart 2, page 13). Residential customers that consume

¹ See UCE witness Gilliam Direct Testimony, Chart 2, page 13.

43 more than the average residential customer contribute more to demand-related costs than
44 does that average customer. However, if that higher-use customer reduces its consumption
45 between rate cases, resulting in a reduction in demand-related cost recovery, then those
46 costs would be redistributed to other customers in the next rate case. RMP is not allowed to
47 add a fee to customers that reduce consumption between rate cases, even if it is revenue
48 neutral. Similarly, a residential customer that consumes less energy than the average
49 residential customer contributes less to demand-related costs than does that average
50 customer. The lower use customer is not given a credit if it increases its consumption.
51 These changes in consumption between rate cases have occurred for decades and are
52 captured appropriately in the cost allocation and rate design aspects of ratemaking
53 process.

54 The average net metered residential customer consumed more than average prior to
55 installation of their solar system, but did not receive a credit on their bills for higher than
56 average demand-related cost contribution. Therefore, it is completely one-sided and
57 patently unfair for such customers to be assessed additional charges now.

58 **Q. Do you have any other comments on Mr. Walje's summary?**

59 A. Yes. I also strongly dispute Mr. Walje's claim that there are no compelling reasons
60 not to address this specific situation now. I find the law, i.e. SB208, and the Commission's
61 Public Notice of April 16, 2014 compelling reasons for not rushing to judgment in this
62 proceeding. The law makes clear that the costs and benefits must be considered before
63 determination of a just and reasonable charge.

64 I would also point out that the law contains no limitation to the residential class of service.
65 RMP's proposal for residential only is effectively single issue ratemaking in which a
66 particular policy or practice is applied in a limited fashion without consideration of
67 potentially countervailing results with more broad application. In this case, as shown in
68 my direct testimony, commercial net metered customers, i.e. those customers with demand
69 charges, provide far more benefits to RMP and other customers than costs. As such, the
70 cost-benefit evaluation must be comprehensive across all customer classes with net-
71 metered solar facilities.

72 **Q. Do you have comments on the rebuttal testimony of RMP witness Steward?**

73 A. Yes. I would like to comment on several things Ms. Steward said in her testimony.
74 First, Ms. Steward noted that the proposed NEM charge is revenue neutral. This may be
75 theoretically correct, but residential customer consumption can change dramatically
76 between rate cases for many reasons as noted in previous testimony. Charging a fee for
77 anyone who reduces consumption, or providing a credit for anyone who increases
78 consumption between rate cases may be revenue neutral, but that fact does not make the
79 fee or credit appropriate policy. Here, we have clear legislative direction to conduct cost-
80 benefit analysis before imposing a fee. Revenue neutrality does not change that. The
81 Company's revenue neutral proposal is simply a narrowly defined revenue decoupling
82 mechanism.

83 In addition, both Ms. Steward and Mr. Walje have begun referring to net metering
84 customers as "partial requirements customers." Traditionally, partial requirements
85 customers meet a portion of their load with firm, dispatchable generation, and are often

86 wholesale customers with multiple sources of generation. Moreover, partial requirements
87 customers tend to be very large customers. Attempting to reclassify residential NEM
88 customers as partial requirements customers seems to be a significant departure from
89 historical utility practice and should be evaluated for appropriateness before such a new
90 practice is established.

91 Ms. Steward also urges the Commission to act now “to ensure rates are consistent with cost
92 causation in order to minimize any further cost shifting as the number of customer
93 generators grows and before more customers undertake long-term commitments.”²
94 However, RMP has not developed a charge that is “consistent with cost causation.” As
95 discussed here and at length in previous testimony, RMP’s proposed net metering facilities
96 charge simply calculates reduced revenue contribution and does not examine changes in
97 cost responsibility or deferred and avoided costs. As a result, the proposed charge is not
98 consistent with cost causation and should be rejected.

99 Finally, Ms. Steward uses two residential peak day load and solar generator curves in an
100 effort to show that net metered customers are unique. While only showing two peak days
101 for one customer class, these charts demonstrate some of the benefits of distributed solar
102 generation – grid electricity consumption is reduced (reducing variable cost responsibility
103 for the class) and customer demand is reduced during the time of the PacifiCorp monthly
104 peaks (reducing demand-related cost responsibility for the class and for RMP as a whole).

² See Steward rebuttal testimony, lines 132-134.

105 However, according to the 2012 *FERC Form 1* for PacifiCorp, between April and October,
106 the monthly peaks occurred twice at 3pm, three times at 4pm, and twice at 5pm.

107 **Q. Do you have comments on the rebuttal testimony of RMP witness Marx?**

108 A. Yes. Mr. Marx presents a study performed on one residential circuit and purports
109 that this demonstrates that residential solar does not defer upgrades. However, this
110 narrow review of a single residential distribution circuit falls short of justifying the
111 proposed charge. First, avoiding distribution costs is but one element of the full range of
112 utility functionalized costs that must be reviewed in a comprehensive cost-benefit
113 evaluation prior to the implementation of any charge.

114 Additionally, distribution circuits dominated by commercial customers tend to have load
115 patterns that are much more aligned with solar generation. Selectively addressing a single
116 cost element for a single customer class is, as noted above, effectively single-issue
117 ratemaking, and doesn't capture the benefits of residential solar toward reducing other
118 utility costs, nor does it reflect the costs contributed through other rate structures in other
119 rate classes.

120 Mr. Marx's simplistic review emphasizes the need for a comprehensive evaluation of all
121 benefits and costs across all customer classes.

122 **RESPONSE TO THE REBUTTAL TESTIMONY OF DPU AND OCS**

123 **Q: Please summarize your understanding of the position of DPU with respect to**
124 **the proposed net metering facilities charge.**

125 A: While the DPU addressed a number of points in my testimony to which I will not
126 respond here, this should not be regarded as agreement. In this testimony, I want to focus
127 on the testimony that addresses the propriety and efficacy of performing a cost-benefit
128 analysis.

129 Dr. Powell continues to support RMP's proposed charge noting that "a cost benefit analysis
130 will not change the costs" (line 34). I don't disagree, but it is unfair to consider only costs
131 without consideration of the benefits. Regulatory bodies usually don't allow recovery of
132 costs for assets that are not *used and useful*, i.e. *providing benefits* to the customers paying
133 the costs. Dr. Powell goes on to agree that "SB 208 requires some cost benefit analysis" but
134 suggests that "parties have not successfully shown that net-metering benefits are not
135 reflected in current rates" (emphasis added). This is a new concept, and attempts to put the
136 burden on stakeholders to demonstrate benefits are not reflected in rates when no party
137 has demonstrated that the benefits of net metered solar generation *are* reflected in current
138 rates.³ The Division's recommendation is inconsistent with SB208 and should be rejected.

139 Somewhat confusingly, he goes on to say:

140 The cost benefit analysis required by SB 208 should be conducted with an eye
141 toward three important issues. First, whether a net metering program is in the
142 public interest. Second, how a net metering program could be structured as to be in
143 the public interest. Three, at what rate net metering customers should be

³ If Dr. Powell's use of the term "current rates" encompasses current net metering rates and practices without supplemental fees, such as the net metering facilities charge proposed by RMP in this proceeding, then perhaps yes – our demonstration of residential net metering costs approximately equaling the benefits in our direct testimony could be viewed as a demonstration that net metering benefits are reflected in current rates. However, given Dr. Powell's support for the RMP proposed charge, I suspect this is not what he had in mind by this statement.

144 compensated.⁴

145

146 Thus, Dr. Powell appears to agree that SB 208 requires a cost-benefit analysis. The only
147 such analyses in the record in this docket are the studies submitted by UCE and the Sierra
148 Club. If these do not satisfy the Commission's directive on April 16, then the only path
149 forward is to support a regulatory process which does so.

150 **Q: Please summarize your understanding of the position of OCS with respect to**
151 **the proposed net metering facilities charge.**

152 A: Here too, the OCS addressed a number of points in my testimony to which I will not
153 respond here, and again, this should not be regarded as agreement. Mr. Gimble
154 summarizes the OCS recommendation as follows:

155 "In direct testimony, the Office calculated and proposed a residential NM facilities
156 charge of \$1.60/kW. The settlement in the current GRC reduces the Office's
157 calculated NM charge to \$1.54/kW. However, the Office agrees with the Division,
158 UCE and other parties that the Commission should open a separate docket to
159 consider NM costs and benefits for all customer classes so that it can make an
160 informed decision as to whether a residential NM facilities charge at any level is
161 reasonable and in the public interest. The Office believes it is important for the
162 Commission to proceed in a separate docket so that it can fully understand the
163 differences in valuation models, data inputs and assumptions proposed by
164 interested parties. Ultimately, the Commission will want to use a valuation method
165 that best fits the legal, policy and factual circumstances unique to Utah and relies on
166 data inputs and assumptions that are generally consistent across resource planning
167 and ratemaking cases."⁵

168

⁴ See Rebuttal Testimony of Dr. Artie Powell, lines 39-43.

⁵ See Rebuttal Testimony of Dan Gimble, lines 503-515.

169 I support the recommendation of OCS witness Gimble to open a separate docket for
170 consideration of net metering costs and benefits for all customer classes, so that the
171 Commission can make an informed decision as to whether a residential NM facilities charge
172 at any level is reasonable and in the public interest.

173 **Q: The Office also raises concerns with the broad categories of costs and benefits that**
174 **you depicted in Figure 1 of his direct testimony. What is your response?**

175 A: The table included in my direct testimony came from a report published by the Rocky
176 Mountain Institute, in consultation with utilities and other stakeholders, and presents the universe
177 of options, if you will, for NEM cost and benefit considerations. As I mentioned in my direct
178 testimony, there are a handful of useful reports that outline NEM evaluation trends and best
179 practices. I recommend that parties interested in NEM issues acquaint themselves with these
180 studies either during or before embarking upon a Commission-led docket to address NEM issues
181 in Utah.

182 **Q. Please summarize your recommendations.**

183 A. I recommend RMP's proposed net metering facilities charge be rejected. It does not
184 meet cost causation standards, is narrowly calculated and applied, and is discriminatory. I
185 support the recommendation of OCS witness Gimble to open a separate docket for
186 consideration of net metering costs and benefits for all customer classes, so that the
187 Commission can make an informed decision as to whether a residential NEM facilities
188 charge at any level is reasonable and in the public interest.

189 **Q: Does this conclude your testimony?**

190 A: Yes.